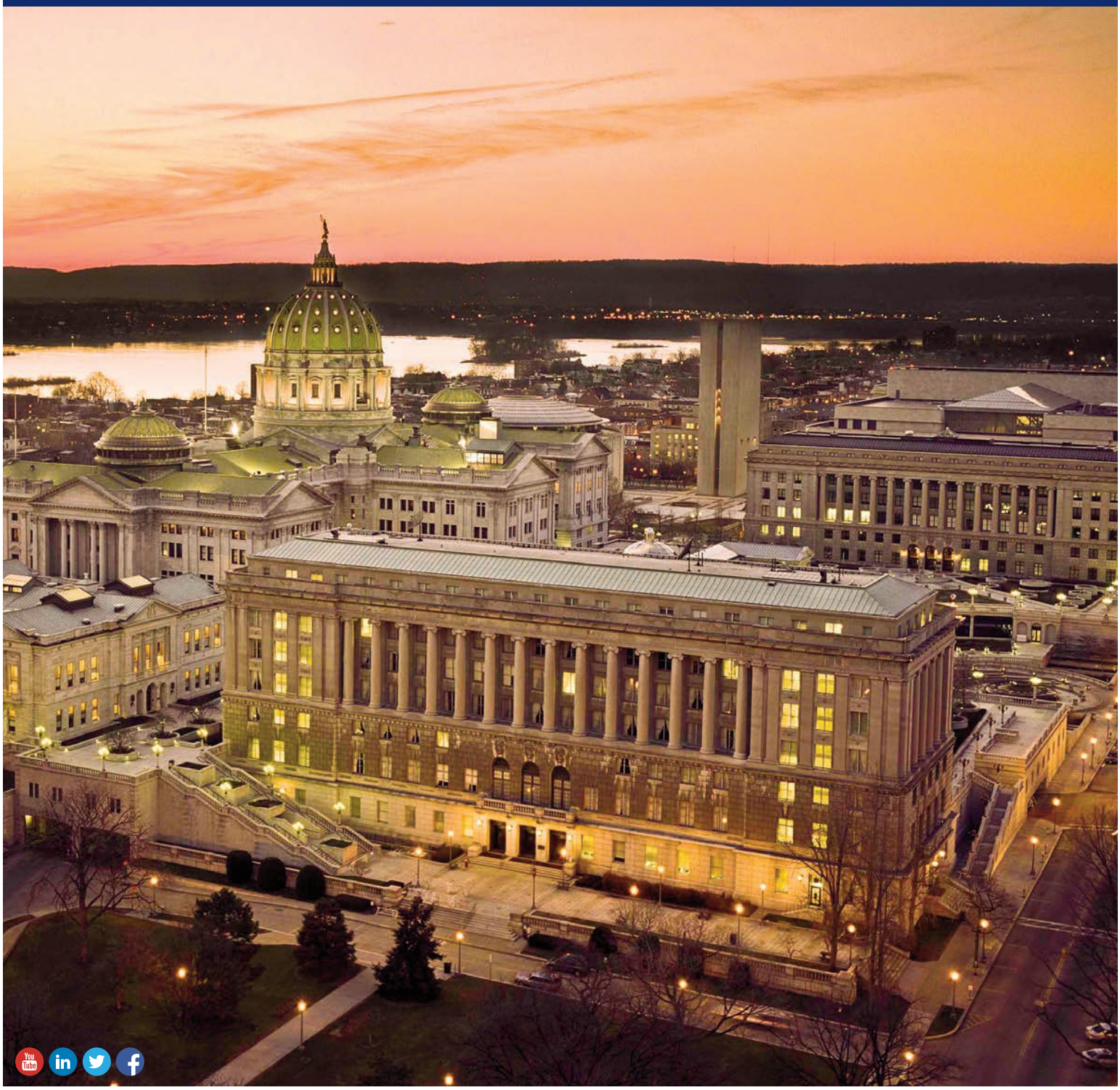
pennsylvania
DEPARTMENT OF COMMUNITY
& ECONOMIC DEVELOPMENT

SECOND STAGE LOAN PROGRAM

Program Guidelines | December 2017



Commonwealth of Pennsylvania | Tom Wolf, Governor
PA Department of Community & Economic Development | dced.pa.gov

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Section I – Statement of Purpose

The Commonwealth of Pennsylvania has established the $50 million Second Stage Loan Program (SSLP) to fuel the growth of the commonwealth's businesses and increase the competitiveness and prosperity of Pennsylvania's communities.

The Second Stage Loan Program offers guarantees for bank loans to second stage manufacturers, advanced technology, and life sciences businesses to support growth in these vital sectors. The SSLP is administered through the Commonwealth Financing Authority (CFA).

Section II – Eligibility

A. Eligible Applicants

Commercial lending institutions – Federally chartered or state chartered banks, savings banks or savings and loan associations which have a satisfactory rating from their primary regulator and which are engaged in commercial lending activities (the "Applicant"). The institution must do business within this commonwealth and must be enrolled in the Second Stage Loan Program.

B. Eligible Projects

A commercial lending institution enrolled in the program may submit an application for a guarantee of a loan for primarily the working capital needs but also the asset financing needs of a life sciences, advanced technology, or manufacturing business that has been in existence for at least two years, but no more than seven years at the time of application (the "Borrower"). The guarantee may in no case be used to support a refinancing of existing debt.

