

MT. WASHINGTON VALLEY ECONOMIC COUNCIL
REVOLVING LOAN FUND
Administrative Plan and Credit Policy

MISSION STATEMENT:

To improve and diversify the economic vitality in the Mt. Washington Valley Region with a commitment to the communities and the natural environment through a structured public/private partnership.

OBJECTIVES:

The primary objective of the Revolving Loan Fund (“RLF”) is to increase and/or create full time quality, year round employment opportunities, as well as stabilize existing employment opportunities in the region served by the Mt. Washington Valley Economic Council (the “MWVEC” or the “Council”). In addition, it is an objective of the Fund to aid in the expansion of environmentally desirable light manufacturing in the region. Also, by strengthening the existing recreational and retail industries, a further objective of reducing the seasonality of employment can be achieved.

A public-private partnership is a key to the success of the RLF. The RLF funds will complement funds from other sources and as such, the RLF will provide gap financing for business endeavors which otherwise might be unable to secure financing. A shortage of investment capital at a reasonable cost has previously precluded small to medium size companies from being successful without a “lender of last resort.” No loan activity is expected in financing speculative proposals.

The primary emphasis of RLF projects will be:

- a) To complement the region’s financial market.
- b) To stabilize and diversify the region’s economy for start up and expansion operations.
- c) To improve the rural area’s competitive position in attracting industrial prospects versus major metropolitan areas.
- d) To assist in the development and tenanting of industrial parts and facilities.
- e) To provide the region with available resources to apply for grants from public and private sources.

LOCATION:

The RLF will be used to promote businesses located within the region served by the Mt. Washington Valley Economic Council, being the communities of Albany, Bartlett, Chatham, Conway, Eaton, Freedom, Hale’s Location, Jackson, Madison, Ossipee, and Tamworth, New Hampshire and Brownfield and Fryeburg, Maine.

A. Goals, Objectives & Purpose

The recreation, tourism, and retail sectors provide the Mt. Washington Valley with an excellent employment base. In order to strengthen and stabilize employment opportunities in the Mt. Washington Valley area through a diversified economic base, the RLF is designed to create and

maintain jobs through limited initial financing up to five (5) years. The primary objective will be to assist those companies and businesses which can either retain or expand the employment base.

B. Eligible Activities

Generally, assistance from the RLF can be used for the following, including but not limited to activities related to manufacturing, processing, distribution, mail-order, retail agricultural operations, service trades, and the wholesaling of Valley-made or assembled products; establishment of new businesses, expansion of an existing business, business acquisitions, construction, purchase/development of real estate (specifically excluding real estate speculation), purchase/improve machinery, and working capital.

C. Loan Selection Criteria

The primary emphasis will be on the following criteria: Job retention and/or job creation, job enhancement, leverage of additional financial resources, demonstration repayment ability, utilization of job training programs, compatibility of proposed businesses with the overall MWV environment and quality of life. A Loan Review Committee (the “LRC” or “Committee”) consisting of 13 individuals, no more than three of which may be from any one town (Bank representatives are excluded from this criteria), appointed by the Board of Directors (the “Board”) with appropriate lending, financial, manufacturing, retail, and service trades criteria and, by majority vote of those voting, recommend to the Board to accept or reject the application. (Amended from 11 to 13 May 23, 2001)

D. Policy Guidelines for the Revolving Loan Fund

1. The prospective borrower and his/her/its business shall be located in one of the following municipalities: Albany, Bartlett, Chatham, Conway, Eaton, Freedom, Hales’ Location, Jackson, Madison, Ossipee, and Tamworth, New Hampshire and Brownfield and Fryeburg, Maine.

2. It is the intent of the RLF to leverage additional private or public financing, and that the RLF constitute a portion of the entire package. However, this does not foreclose the RLF as the sole lender. All other public or private funds used as leverage in the project shall be fully identified, including the sources, amounts, rates and terms of the additional financing, prospective or committed. Other sources of leveraged funds include, but are not limited to, bank financing, equity investment, the NH Business Finance Authority, NH Business Development Corporation, North Country Investment Corporation, Community Development Block Grant program funds, and venture capital sources.

