pennsylvania
DEPARTMENT OF COMMUNITY
& ECONOMIC DEVELOPMENT

Pennsylvania Small Business Credit Initiative

Pennsylvania was allocated $29.2 million from the US Treasury's State Small Business Credit Initiative, part of the Small Business Jobs Act that was signed into law in September, 2010.

The Commonwealth will deploy Small Business Credit Initiative funds through four existing state programs. Wanting to be sure we meet the small business needs, the Commonwealth asked our partners: Where is the small business need – what gaps need filled? And who better to know the answer than those in the front-line talking to companies on a daily basis. The results of that outreach led DCED to four existing state programs: The Pennsylvania Economic Development Financing Authority (PEDFA), the Pennsylvania Community Development Bank (PCD Bank), the Ben Franklin Partnership (BFP)/Life Science Greenhouses (LSG), and the Machinery and Equipment Loan Fund (MELF). The combined programs target needs of underserved businesses, targeted industry, and the Commonwealth's own popular, job-creating small business programs suffering budgetary shortfalls. Ten statewide business development revolving loan funds programs will be the final recipients of SSBCI funding. These 10 groups will focus on reaching-out and enhancing small businesses capital needs.

The targeted categories of loans and their respective State Programs are:

- Job-generating state program **MELF**
- Early-stage high technology companies: **BFP and LSG**
- Indigenous Marcellus Shale Supply Chain Businesses and regional job-generating programs: **PEDFA**
- Community Development Financial Institutions (CDFI)s; **PCD BANK**

The Pennsylvania application to the US treasury for SSBCI funds is for the above four Commonwealth Programs that cover the above loan categories. Background information, summary guidelines, and historical/expected performance of each program follows.

Pennsylvania Machinery and Equipment Loan Fund (MELF)

The Machinery and Equipment Loan Fund (MELF), which is administered by the Department of Community and Economic Development (the Department), is designed to stimulate the growth and assist in the retention of Pennsylvania businesses, helping them to provide jobs for residents and broadening the tax base for the State. The program provides low-interest loan financing for a portion of the cost of machinery and equipment purchases to eligible businesses that commit to creating or retaining jobs within the Commonwealth. MELF may be used in conjunction with other state financing programs or with programs operated by local or regional economic development providers.

MELF financing is available to eligible businesses that are acquiring and installing new or used machinery and equipment that is directly related to the business process. This includes environmentally essential equipment without which the process could not proceed. Financing is also available to eligible businesses to upgrade existing machinery and equipment that is directly related to the business process.

Applicants must be for-profit business enterprises or medical facilities whose project is or will be located within the Commonwealth of Pennsylvania. In addition, an applicant must engage in one or more of the following activities at the project site: manufacturing, industrial processes, mining, production agriculture, information technology, biotechnology, services as a medical facility, or other industrial or technology sectors. Loan parameters include:

a. Loan Size - The maximum loan amount is $5,000,000 or 50% of the total eligible project costs, whichever is less.
b. Interest Rate - The interest rate for the loan will be fixed at the time of approval of the loan and remain fixed for the duration of the repayment term. Interest rates are subject to change based on market conditions.

c. Terms - Up to ten (10) years or the life of the machinery or equipment, whichever is less.
Other Required Investment - Funds from other sources must equal at least 50% of eligible project costs.
Job Creation or Retention – Except for loans to agricultural producers and to medical facilities, for each $25,000 of loan proceeds, at least one full-time job must be created or retained at the project site within three years after the MELF loan has closed.

In the past five years, the MELF program provided over $ 199,261,466.00 to 291 projects with the average loan size being $684,747.31. Program managers expect $100,000,000 in MELF funding to assist 146 projects in the upcoming 5 years. In the past ten years, MELF has retained 29,294 jobs and created 18,407 jobs. In the next five years it is anticipated the program will retain an additional 14,647 jobs and create an additional 9,203 jobs.

Pennsylvania Ben Franklin Technology Partners and Life Science Greenhouses

The Ben Franklin Technology Partners (BFTPs) and Life Science Greenhouses (LSGs) are non-profit economic development intermediaries created by the Commonwealth of Pennsylvania to accelerate innovation, economic growth and jobs in the state's high technology economy. Although each of the seven entities are independently managed by their own regionally-based boards of directors, they all provide loans/investments to early-stage technology companies, high-quality business mentoring, technology commercialization and incubation services to Pennsylvania entrepreneurs. Through these activities, all seven have a ten-year track record of transforming the support of the Pennsylvania Department of Community and Economic Development into exponential amounts of private, follow-on financing to their client companies. This track record is one of the central benefits to allocating SSBCI support to these entities through the existing state program, the Ben Franklin Technology Partners. The seven entities are:

Pittsburgh Life Sciences Greenhouse
2425 Sidney Street
Pittsburgh, PA 15203

Innovation Works, Inc.
2000 Technology Drive, Suite 250
Pittsburgh, PA 15219

Ben Franklin Technology Center of Central and Northern Pennsylvania
115 Technology Center
University Park, PA 16802

Life Sciences Greenhouse of Central Pennsylvania
225 Market Street, Suite 500
Harrisburg, PA 17101

Ben Franklin Technology Partners of Northeastern Pennsylvania
125 Goodman Drive
Bethlehem, PA. 18015

The Biotechnology Greenhouse Corporation of Southeastern Pennsylvania d/b/a BioAdvance
3711 Market Street, 8th Floor
Philadelphia, PA 19104

Ben Franklin Technology Partners of Southeastern Pennsylvania
4800 S. 13th Street, Suite 200
The Navy Yard
Philadelphia, PA 19112

To accomplish their mission, each of the entities uses some combination of:

- A straight term loan with an interest rate;
- A convertible (to equity) note with or without warrants enabling them to purchase equity in the future at a discount; and,
- An exchange of cash for equity at a mutually agreed-upon price.

