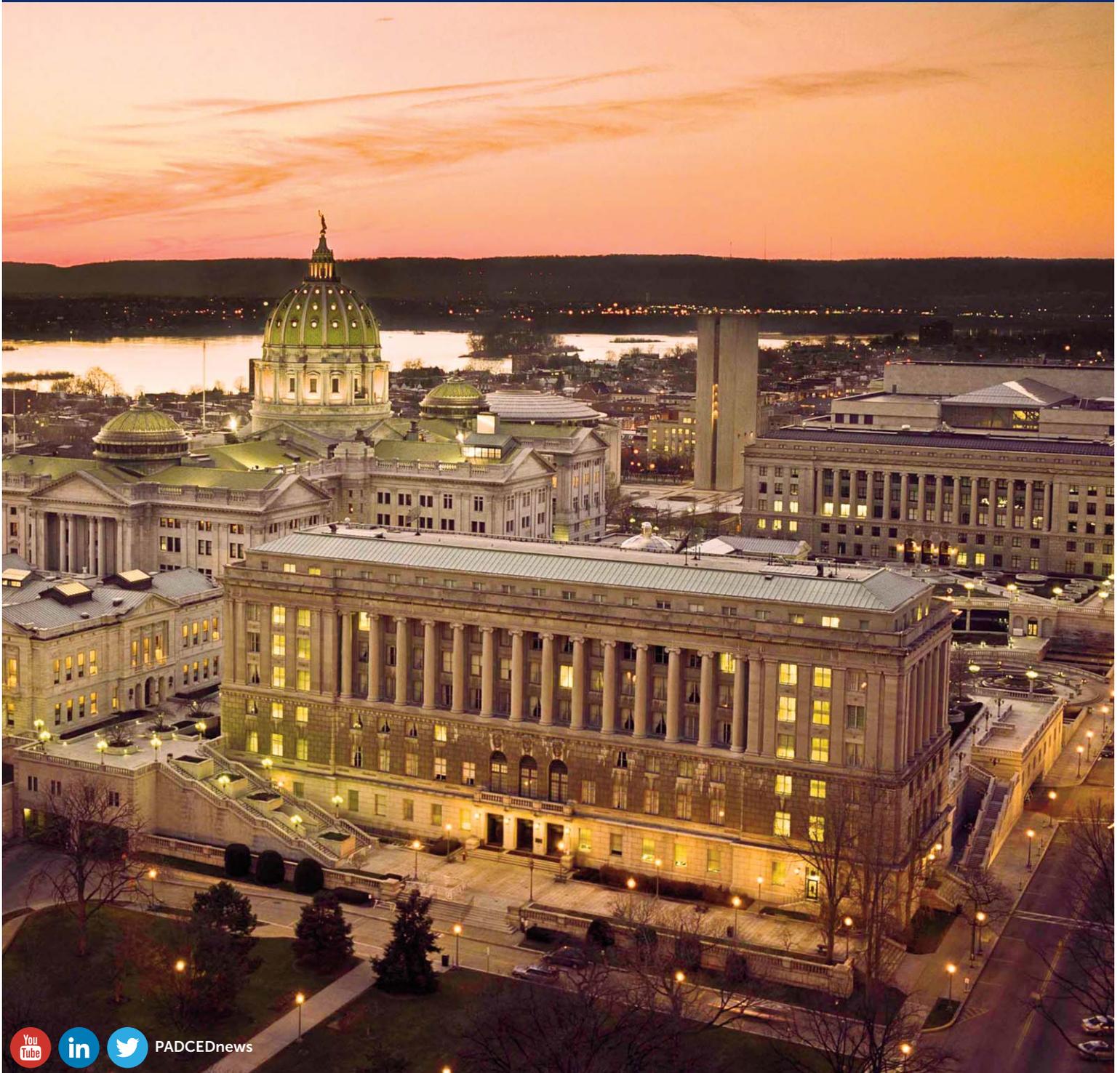


# FIRST INDUSTRIES LOAN GUARANTEE PROGRAM

Program Guidelines | December 2016



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## Section I – Introduction

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### A. Statement of Purpose

The First Industries Loan Guarantee Program (the “program”) provides loan guarantees to nonprofit organizations and for-profit business enterprises to undertake projects relating to the promotion and development of agriculture and tourism within Pennsylvania. The program is administered by the Commonwealth Financing Authority (“CFA”) and by the Department of Community and Economic Development (“DCED”).

