



Erie County Business Development Fund Loan Program

The Erie County Business Development Fund (BDF) is a revolving loan fund program designed to foster business expansion in Erie County consortium communities, which includes all Erie County cities and towns except Amherst, Buffalo, Cheektowaga, Hamburg and the Town of Tonawanda. These five municipalities have separate loan programs. The BDF is administered by the Buffalo and Erie County Industrial Land Development Corporation (ILDC), a member of the ECIDA Finance and Development Group. To encourage job-creating expansion projects, the BDF can help bridge the gap in the conventional financial marketplace which may be impeding the growth of otherwise sound, employment generating companies.

Eligibility

An eligible borrower may be a proprietorship, partnership or corporation either for profit or not-for-profit. Priority will be given to targeted manufacturing, transportation, wholesale trade and service industries located in Erie County consortium communities as identified by NAICS (formerly SIC) Code. Specific applicant eligibility is determined in accordance with the BDF Loan Administration Plan.

Loan Program

BDF financing is available only in conjunction with private financing from recognized financial institutions on a joint participation basis. BDF funds, generally, will not exceed 33% of a total project financing (2 to 1 ratio). The BDF's maximum participation in any financing transaction, generally, will not exceed \$100,000 on a direct basis to any single borrower and/or borrower's affiliates or subsidiaries. The BDF's minimum loan is \$15,000. BDF financing must result in the creation of jobs within three years of the financing to be eligible. For every \$15,000 lent at least one full-time job must be created. BDF borrowers will be required to enter into a referral agreement with the Erie County Private Industry Council for the recruitment of potential employees. BDF loan proceeds, when leveraged with conventional financing can be used for the following purposes or combinations thereof:

1. Permanent working capital
2. Acquisition of machinery and equipment
3. Pollution control and related improvements where funds extended are sufficient to bring the borrower into full compliance

4. Funds to effect a change in ownership in extraordinary cases where it can be demonstrated that the employment base of a company is in jeopardy
5. Acquisition, development or rehabilitation of land, buildings and facilities.

BDF financing, generally has lower interest rates and more flexible repayment schedules than conventional business loan sources. Individual BDF loan interest rates vary according to the risk/public benefit ratio anticipated and are usually fixed for the term of the loan. BDF loans carry a three year term with a maximum amortization of seven years. If the applicant is successful in achieving its employment projections, the loan maturity may be extended to a term equal to the amortization period. BDF financings include a recapture provision requiring early repayment in cases where earnings substantially exceed a company's needs during the loan term.

Application Procedures

Requests for application to the BDF may be initiated by the principals of a company or by the company's professional advisors (attorney, banker, and accountant). Given the complexity of most BDF financing, a feasibility meeting to determine the appropriateness of the application should be arranged with a representative of ECIDA's Lending Division. The meeting should include the company's principals and legal/financial advisors. If application is deemed appropriate, the Basic Loan Application Requirements should be prepared for submittal subsequent to the feasibility meeting. The fully completed application should be submitted no less than three weeks before a decision is required. Upon approval, a letter of commitment is sent to the company for acceptance. The letter of commitment, if not accepted by the company, usually expires thirty days after the date of the line approval. Acceptance by the company allows the project to commence.

Loan Closing/Fees

The loan closing date is scheduled by mutual consent of the financing participants, pending the preparation of final loan closing documentation. Generally, fees are two percent (2%) of the principal amount of the BDF loan.