Since each of the entities is independently managed, they have somewhat different investment processes. However, they share common elements as summarized below:

- Pre-qualification – This is generally accomplished by an in-person meeting with the prospective

client's principals to assess whether there is sufficient commercial potential and mission relevance to take the application further;
- External Review – Academic, industry, and investor subject experts are retained to evaluate the quality of the technology as well the potential of the business plan;
- Internal Review – Due diligence is performed on financial and legal aspects of the prospective company, the management team, the market, the technology and other component parts of the business plan. Investment terms are discussed with the prospective client and some pre-investment mentoring may be performed;
- Investment Committee – On the recommendation of staff, some combination of internal management, external advisors and/or the entity's board of directors makes a decision on whether or not to invest and sets milestones and terms relating to the amount and timing of that investment; and,
- Post-Investment Monitoring – A staff member is assigned either as a board "observer" or even an actual member of the invested company's board of directors. Staff will remain in frequent communication with the company to provide all types of related enterprise development assistance. In the event liquidation or collections are necessary, this same staff member will coordinate that entity's response.

Supporting the growth of an entrepreneurial technology sector in Pennsylvania's economy has many tangible benefits including: higher-paying jobs; the attraction and retention of an educated workforce; the development of new technologies that have wide societal benefit like medical therapies and clean energy; and maintaining the future competitiveness of the Commonwealth's economy. The direct benefits to Pennsylvania of a $5 million SSBCI allocation to the entities will be significant. Based upon historical data from the BFTPs and LSGs, this $5 million is projected to create over 7 years:

- 17 financings to early-stage Pennsylvania technology companies
- 163 high-paying, sustainable jobs
- $10,765,631 of new payroll
- $50 million+ of private financing to grow Pennsylvania technology companies
- $17.5 million of new tax revenues for the Commonwealth of PA[1]

Pennsylvania Economic Development Financing Authority – SSBCI Fund

The Pennsylvania Economic Development Financing Authority (PEDFA), which was created in 1987, administers both a tax exempt and a taxable bond program which can be used for land and building acquisition, building renovation and new construction, machinery and equipment acquisition and installation, designated infrastructure, refinancing and working capital. The legislation which created PEDFA provides flexibility to provide funding of projects of almost any size in a wide variety of categories, and allows the Board of Directors to create new programs and financings under the auspices of PEDFA. Two of these programs created under the auspices of PEDFA are the Pennsylvania Community Development Bank (PCD Bank), which provides funding to Community Development Financial Institutions (CDFIs), and the Pennsylvania Capital Access Program (PennCAP), a loan guarantee. Likewise, the Board of Directors has the ability to authorize the deployment of SSBCI funds to partnering outside organizations through PEDFA. Since inception, PEDFA has issued more than $6 billion in tax-exempt and taxable bond proceeds to fund 500 + projects. The PEDFA program reviewed and approved the following Regional programs to be funded through PEDFA-SSBCI. Each program operates a Revolving Loan Fund, summaried as follows:

Central Bradford Progress Authority (a.k.a The Progress Authority)

Centrally located in Pennsylvania's natural gas boom, the Marcellus Shale field, the most prolific natural gas field in the United States, the Progress Authority is poised to assist the needs of small businesses wanting to expand to serve the gas industry needs but is finding difficulty in accessing capital. The Progress Authority – a DCED certified area loan organization covering the counties of Bradford, Susquehanna, Sullivan, and Wyoming -- will utilize their 18-years of economic development lending experience to provide credit to deserving small businesses in their region and those specifically tied to Marcellus Shale.

Progress Authority Revolving Loan Fund Policies summary: Eligible Applicants: All new and existing businesses and industries, including manufacturing and industrial projects and small business projects located in the Bradford County Enterprise Zone. Eligible Activities: Acquisition and/or improvement of land and building, including new construction or renovation of existing facilities; machinery and equipment purchases; working capital, inventory and payment of professional fees, including but not limited to architects, engineers and attorney fees. Ineligible Activities: Speculative activities, purchase or finance equity in private business, debt consolidation or refinancing. Interest Rates: Rates will follow the Pennsylvania Department of Economic Development PIDA (Pennsylvania Industrial Development Authority) lending rates for building and land, and MELF Machinery and Equipment Lending Fund) for machinery and equipment. Equity Requirement: 10% of developer equity input required. Terms: Loans shall be in a minimum amount of $25,000. Terms are Variable, depending upon use of funds, security being offered, and other factors determined by the Progress Authority Revolving Loan Fund Committee. All loans will be secured by the highest lien position available on collateral. Loans will generally be for a term of five years or less. If the loan is for more than 5 years, the interest rate will be increased after the initial five year term in order to encourage early repayment. Job Impact: Projects must demonstrate impacts to sustainable employment. Relocation: Agreement shall state that note is due if company relocates out of described area or ceases operations. Fees: RLF applicants will be required to provide a $250.00 non-refundable application fee to the Progress Authority upon submission of the RLF request. In addition, successful RLF applicants will be required to provide a 1% loan origination fee to the Authority upon completion of the loan closing. The business will also be responsible for all closing costs and attorney fees. Payment Schedule: Payments shall be made to First Citizens Bank, who will provide monthly statements or payment book as requested. Generally, the first payment is due one month from date of closing, with monthly payments on same date thereafter for term of loan. Code Compliance: Are required for all loans. Environmental Audit: All applicants must demonstrate compliance with local, state and Federal environmental regulations. Projects involving real estate must provide a current environmental audit. Demonstration of Benefit: All applicants must demonstrate a need for CBPA RLF funding and provide supplemental evidence to document the need. Acceptable documents include, but are not limited to bank commitment letter outlining terms and conditions that loan is contingent upon for RLF funding, or bank denial letter with reasons provided for denial.