### B. Eligible Activities

**Agriculture** – Agriculture and agriculture-related projects include all of the following:

1. Production agriculture, which is the production of farm commodities or farming. Farm commodities include: agricultural, horticultural, aquacultural, vegetable, fruit and floricultural products; livestock and meats; wools; hides; furs; poultry and eggs; dairy products; nuts; mushrooms; honey products; and forest products.
2. Agribusiness (for example, food processing).
3. The sale of farm commodities at wholesale.
4. The sale of farm commodities at retail by urban and rural supermarkets located in underserved areas. Supermarkets are retail stores operated on a self-service basis, primarily selling groceries, produce, meat, baked goods and dairy products. Convenience stores do not qualify as supermarkets. Underserved area is defined as a low or moderate income census tract, an area of below average supermarket density or an area having a supermarket customer base with more than 50% living in a low income census tract or other area demonstrated to have significant access limitations due to travel distance as determined by the CFA.
5. Farmers’ markets.
6. Energy-related activities impacting production agriculture or agribusiness.
7. Activities which implement best management practices related to agricultural waste, waste products and byproducts, or fertilizer.

**Tourism** – Tourism is defined as an activity which promotes or encourages individuals to travel to a location within this commonwealth for pleasure. For purposes of the program, tourism-related projects include all of, but not limited to, the following:

1. Destination sites located in Pennsylvania, including but not limited to historic, heritage, cultural, sporting, amusement, nature, outdoor recreational, or retail venues.
2. Hospitality establishments, including lodging and restaurants, retail establishments, and outdoor activity-based businesses in close geographic proximity to a Pennsylvania destination site or part of the marketing effort that targets a Pennsylvania destination site.
3. Businesses that develop and market travel packages for the purpose of bringing out of state visitors into Pennsylvania to enjoy attractions and stay in overnight, paid accommodations.
4. Public/private partnerships formed to enhance or optimize the use of commonwealth owned resources such as state-owned parks, state game lands, and museums.
5. Tourism related activities or events that promote overnight visits in Pennsylvania.
6. Other projects or activities as determined by the CFA.

## Section II – Loan Guarantees

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### A. Eligible Applicants

An eligible applicant for a loan guarantee may be a for-profit business enterprise (including a corporation, limited liability company, sole proprietor, cooperative or partnership), or a non-profit organization that is engaged in tourism-related or agriculture-related activities as defined by these guidelines and is obtaining a loan from a commercial lending institution or a community development financial institution (both referred to as “lending institution” in these guidelines). A lending institution may also apply for a loan guarantee on behalf of a borrower. A lending institution enrolled in the program may submit an application for a guarantee of a loan for the asset financing needs of an agriculture-related organization. The guarantee may in no case be used to support working capital lines of credit or the refinancing of existing debt. Utilization of First Industries loan guarantees is limited to projects in which the commonwealth or any authority of the commonwealth is not providing matching financing to the loan the CFA is being asked to guarantee.

### B. Enrollment of Lending Institutions

A commercial lending institution is a federally chartered or state chartered bank, savings bank, savings and loan association or farm credit system institution under the Farm Credit Act of 1971 (Public Law 92-181, 85 STAT. 583) which has a satisfactory rating from its primary regulator, which is engaged in commercial lending activities, and which operates at least one full-service branch for deposit gathering and lending located within the commonwealth. A farm credit system institution need not offer deposit services to qualify as a commercial lending institution.

A community development financial institution is certified in accordance with the Community Development Banking and Financial Institutions Act of 1994 (Public Law 103-325, 108 Stat 2163).