1. **Life Sciences Business –** An enterprise involved in the fields of biotechnology, pharmaceutical research and manufacturing, biomedical technologies, life systems technologies, nutraceuticals, cosmeceuticals and medical devices research and development.

2. **Advanced Technology Business –** An enterprise focusing on developing and selling technology-related products including, power and energy, specialized materials, engineering, biotechnology/life sciences, robotics, information technology and communications.

3. **Manufacturing Business –** An enterprise engaged in giving new shapes, new qualities or new combinations to matter by the application of skill and labor.

Section III – Enrollment and Application Process

A. Enrollment of Lending Institutions

Commercial lending institutions that want to participate in the loan guarantee program must enroll with the CFA prior to the submission of any loan guarantee applications. To enroll in the program, a commercial 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 Statement defining the service area of the lending institution.
4. A description of the lending activities presently engaged in by the lending institution and how the institution proposes to use the loan guarantee program to supplement or expand those lending activities.
5. A description of how the commercial lending institution is chartered and organized i.e. bank, savings bank, savings and loan association.

Enrollment requests should be sent to:

Department of Community & Economic Development
Commonwealth Financing Authority
The Second Stage Loan Program
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225

B. Master Agreement

Upon being satisfied that all requirements have been met, the CFA may enroll the commercial lending institution for the loan guarantee program. Upon accepting a commercial lending institution for enrollment, the CFA will execute a master guarantee agreement in favor of the commercial 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 commercial lending institution. The commercial 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 commercial 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 commercial 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 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, 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 III.A. above.
8. Any other information required by the board.

D. Application Evaluation

The CFA shall review the applications to determine all of the following requirements are met:

1. That the borrower owns and operates a life science, advance technology or manufacturing business.
2. That the borrower's business has been in existence for at least two years but no more than seven years at the time of application.
3. That the borrower is financially responsible and has the ability to repay the loan.
4. That the use of loan proceeds by the borrower will result in jobs being created or retained within this commonwealth.
5. That the borrower's business is located within the commercial lending institution's service area and within this commonwealth.
6. Upon being satisfied that all requirements have been met, the CFA may approve the guarantee and, if approved, the CFA shall issue a guarantee certificate for the loan to the commercial lending institution stating the terms and amount of the guarantee.

E. Award and Issuance of Guarantee Certificates

Upon being satisfied that all requirements have been met, the CFA may approve the loan guarantee. During the first two years of the term of a loan for which a guarantee certificate has been issued, the guarantee may not exceed 50% of the outstanding principal amount of the loan. From the end of year two through either the end of year seven or the end of the term of the loan, whichever occurs first, the guarantee may not exceed 25% of the outstanding principal amount of the loan. The guarantee will terminate at the end of seven years. At no time may a guarantee exceed $1,000,000 for any one loan.

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 III.A. 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 IV – Miscellaneous Program Requirements

A. Application Forms

Applicants for SSLP will use the DCED Single Application for Assistance and supplemental form (Appendix 1). Fifteen copies of the application must be submitted to DCED or the application may be submitted online by accessing www.esa.dced.pa.us. Fifteen copies of the supplemental information to the application either will need to be mailed to DCED if the application is submitted online or, if in electronic format, the supplemental information can be e-mailed to 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 that the applicant 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 loan funds benefitting from Second Stage 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 requires 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, the applicant must furnish all data, reports, contracts, documents, and other information relevant to the project.

D. Guideline Provisions

The Second Stage Loan Program Guideline provisions may be modified or waived by the CFA unless otherwise required by law.

Section V – Program Inquiries

Program inquiries should be directed to:

PA Department of Community & Economic Development
Commonwealth Finance Authority
The Second Stage Loan Program
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225

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

These guidelines can also be accessed online at dced.pa.gov.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT
CENTER FOR BUSINESS FINANCING

Appendix I

SUPPLEMENTAL INFORMATION
Second Stage Loan Program

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:	
7. TYPE OF BUSINESS THE BORROWER CONDUCTS, I.E. MANUFACTURING, LIFE SCIENCE, ADVANCE TECHNOLOGY:	**8. # OF YEARS THE BUSINESS HAS BEEN IN EXISTENCE:**
9. NAMES AND ADDRESSES OF OFFICERS OF THE BORROWER:	
10. TOTAL LOAN AMOUNT:	**11. THE AMOUNT OF THE LOAN GUARANTEE REQUESTED:**
12. NUMBER OF JOBS RETAINED AND CREATED OVER THE NEXT 3 YEARS AS A RESULT OF THE LOAN GUARANTEE: Retained: _____ Created: _____	
13. TERM LOAN ☐ Yes ☐ No Number of Months: _____ Other:	
14. PURPOSE OF THE LOAN:	
15. ADDITIONAL INFORMATION: Attach a copy of the lending institution's commitment letter and applicable credit underwriting that supports the repayment of the loan as well as the collateral and other guarantees offered by the borrower to support the loan.	

DESIGNATED LOAN OFFICER/PARTICIPATING LENDING INSTITUTION

If lending institution is not enrolled with the CFA, the lending institution must submit all of the information required for enrollment as specified in Section II of these Guidelines.

NAME & TITLE:	
AUTHORIZED SIGNATURE:	**DATE**