The Progress Authority lending program has historically clearly demonstrated that for each dollar of public support more than one dollar of private investment is made. In most cases, private investment exceeds one to three or greater public to private investment for each credit approved. The Progress Authority anticipates 150 new jobs will be created with the requested amount in SSBCI funding. This is an average of 15 jobs per loan, or $3,333.00 per job. The CBPA expects to administer 20 loans at an average of $50,000 per loan. With the increase of new businesses, sales and anticipated job growth; numerous taxation mechanisms will help to capture the effects the state Small Business Credit Initiative has established. By providing capital for small businesses, the obvious increase in sales tax, employment and payroll taxes, 150 new jobs and real estate tax base growth benefits the community. The investment of $1,000,000 should return at a minimum $2,500,000 in new tax revenues to the target region.

Altoona-Blair County Development Corporation (ABCD Corp)

Serving nineteen counties in south Central and Western Pennsylvania, the DCED-certified ABCD Corporation, through the Innovate PA Fund, will provide low-interest loans to help meet the financing needs of small businesses that are presently not being met by public and private lenders. Commercial, industrial, service and technology related businesses will be targeted to promote employment

opportunities for individuals who reside in the program coverage territory. The "Innovate PA Fund" will provide low-interest loans to help meet the financing needs of small businesses that are presently not being met by public and private lenders. Targets: The program will target businesses with 500 or fewer employees located in the program coverage territory. Firms exceeding this size parameter will not be eligible for financial assistance under this program. Eligible Uses: Land and building acquisition, new building construction, rehabilitation of existing structures including leasehold improvements, acquisition of machinery and equipment, purchase of inventory, installation of pollution controls and abatement of environmental hazards, development of land through the provision of infrastructure, start-up operating costs and working capital professional fees associated with the borrower's specific project.
Loan Limits: Participation in any project will be limited to $1 of public support for $1 of new private credit up to a maximum loan of $500,000. Interest Rates: Interest rates may vary from project to project and will be negotiated between ABCD Corp. and the borrower. Terms generally will be five (5) to seven (7) years for machinery and equipment; one (1) to three (3) years for working capital; fifteen (15) years for real property. Fees: Application / Filing Fee: $250, non refundable; Commitment Fee: 2.0% of the Innovate PA Fund Loan; Legal Fee: Payable directly to ABCD Corporation's attorney; Action Fee: $250 plus legal fees; Annual Servicing: None. Collateral Requirements: Loans will be secured by lien positions on property being financed, assignment of receivables for marketable merchandise, assignment of certain types of contracts, inventory, leasehold improvements, guarantees or personal endorsements. The Innovate PA Fund will have the option to require additional collateral including personal real estate or other personal property to secure any loan. In instances where the loan is complimentary to bank participation, The Innovate PA Fund Loan may take a subordinate position, yet still require sufficient collateral to cover the loan risk and exposure. Priority: Primary consideration in the evaluation of all loan applications will be employment retention and/or the creation of new net jobs. Priority will be given to those firms that can demonstrate that the jobs to be created or retained pay family sustainable wages and provide adequate benefits to their employees. Each project will require that for each $25,000 loaned a full time equivalent job is being created within a reasonable period of time (less than 3 years from loan closing). Companies who participate in welfare to work individuals will also received priority consideration. In addition, companies who provide the greatest equity participation will also be given priority consideration.

ABCD Corporation focuses on job creation and requires companies to create 1 job per $25,000 borrowed. Priority will be given to those firms that can demonstrate that the jobs to be created or retained pay family sustainable wages and provide adequate benefits to their employees. Companies who participate in welfare to work individuals will also receive priority consideration. Expected Outcomes include: assist a minimum of ten (10) firms operating; create/retain a minimum of eighty (80) new job opportunities over the course of the program; and projected increase in the sales of the businesses assisted by the 25% above pre-program levels

Pennsylvania Industrial Development Corporation (PIDC)
PIDC's Growth Loan Fund is an innovative Credit Support Program (CSP) that provides low-interest, subordinated financing to small businesses that have difficulty accessing the private capital necessary to maintain operations and to expand their businesses. The Growth Loan Fund CSP offers both term loans and working capital lines of credit utilizing best practice lending processes and procedures. PIDC, a private nonprofit corporation and the economic development arm of the city of Philadelphia, has a 53-year history of stimulating economic development by leveraging financing and real estate resources that attract, retain, and grow businesses in Philadelphia. PIDC provides financing programs and real estate products to business and non-profit clients in all neighborhoods of Philadelphia. PIDC also coordinates tax incentive and work force development programs offered by the City of Philadelphia and the Commonwealth. PIDC's central strategy is implement economic development initiatives that stimulate jobs, investment, and production throughout Philadelphia.

Growth Loan Fund CSP Summary: PIDC's Growth Loan Fund is an innovative CSP that provides low-interest, subordinated financing to small businesses that have difficulty accessing the private capital necessary to maintain operations and to expand their businesses.
Through the Growth Loan Fund CSP, PIDC deploys resources that help meet the financing needs of small businesses that presently are not being met by private lenders because of tightening credit markets, more stringent underwriting standards, decline in the value of collateral, and other economic factors.

Historically, a *typical* Growth Loan might be structured as follows:

- *PIDC Debt*: Approximately 40% of project costs, subordinated to private financing;
- *Private Lending*: Approximately 50% of project costs, first position; and
- *Equity*: 10% minimum contribution.