Lending institutions that want to participate in the loan guarantee program may enroll with the CFA prior to the submission of any loan guarantee applications. To enroll in the program, a lending institution must submit a request for enrollment to the CFA which contains the following information:

1. The name and address of the lending institution.
2. The name, title and address of the person who will serve as the point of contact for the lending institution with regard to loan guarantee applications.
3. A description of the lending activities presently engaged in by the lending institution that involve agriculture or agriculture-related projects or tourism or tourism-related projects and how the institution proposes to use the loan guarantee program to supplement or expand those lending activities.

Enrollment requests should be sent to:

The First Industries Loan Guarantee Program  
Commonwealth Financing Authority  
Commonwealth Keystone Building  
400 North Street, 4th Floor  
Harrisburg, PA 17120-0225

If the information provided is satisfactory to the CFA, the lending institution may be enrolled for the loan guarantee program. Upon accepting a lending institution for enrollment, the CFA will execute a master guarantee agreement in favor of the lending institution. At a minimum, the master guarantee agreement will provide for the following:

1. The procedure for the submission of a claim for payment by the lending institution. The lending institution will be required to demonstrate that it has exhausted all available remedies against the borrower and other guarantors and that it has liquidated collateral securing the loan before it may obtain a payment under the master guarantee agreement.
2. A requirement that the lending institution refund to the CFA a percentage of any recovery obtained by the institution after a payment has been made under the master guarantee agreement by the CFA.
3. Periodic reporting by the lending institution regarding itself and the loans for which guarantee certificates have been issued.

### **C. Application Process**

To apply for a guarantee, the applicant must submit an application to the CFA that includes all of the following information:

1. The name and address of the applicant. If the applicant is not the borrower, the name and address of the borrower.
2. If the borrower is an individual or a for-profit business, the type of business the borrower conducts, the location of the business, and the names and addresses of the principals of the borrower. If the borrower is a nonprofit organization, the type of activity carried out by the borrower, and the names and addresses of the officers of the borrower.

Principals include individuals having a 20% or greater ownership interest in the business.

3. A description of the project to be funded by the loan, including a statement of the anticipated economic impact to the commonwealth and the host municipality as a result of the project, a detailed statement of the total project cost, the impact, if any, on prime farmland, and the estimated number of jobs to be retained/created, if any.
4. A description of all sources of financing for the project, including terms, conditions, and collateral or other security required for the loan which is the proposed subject of the guarantee. A copy of the lending institution's commitment letter and/or term sheet must be included.
5. A copy of the borrower's last two years of financial statements prepared or reported on by an independent certified public accountant.
6. The amount of the loan guarantee being requested.
7. If the applicant is a lending institution that is not enrolled with the CFA, the applicant must submit all of the information required for enrollment, as specified in Section IV.B. above.
8. Any other information required by the board.

## D. Application Evaluation

The CFA shall review the application to determine all of the following:

1. That the project is a tourism or tourism-related project or an agriculture or agriculture-related project and at least \$500,000 of private funds will be invested in the project.
2. That the value of the proposed collateral for the loan is sufficient to cover the full amount of the loan.

An eligible project will receive priority consideration if it demonstrates one or more of the following:

### 1. Agriculture

- a. The project will demonstrate a significant economic impact to the commonwealth or the host municipality in which it will be located, and it will enhance the agricultural industry within the commonwealth.
- b. The project is ready to proceed.
- c. The project will positively impact economic conditions in an economically distressed area of the commonwealth.
- d. The project will leverage significant local matching funds.
- e. The project demonstrates partnerships between private sector corporations and public sector and/or non-profit organizations.
- f. The project adheres to sound land use principles.
- g. The project requires public financial assistance to move forward or to be competitive with similar projects in the region.
- h. The project is working in conjunction with other programs promoting urban and rural supermarket development, including, but not limited to, the Fresh Food Financing Initiative.