3. The RLF shall require that each applicant contribute an equity injection for each new business application for which he/she seeks funding.

4. The RLF can be used for real estate acquisition and development (excluding speculation), plant and equipment, reuse of an abandoned building, modernization of a plant and equipment, working capital and additional startup capital for new firms.

5. The target minimum loan size will be \$5,000.

6. The initial term of the loan can range up to five (5) years at a variable or fixed rate of interest with amortization of up to 20 years, if appropriate. The rate of interest charged by the RLF

will reflect the need to have a satisfactory rate of return based on current market rate conditions at that time.

7. The RLF may utilize financing techniques such as moratorium on principal payments, subordination of its position, balloon payments, etc., in order to address the needs of a particular borrower.

8. The RLF will consider sufficient collateral based on the overall risk characteristics of the loan, and the available assets of the prospective borrower.

9. During the first three (3) years (1997-1999), one hundred percent (100%) of all interest payments, any fees including late payment charges up to 5% for payments received 15 days past the due date, and profits earned from the sale of loans will be retained by the Mt. Washington Valley Economic Council towards administrative expenses and overhead. After the year 1999, this will change to 50% retained for administration and 50% remain with the Revolving Loan Fund. The borrower will pay all costs associated with booking the loan, including all reasonable attorneys' fees.

10. While the Board recognizes that it may be in the best interest of the Community and the Revolving Loan Fund Program to extend or renew loans from time to time, it is fully the intent of the Board to keep such extensions and/or renewals to a minimum and, instead, to maximize the benefit of the RLF concept.

E. Assistance

Applicants are encouraged to seek technical assistance in the areas of business planning, marketing, and related management activities. Assistance is available through the NH Small Business Development Center (NH SBDC), the local Chapter of the Service Corps of Retired Executives (SCORE), the Mt. Washington Valley Business Development Corporation, the Northern Community Investment Corporation (NCIC), Rural Development, the NH OSP-administered Community Development Block Grant Program, and loan guarantees through the U.S. Small Business Administration. Applicants can request this assistance through the MWVEC or they can contact the NH SBDC or SCORE directly.

Application and Approval Process

1. Applications:

Applicants must submit a completed application form (attached hereto) signed by the business owner/corporate Chief Executive Officer, to the LRC, together with the following documents:

- a. Business Plan, including a detailed statement of the use of all loan funds.
- b. Copies of fiscal balance sheets and operating statement for the prior 24 months. If a start up business, a 24 month Pro Forma is required.
- c. Copies of Federal Income Tax Returns (Business and Personal), for prior fiscal periods.
- d. Most recent year to date balance sheet and operating statements.
- e. A statement reflecting all existing debt for borrowed money including: name of lending institution or person; collateral pledged, date and maturity of loan; payment requirement; rate of interest.
- f. Cash flow and income projection based on prior performance.
- g. The approval process may, from time to time, require reviewed and audited documentation.

2. Approval Process

- a. The application, together with a financial summary will be distributed to each member of the LRC as soon after receipt as possible. Complete applications will be available at the Council office for review by members of the LRC and of the full Board.
- b. The LRC Chairman will appoint a member or members of the LRC to visit the applicant at the applicant's place of business to review the application and discuss the applicant's plans.
- c. The completed application will be presented for approval or other disposition at the next meeting of the LRC by the Chairman or his designee.
- d. The applicant and his/her financial advisors may be requested to appear before the LRC at the Committee's discretion.
- e. The vote to approve will be by a 2/3 majority of those present of the LRC, with the minimum of seven (7) members of the LRC being a quorum.
- f. The RLC may approve loans up to \$50,000 according to the RLF policies as approved by the full Board. Loans over \$50,000 will be ratified or rejected by the Board at the next regular meeting.