Growth Loans utilize private and public resources to extend capital to small businesses. Growth Loans offer flexible terms, low interest rates, and subordinated debt and entail risk sharing by public and private entities. Therefore, banks have greater confidence in extending credit to small businesses and are willing to participate in small business lending. PIDC's Growth Loan Fund CSP makes capital available to small businesses while also leveraging private financing. Often a Growth Loan results in even more leveraged financing than outlined above in the 40%, 50%, and 10% scenario. For example, over the last five years, the average size of a Growth Loan was $500,000 and the average total project cost was $3-$5 million. The Growth Loan Fund CSP offers term loans and lines of credit for a broad array of industrial, commercial, and retail businesses located in Philadelphia for a flexible range of uses, including:

- Property acquisition;
- Construction/ building renovation;
- Machinery and equipment;
- Environmental remediation and energy-related costs;
- Working capital; and
- Soft costs including: legal, accounting, engineering, architectural fees, permits, appraisals, and other related expenditures.

Growth Loans are available for loans between $100,000 and $1 million at below market rates (current interest rate is 2.75%) and are secured by fixed assets. The term of Growth Loans depends on the type of use. For example, furniture, fixtures, and equipment have a five year term while construction and renovation may have a 15 year term. A working capital line of credit may have a term of one year with an option for renewal.

Since its creation, PIDC has settled 5,827 transactions that include $10 billion in financing, 2,806 acres of land sales, and 5 million square feet of leased space. Overall, these transactions have leveraged over $18 billion in total project investment and have assisted in creating and retaining 460,000 jobs. In the most recent fiscal year, PIDC and its affiliated entities settled 177 transactions. Financing included $63 million of loans, $153 million of tax exempt bonds, and $144 million of state and local grants. This public funding supported about $1 billion of total investment. PIDC's overall activity helped to retain and grow approximately 5,128 jobs in Philadelphia. This activity was distributed throughout all neighborhoods of the city and encompassed every sector of the economy.

SeedcoPA

The South Eastern Economic Development Company of Pennsylvania (Seedcopa), the Certified SBA Development Company of the Chester County Economic Development Council (CCEDC), will serve as the Credit Support Program (CSP) for the SSBCI-funded and approved Pennsylvania Regional Revolving Loan Fund . The PRRLF will be comprised of membership to include many of the southeastern Pennsylvania economic development councils ("EDCs") and local and regional banks. These entities will be contributing capital to the PRRLF which will be used as a source of funds for the loans. This structure allows the members to participate in the community and economic development of the southeastern Pennsylvania region. EDCs will fulfill their individual missions of supporting small business and job growth within their respective counties and the banks will be able to utilize their participation in the PRRLF to meet federally designated Community Reinvestment Act requirements. However, to be successful, the PRRLF will additionally need to provide a return to its members based on loan portfolio performance.

The funds to be lent will be issued through the PRRLF under the direction of Seedcopa and the lending consortium. Seedcopa has been facilitating similar loans under government guaranteed loan programs for quite some time and already has the processes, procedures, software, and back room operations necessary to support this new lending program. Seedcopa will endeavor to continue its mission to fund "underserved areas". An area is considered underserved if it meets any one of the following criteria:

- Low-to-moderate income communities
- Empowerment zones and enterprise communities
- HUBZones
- Businesses less than two years old
- Veteran owned businesses, or
- Firms whose workforce is low income or resides in low-to-moderate income census tracts

PRRLF's utilization of the SSBCI Grant jointly with community bank funds and regional EDC funds will ensure that those qualified borrowers most in need of responsible lending will be served.

The funds requested under SSBCI are an integral part of providing the loans to the small business owners at a reasonable cost. Although this is a mission-oriented loan program, it is still necessary for the members to receive a moderate return on their investment in PRRLF. By blending the sources of capital from the EDCs and Banks with the requested SSBCI proceeds, the PRRLF will be able to lower its cost of funds to the borrowers while providing a modest net return to its members. By providing this lower cost of funds to the borrowers through the blending of the SSBCI grant proceeds with the member contributions, the PRRLF will decrease the costs to small businesses throughout the southeastern region of the Commonwealth. The PRRLF will be managed by a not-for-profit affiliate of Chester County Economic Development Council known as South Eastern Economic Development Company of Pennsylvania ("Seedcopa"). Seedcopa is the largest SBA Certified Development Company in the Commonwealth of Pennsylvania and is already actively lending under the SBA 504 and 7(a) loan programs in the geographic area to be covered by the PRRLF.

Approximately 25 economic development corporations (EDCs), community banks and small business development centers (SBDCs) collectively are presently engaged in forming a regional consortium to create and operate a private-public partnership revolving loan fund called the Pennsylvania Regional Revolving Loan Fund (PRRLF). This loan program, funded with SSBCI and private capital, will provide loans to small businesses in the 14-county region roughly between Philadelphia and Harrisburg. In the process, the regional consortium as part of SSBCI will:

- Establish the PRRLF with $10-40 million and loan it to small businesses in underserved areas of the region.
- Include in the consortium approximately 10-14 EDCs (that currently provide small business loans using SBA 504 and government-guaranteed loans) and approximately 10-15 partnering community banks (operating within the Seedcopa "footprint").
- Also include approximately 2-4 partnering SBDCs (such as Kutztown University SBDC, Widener University SBDC and Temple University SBDC) who will provide requisite "business development" counseling, consulting and training to perspective PRRLF loan recipients.
- Engage Seedcopa to underwrite, approve and service the PRRLF loans and administer/manage PRRLF; and

- Collectively provide access to capital for permanent working capital loans, machinery and equipment loans, reference lines, and, term loans with short-term maturities. These capital accesses will enhance the loan-making capabilities of the participating EDCs substantially.