### 2. Tourism

- a. The project will demonstrate a significant economic impact to the commonwealth or the host municipality in which it will be located, and it will enhance the tourism industry within the commonwealth.
- b. The project will result in cost-effective and efficient marketing of regional assets related to tourism.
- c. The project will promote a public/private partnership for the utilization of a commonwealth-owned resource.
- d. The project will generate significant room night demand for overnight accommodations and will draw tourists from outside a 100-mile radius of the proposed site.
- e. The project will define or interpret the heritage of neighborhoods, communities, or regions of the commonwealth.
- f. The project will capture the location character.
- g. The project is ready to proceed.
- h. The project will positively impact economic conditions in an economically distressed area of the commonwealth.
- i. The project will leverage significant local matching funds.
- j. The project adheres to sound land use principles.
- k. The project requires public financial assistance to move forward or to be competitive with similar projects in the region.

## **E. Award and Issuance of Guarantee Certificates**

Upon being satisfied that all requirements have been met, the CFA may approve the loan guarantee. The total amount of the guarantee may not exceed 50% of the outstanding principal amount of the lending institution loan or \$2,500,000 at any point in time, whichever is less. **For agricultural projects only:** A guarantee of 51% to 90% of the principal amount of the loan may be awarded by the board. The guarantee shall be subject to a one-time fee of 2% of the amount of the loan multiplied by the percentage of the guarantee.

If the loan is made by an enrolled lending institution, the CFA will issue a guarantee certificate subject to the terms and conditions of the master guarantee agreement already executed in favor of the lending institution.

If the loan is made by a lending institution not enrolled with the CFA, the CFA will first execute a master guarantee agreement with the lending institution, in form and substance as described in Section IV.B. above, and then issue a guarantee certificate for the specific loan. Following execution of the master guarantee agreement, the lending institution will be considered to be enrolled in the program for any future guarantee applications.

## **Section III – Miscellaneous Program Requirements**

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### **A. Application Forms**

Applicants will use the on-line DCED Electronic Single Application for Assistance. The application must be submitted online by accessing [dced.pa.gov](http://dced.pa.gov) or [www.esa.dced.state.pa.us](http://www.esa.dced.state.pa.us). One copy of the supplemental information to the application will need to be mailed to DCED or, if in electronic format, the supplemental information can be e-mailed to [ra-dced-cpf@pa.gov](mailto:ra-dced-cpf@pa.gov). Please be sure to reference the identification number for the application submitted online if you are mailing or e-mailing supplemental information.

### **B. Nondiscrimination**

No assistance is awarded to an applicant under this program unless the applicant certifies to the CFA or DCED that they shall not discriminate against any employee or against any person seeking employment by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of the Pennsylvania Human Relations Act, which prohibits discrimination on the basis of race, color, religious creed, ancestry, age, sex, national origin, handicap or disability, or in violation of any applicable federal laws. All contracts for work to be paid with First Industries Guarantee Loan Program assistance must contain the commonwealth's official nondiscrimination clause.

### **C. Project Records**

The applicant must maintain full and accurate records with respect to the project and must ensure adequate control over the control of related parties in the project. The CFA or DCED require access to such records, as well as the ability to inspect all work, invoices, materials, and other relevant records at reasonable times and places. Upon request of the CFA or DCED, the applicant must furnish all data, reports, contracts, documents, and other information relevant to the project.

### **D. Guideline Provisions**

The First Industries Guarantee Loan Program Guideline provisions may be modified or waived by the CFA unless otherwise required by law.

## **Section IV – Program Inquiries**

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Program inquiries should be directed to:

The First Industries Guarantee Loan Program  
Commonwealth Financing Authority  
Commonwealth Keystone Building  
400 North Street, 4th Floor  
Harrisburg, PA 17120-0225

(717) 783-1109  
E-mail: [ra-dced-cpf@pa.gov](mailto:ra-dced-cpf@pa.gov)

These guidelines can also be accessed online at [dced.pa.gov](http://dced.pa.gov).