During the first two years of the SSBCI, Seedcopa expects 16 loans to be made totaling $4,000,000. 62 jobs will be created. An increase in sales taxes paid is expected to be $24,000; Increases in income Taxes Paid: $1,097,600; Increases in other Taxes Paid: $705,850. This would be by businesses/or workers.

SEDA-COG

For over 30 years, SEDA-COG has been providing economic development lending to businesses located in an 11-county area in the heart of Pennsylvania. As a DCED-certified lender, SEDA-COG will provide SSBCI financial assistance to small businesses in areas that are not currently served by existing Private, SEDA-COG, or Commonwealth of PA loan programs. These financing gaps include assisting companies with the equity portion of a project involving another loan provided by SEDA-COG as a means to preserve needed working capital for their business and to increase credit availability for small businesses; help businesses access state of the art telecommunication and broadband services and; financing to support commercial service and retail establishments serving the emerging Marcellus and Utica shale industry. The SEDA-COG Equity, Business Assistance and Telecommunications Loan Program (SEBAT) will target eligible small business enterprises that are for-profit corporations, limited liability companies, partnerships, sole proprietorships or other legal business entities located within the Commonwealth of Pennsylvania and having 500 or fewer full-time employees worldwide at the time of submission of the application. However, priority will be given to companies having 100 or fewer full-time employees. Those small businesses can be involved in manufacturing, commercial service, or retail activities. The SEBAT, among other things, will specifically target businesses located in the SEDA-COG and IMMIX service area engaged in promoting technology and communications and businesses involved in Marcellus and Utica Shale activities. Companies that are directly creating telecommunications infrastructure or other small businesses that have broadband telecommunications needs or are pursuing business opportunities or projects that will accelerate the adoption or deployment of broadband technology in underserved rural areas will receive priority consideration. The equity assistance component of the SEBAT can be utilized in combination with the SBA 504 program not only in the SEDA-COG 11-County region, but Statewide, in order to remain consistent with our authorized lending area approved by the SBA. However, priority would be given to SBA 504 projects in the SEDA-COG 11-County region. Summary RLF guidelines: Loan Purposes: Land costs, building costs, machinery and equipment costs, working capital and related soft costs. Loan Amounts: For loans made toward a borrower's equity injection in a project, the loan amount will be up to one-half (1/2) of the borrower's minimum required equity injection as defined by the accompanying SEDA-COG loan provided in the project or $250,000 whichever is less. For loans made to other eligible projects, the loan amount will be up to $250,000 or 50% of the eligible project costs, whichever is less. The minimum loan size available under the SEBAT is $25,000. Interest Rate: shall be 1% above the 10-year Treasury Rate, adjusted quarterly, and will be set at the time of loan approval. The rate shall be fixed for the life of the loan. At no point will the rate be less than 4%. Loan Term: For loans made toward a borrower's equity injection in a project, the loan term shall be for fifteen (15) years if an SBA 504 loan in the project is for a term of twenty (20) years. If an SBA 504 loan in the project is for a term of ten (10) years, the term of the SEBAT loan shall be up to ten (10) years. For loans made to other eligible projects, the term shall be fifteen (15) years for projects involving real estate; up to ten (10) years for projects involving machinery and equipment purchases (or the useful life, whichever is less); or three (3) years for projects involving working capital. For projects involving mixed-use purposes, the term shall be based on a weighted average of the eligible terms rounded up to the nearest year. In no case will the term of any SEBAT loan exceed that of the other financing involved in the project. Equity Requirement: For loans made toward the borrower's equity injection, the remaining one-half (1/2) of the equity requirement shall be in the form of cash. The cash may come from the proceeds of a loan (such as a home equity loan) so long as the collateral for that loan does not encumber business assets. In some cases, as permitted by the accompanying SEDA-COG loan provided in the project, the borrower's equity may be in the form of equity in the borrower's business real estate. For loans not made toward the borrower's equity injection, a minimum of 5% of the total eligible project costs will be required for businesses that have been in active operation for at least two years prior to the application. For new businesses or those who have been in active operation for less than two years prior to the application, a minimum of 10% of the total eligible project costs will be required. The equity injection shall be in the form of cash. The cash may come from the proceeds of a loan (such as a home equity loan) so long as the collateral for that loan does not encumber business assets. Fees: 1% commitment fee, 1% closing fee due at the time of the loan closing as well as a minimum $500 legal fee for document preparation.

As of December 31, 2010, SEDA-COG had 389 current loans in our portfolio. Those loans have created 1,238 jobs based on pre-project employment levels and project to create 2,705 jobs in three years from the start of their projects. For the 403 loans that have paid off, 8,753 jobs were created based on the employment level at the time the loan paid off compared to the employment level at the start of their projects. Based on these averages, it is anticipated that each loan provided through the new RLF loan will create 14 jobs over the course of the loan. Based upon the anticipated need of the new RLF loan and the number of projects where the borrower could benefit from assistance with their equity contribution, it is expected that 8-10 loans will be made from the new RLF loan program over a two-year period. Those loans would create an estimated 112-140 jobs over the life of the loans. Based on an initial allocation of $1 million, the average loan size is expected to range between $100,000 and $125,000. A sample of existing loan clients indicated that while the economy has negatively impacted sales growth for many of our borrowers, those that realized sales growth did so by an average of 18% or $1.8 million (based on 2009 versus 2008 sales figures).

PA Community Development Bank: Community Development Finanical Institutions

The Pennsylvania Community Development Bank (PCD Bank) was created in 1998 and is administered by The Pennsylvania Economic Development Financing Authority (PEDFA). PEDFA has established the PCD Bank Operational Committee of the PEDFA Board to award State Accreditation to Community Development Financial Institutions (CDFIs), to approve PCD Bank loans and grants, to monitor operations, and report program performance to its Board and participating financial partners. The PCD Bank is an innovative government initiative that makes capital available for community and economic development lending and provides grants to promote the creation and expansion of Community Development Financial Institutions (CDFIs) in Pennsylvania. The PCD Bank leverages public sector funds with private sector investment to provide access to capital that is reinvested in distressed regions throughout the state. Since inception, 35 organizations have received more than $29 million dollars of loan and grant funds used to augment their capital base, strengthen capacity, and increase product and service offerings. Those private sector partners who have participated in loan transactions have provided approximately $6.4 million of the funds. The combined resources have allowed the CDFIs to leverage millions of dollars in funds from additional sources, leading to substantial community investment in key regions throughout the Commonwealth and creating or retaining thousands of jobs. All funding administered by PCD Bank must be approved by the Operational Committee, and as with PEDFA, all program funds are disbursed and administered through a Trustee. The Trustee also maintains all program accounts and issues reports on their status on a regular basis. PCD Bank is not audited and does not issue financial statements. The following CDFI programs will utilize PCD Bank-SSBCI funding to further enhance small business lending:

Bridgeway Capital works with small businesses and nonprofits in western Pennsylvania that have a strong, positive, economic and social impact — igniting growth, creating jobs, and strengthening communities. To accomplish its mission of making western Pennsylvania a thriving region for all, Bridgeway Capital provides loans to encourage economic growth through three primary programs: growth capital loans, entrepreneur loans, and loans to nonprofits.

Bridgeway Capital will make its Entrepreneur and Growth Capital loans supported by SSBCI funding in accordance with its Credit Policy, adopted by the Board of Directors in 2006. The Credit Policy is designed to allow Bridgeway Capital to be responsive to its target market's needs, maximizing economic development opportunities while maintaining prudent lending. Parameters include:

Fixed rate loans – Bridgeway Capital prices each loan to reflect the risk present in an individual transaction plus an appropriate margin over the cost of the capital used to fund the loan, although in a limited number of program-specific loan programs, the rates may be set by the donor or investor.
Terms; Collateral – Equipment loans must not have a maximum term of greater than seven years or the useful life of the equipment, whichever is less. Loan-to-value may be up to 100 percent on loans secured by equipment. Permanent working capital loans may have amortizations and terms of up to 10 years. These loans may be effectively unsecured, although Bridgeway Capital typically takes a security interest in all business assets. Loans secured by real estate may have terms of up to 10 years and have amortizations of up to 20 years. Loan-to-value may be up to 100 percent of the property value, although up to 120 percent is permitted.
Guaranties – Unlimited and continuing guaranties are required for all individuals with an ownership interest of 20% or more in the firm.
Business Plan – Loan applicants must submit a business plan acceptable to loan officers, which must include monthly cash flow projections for the first year and at least quarterly thereafter. The plan must demonstrate the ability to service the proposed debt, and contain reasonable sales expectations and a solid marketing initiative.
Historical financial condition – If reviewing an application from an existing business seeking funds to grow, Bridgeway Capital analyzes the financial performance of the business for the past three years. However, Bridgeway Capital will fund start-up businesses based on the strength of a business plan, collateral, and the personal credit histories and relevant experience of the guarantors.
Personal credit history – Bridgeway Capital reviews the personal credit history of each guarantor. However, poor personal credit will not necessarily disqualify an applicant, as the circumstances leading to the poor credit history are examined and considered.

Founded in 1990, Bridgeway Capital has made over 660 loans totaling over $72 million, supporting over $226 million in new investment for its borrowers. In the last decade alone, Bridgeway Capital's lending has helped its borrowers create and preserve 5,500 jobs. Bridgeway Capital is a certified CDFI and an Intermediary for the Microloan Program of the Small Business Administration (SBA), and it operates an SBA 504 program through its affiliate, Bridgeway Capital Certified Development Company. Bridgeway Capital made 147 Growth Capital loans totaling $17,713,984 from 2004 through 2010. This financing supported $63,772,343 in additional investment for these borrowers, and helped them to create and retain 1,600.5 jobs. To project its activity for the next seven years, Bridgeway Capital examined its average dollar volume and its average number of loans for the Entrepreneur and Growth Capital products for both the past seven years and the most recent three years. The average size of Entrepreneur loans over seven years ($36,097) was slightly higher than the three-year average ($33,997), while the seven-year average size of Growth Capital loans ($120,503) was very close to the three-year average size ($119,203). Given the small variation in average loan amounts between the seven-year period and the most recent three-year period, Bridgeway Capital determined that it is reasonable to predict that these averages will remain consistent throughout the next seven years.

Community First Fund serves thirteen counties in central and eastern Pennsylvania and has a current loan portfolio exceeding $17 million. Community First provides small business loans, loans for the acquisition of owner occupied business real estate, and loans for the development of affordable and market rate housing. Community First is also an SBA approved 7a Guarantee lender. Community First operates an SBA funded Women's Business Center which provides business-related training and technical assistance to new and emerging entrepreneurs, especially women, persons of color and low wealth individuals.

Community First proposes to utilize the state small business credit initiative funding over seven years to capitalize small business loan program serving Community First's thirteen county market area with special focus on providing loans to small businesses whose access to credit was impaired during the current recession, especially Persons of Color and women. Loans will be provided to small businesses for both start ups as well as existing businesses. The state funding will be used to leverage additional investments from other public economic development funds and from private financial institutions who have supported Community First's lending in the past. Over the course of seven years, this initiative will leverage over $19 million in lending activity with a 10.83 leverage ratio.