# SUPPLEMENTAL INFORMATION

## First Industries Loan Guarantee Program

APPENDIX I

### GENERAL INFORMATION

1. NAME OF LENDING INSTITUTION:	
2. LENDER ID #:	3. LENDER LOAN #:
4. DATE LOAN DOCUMENTS ENTERED INTO:	5. DATE OF RESERVATION REQUEST (IF APPLICABLE):
6. NAME & ADDRESS OF BORROWER	

7A. IF THE BORROWER IS AN <u>INDIVIDUAL</u> OR A <u>FOR-PROFIT BUSINESS</u> : TYPE OF BUSINESS THE BORROWER CONDUCTS:	
7B. NAMES AND ADDRESS OF PRINCIPALS (INCLUDE INDIVIDUALS HAVING A 20% OR GREATER OWNERSHIP INTEREST IN BUSINESS):	
8A. IF THE BORROWER IS A <u>NON-PROFIT ORGANIZATION</u> : TYPE OF ACTIVITY CONDUCTED:	
8B. NAMES AND ADDRESSES OF OFFICERS OF THE BORROWER:	
9. TOTAL LOAN AMOUNT:	10. THE AMOUNT OF THE LOAN GUARANTEE REQUESTED:
11A. LOAN TYPE: Minority Business: <input type="checkbox"/> Yes <input type="checkbox"/> No <small>(Minority Businesses are those owned by African Americans, Hispanic Americans, Native Americans, Asian Americans, Alaskans and Pacific Islanders [This designation does not include women-owned businesses])</small>	
11B. TERM LOAN: Term Loan: <input type="checkbox"/> Yes <input type="checkbox"/> No # of months: _____	11C. OTHER:
12. ADDITIONAL AMOUNT (IF ANY) OF CONTEMPORANEOUS LENDING BY LENDER TO BORROWER:	

13. Attach a copy of borrower’s last two years of financial statements prepared or reported on by an independent certified public accountant.

14. Attach a description of all sources of financing for the project, including terms, conditions, and collateral or other security required for the loan which is the proposed subject of the guarantee. A copy of the lending institution’s commitment letter and/or term sheet must be included.

**For Tourism Projects, also include:**

**Exhibit A:** A description of the project to be funded by the loan, including a statement of the tourism activity to be undertaken by the project, the anticipated economic impact to the commonwealth and the host municipality as a result of the project, and a detailed statement of the total project cost. The Borrower must describe measurable impacts, such as room night generation, intended to be achieved and the methodology for measurement.

**Exhibit B:** An additional description of the project which discusses one or more of the following (if applicable): (a) how the project will result in cost-effective and efficient marketing of regional assets related to tourism; (b) how the project will promote a public/private partnership for the utilization of a commonwealth-owned resource; (c) how the project will generate significant room night demand for overnight accommodations and draw tourists from outside a 100-mile radius of the proposed site; (d) how the project will define or interpret the heritage of neighborhoods, communities, or regions of the commonwealth; (e) how the project will capture the location character; (f) the readiness of the project to proceed; (g) how the project will positively impact economic conditions in an economically distressed area of the commonwealth; (h) how the project will leverage significant local matching funds; (i) the adherence of the project to sound land use principles; and/or (j) why the project requires public financial assistance to move forward or to be competitive with similar projects in the region.

**For Agriculture Projects, also include:**

**Exhibit A:** A description of the project to be funded by the loan, including a statement of the anticipated economic impact to the commonwealth and the host municipality as a result of the project, a detailed statement of the total project cost and the impact, if any, on prime farmland.

**Exhibit B:** An additional description of the project which discusses one or more of the following (if applicable): (a) the readiness of the project to proceed; (b) how the project will positively impact economic conditions in an economically distressed area of the commonwealth; (c) how the project will leverage significant local matching funds; (d) how the project demonstrates partnerships between private sector corporations and public sector and/or non-profit organizations; (e) the adherence of the project to sound land use principles; (f) why the project requires public financial assistance to move forward or to be competitive with similar projects in the region; and/or (g) if the project is working in conjunction with other programs promoting urban and rural supermarket development, including, but not limited to, the Fresh Food Financing Initiative.

**CERTIFICATION**

**If lending institution is not enrolled with the CFA, the lending institution must submit all of the information required for enrollment as specified in the First Industries Guidelines and on Appendix I.**

**DESIGNATED LOAN OFFICER/FIRST INDUSTRIES PARTICIPATING LENDING INSTITUTION**

**1. AUTHORIZED SIGNATURE:**

**2. PRINTED NAME:**

**3. TITLE:**

**4. DATE:**