The following is a description of CFF's current loan products that will be offered under the SBCI program: Microenterprise Loans: Up to $50,000 with interest rates of 7-12% and terms up to five years. The average loan size is approximately $15,000. (Note: Both SBA Microloan and the new USDA Micro Loan program permit loans up to $50,000; the PA Treasurer's office has provided capital for small loans up to $100,000). Loans are made for real estate improvements, equipment or other assets, for contractor lines of credit or for working capital. Small Business Loans: These loan products range from $50,000 to $500,000 with interest rates of 6-9% and terms up to 7 years. The average loan size is $110,000. Loans of this size require vigilance from a risk management standpoint. As an approved SBA lender 7(a) Guaranty Lender, and where possible, CFF utilizes the guarantee program is as a means to secure its own assets. SBA Loan Guarantees are also important to Community First Fund clients because they allow more non-collateralized risk by the lender. Additional leverage is achieved since SBA guarantees require that 20% of the project amount be provided by the borrower. Where the client has sufficient collateral or does not meet all the SBA conditions (i.e. construction), Community First Fund will provide a direct loan without the SBA guarantee. As noted above, loans are provided for real estate improvements, purchase or lease of equipment or other assets, for contractor lines of credit or for working capital.
Business Owned Real Estate Loans: The focus of the business owned real estate loan product is for the purchase and/or renovation of vacated or seriously deteriorated structures located in downtowns or lower income neighborhoods. As noted previously, the demand for this grew out of Community First's desire to eradicate urban blight by providing capital for downtown revitalization projects and for commercial real estate in low-income neighborhoods. In the Target Market's neighborhoods, over 70% of the commercial real estate is owned by non-residents of the community. These types of loans provide business owners in low-income neighborhoods with the capital needed to purchase the property in which their business is located. Community First also accesses the SBA 504 lending program through local Economic Development Corporations and other 504 providers. This will further increase the leverage ratio of the SBCI investment.

Community First has made over $40 million in loans to over 400 entrepreneurs in its market area. These loans have created or retained over 2,100 jobs. Benefits provided because of the loan transactions are as follows:

- Provision of a minimum of $19,000,000 in new lending activity for eligible small businesses located within the 13 county market area of the Community First Fund.
- Retention or expansion of over 1,850 jobs provided by small business borrowers who participate in the program.
- Increased access to credit for new and expanding small businesses in low and moderate income target areas within the 13 county market area.
- Provision of access to credit for persons of color and women owned businesses. Since its inception, Community First has provided over 36% of its small business loans to women and nearly 46% to Persons of Color.

The Progress Fund supports economic development by lending needed capital and by providing technical assistance to underserved entrepreneurs in 39 counties in western and northern Pennsylvania. The Progress Fund's goal is to build wealth and create living wage jobs in its rural market area. The Progress Fund maximizes its impact by targeting businesses that see opportunity in the tourism industry or are family farmers who grow and sell "locally grown foods". The Progress Fund is a certified CDFI, an Area Loan Organization under DCED and an SBA approved lender in the 7(a) loan guarantee program. Since its inception in 1997, the Progress Fund has made 350 loans totaling more than $36.9 million to 206 small businesses helping to create or sustain over 2,352 jobs. The Progress Fund has also provided more than 12,980 hours of entrepreneurial coaching and helped rehabilitate over 125 historically significant buildings which have been focal points for community redevelopment efforts. The Progress Fund uses the following general eligibility criteria to initially accept or reject applications for review based upon these factors:

- Minimum loan for new borrowers: $20,000
- Maximum loan $700,000
- Project creates measurable economic impact
- Project is located in Pennsylvania
- Purpose of loan meets criteria for eligible use of funds
- Borrower is a private entity
- Loan is within parameters for size, term, rate, repayment ability and collateral

Overview - The Progress Fund is an innovative lender offering unique products and services to the promising tourism industry. The Progress Fund provides loans exclusively to small businesses. The Progress Fund uses its own sources of capital and strengthens each deal by providing tailored Technical Assistance to prospective borrowers. The Progress Fund's financial products include start-up loans, expansion loans, lines of credit, and bridge loans.
A joint-study by Penn State and Clemson Universities concluded that "The Progress Fund has identified a unique and seemingly underserved niche. It is not exploiting this with high interest rates; rather The Progress Fund is absorbing some perceived risk that other lenders are unwilling to undertake. This is often essential for these businesses to survive. Over 75% of its' loans have been made to businesses which have been flat turned-down by banks for funding or the bank would not provide the needed total financing and the project required a secondary lender in a second or third position. It is noteworthy that about a third of respondents did not seem to have any immediate alternative plan in place to finance their businesses had The Progress Fund's services not been available." Financial Products and Financial Services: Financial Products include start-up loans, expansion loans, lines of credit, bridge loans. Loans from The Progress Fund may be used for any combination of: purchase of land and buildings for use in a business enterprise, associated renovations and/or new construction, purchase of machinery and equipment, furnishings and fixtures, inventory, purchase of an existing business and the business assets, expansion of an established business, permanent working capital and refinancing existing debt to improve cash-flow.

Northside Community Development Fund provides financing for small businesses and real estate projects on Pittsburgh's Northside. The north side of Pittsburgh encompasses 14 low-income neighborhoods. All of the loans to be made with SSBCI funds will be in underserved low income census neighborhoods. Types of loans include: BUSINESS FINANCING - Since its inception, the Northside Fund has been providing financing for Northside-based businesses that need gap loans for working capital, real estate acquisition, and working capital. Loans customers run the gamut from established manufacturers to start-up retail businesses. We have secured lending capital from local banks, the Urban Redevelopment Authority, the Pennsylvania Community Development Bank, and the US Department of Treasury, the New Markets Tax Credit program, the Small Business Administration, Citizens Bank, National City Bank, Fifth Third Bank, Pittsburgh Partnership for Neighborhood Development, and Pittsburgh Central Federal Credit Union. REAL ESTATE FINANCING - In 2008, the Fund sold a $2 million New Market Tax Credit investment to Fifth Third Bank, which was used to finance real estate development projects. The Fund makes construction loans to developers partnered with local community organizations to develop residential and commercial real estate projects throughout the Northside. During the next 5 years, it is anticipated that these funds will provide financing to 10 projects that will result in the creation of more than 200 residential units and more than 30,000 sf of retail and office space in key neighborhood commercial districts**.** EQUITY INVESTMENTS **-** In 2005, the Northside Fund began making equity investments into real estate projects, including a $560,000 investment in the Northern Light Tower along the strategic Western Avenue corridor. In 2007, we began making equity investments into small start-up businesses with our investment in Amani Coffeehouse, located in the Historic Deutschtown business district. These efforts were greatly expanded in 2010 when we formed the Northside Micro Enterprise Fund LLC to provide. We have invested $40,000 in two businesses and anticipate investing the remaining $210,000 during the coming year into 8 other start-up businesses.

Based upon previous lending experience for the past 10 years, the Northside Fund estimates the following impacts will result from receiving SSBCI Funds:

- Make an additional 3 loans to small businesses with an average loan size of $100,000
- Create and/or retain 13 jobs with an average hourly wage of $11.87
- These employees will pay approximately $12,187 per year in local and state wage/income taxes
- The businesses will also pay approximately an additional $10,000 per year in state and local business and sales taxes

The Economic Opportunities Fund (EOF) of the Women's Opportunity Resource Center WORC serves the five-county Philadelphia region. EOF is a micro enterprise development fund created in 1999 in response to the unmet demand for start-up capital experienced by graduates of entrepreneurship training programs provided by EOF's parent, WORC. EOF focuses on underserved communities and maintains a specific emphasis on servicing low income women and minorities who face particularly great obstacles to obtaining credit. EOF was created in response to the unmet demand for start-up capital experienced by graduates of entrepreneurship training programs provided by EOF's parent, WORC , a nationally recognized technical assistance provider— winner of the 2001 Presidential Award for Excellence in Microenterprise Development and a 2005 Technology Innovation Award for *Building Blocks to Financial Success.* EOF's Direct Lending program currently offers five (5) loan products: Credit Builder (up to $1,000); Start Up Loan (up to $2,500); Line of Credit (up to $2,500); Small Business (up to $20,000) (which includes City of Philadelphia's Green Works program); and Near Equity (up to $35,000). EOF is expanding capacity to develop a New Loan Product for Small Business (up to $50,000). EOF's Direct Lending program is the only micro enterprise loan fund of its kind in Philadelphia in that in conjunction with its parent, Women's Opportunities Resource Center (WORC), it also offers a comprehensive array of training courses, services such as pre- and post-loan technical assistance, links to a savings program, a credit repair program, and start-up, staged loans. EOF provides pre- and post-loan technical assistance and mentoring. EOF's expertise in providing technical assistance, mentoring and loan packaging is essential to the success of our clients. Borrowers work with EOF staff to complete financial packages and successfully obtain loans. Through our extensive experience working with low income individuals, EOF is prepared address problems faced by individuals with poor credit or limited credit history. EOF enables clients to establish a credit payment history, repair credit problems, and accumulate assets required to attract larger sources of capital.

EOF helps micro entrepreneurs and small businesses succeed in today's complex economy by offering technical assistance in areas such as financial management, bookkeeping, and marketing. This type of assistance develops financial management skills and business acumen among participants and greatly enhances their potential for success. Specialized post loan technical assistance is accomplished through one-on-one consultations, site visits and referrals, as required. One-on-one individual counseling is tailored to meet individual needs, e.g. accounting, legal, marketing, and sales, finance, website, graphic design, etc.

EOF draws upon skilled, small business consultants to provide issue-specific, post loan technical assistance. EOF's development services and technical assistance are organized with input from community leaders, and enhanced by our partnerships with other organizations that serve the same target populations, such as SCORE and the Small Business Assistance Centers.

EOF and its parent, WORC, bring 18 years of experience to providing technical assistance to microenterprises and have successfully implemented Business Technical Assistance programs for low income city residents with the Philadelphia Department of Commerce. Overall, SSBCI funding will:

- facilitate the expansion of EOF’s existing lending program;
- allow EOF to initiate larger loans;
- increase EOF’s overall lending capacity to $600,000 in loan outstandings;
- will assist approximately 26 borrowers as they start-up or expand their microenterprises;
- will help create 26 jobs.

In keeping with WORC/EOF’s mission, the SSBCI loans will serve small businesses in low- and moderate-income municipalities, in minority communities, and in other underserved communities and to women- and minority owned small businesses.

EOF projects that with the proposed funding, we will make 39 loans to 26 discrete borrowers**.** Historically, 54.6% of EOF borrowers are individuals who are starting a new business. Each new business creates a new job for the individual. Going forward, as we will be making larger loan we have forecast that 45% of borrowers will be start-up businesses. We anticipate that 12 individuals will successfully launch new businesses and become economically self sufficient due to the technical assistance and financing provided by EOF.

Of the 55% or 15 borrowers who will approach EOF already having started their own microenterprise, we anticipate that 20% of the businesses have the capacity to hire additional employees if financing is available. On average, these microenterprises are prepared to grow with financing from EOF, and have the capacity to hire 5 new employees. Therefore, we project that 2.8 businesses will hire five new employees each, creating 14 additional jobs.