

# ORANGE COUNTY SMALL BUSINESS LOAN PROGRAM POLICIES AND PROCEDURES

The Orange County Small Business Loan Program (Program) is a revolving loan fund program designed to stimulate the creation of good jobs for Orange County citizens, as well as to stimulate successful business development and expansion. The program will attempt to assist businesses that have limited access to financing through conventional means or other government guaranteed sponsored programs. Businesses receiving funding through this program are strongly encouraged to be good corporate citizens and to employ Orange County citizens.

The Orange County Small Business Loan Program Company was incorporated in September 1999 to make and facilitate loans to small businesses in Orange County. The loan program has been approved and initiated by the County, in order to promote the economic development and general welfare of the county and its citizens.

Additional information and applications are available from the Orange County Economic Development Department (contact information located at the bottom of this document). All applications will be reviewed for eligibility and completeness. Completed applications will be submitted to the Board of Directors for the Orange County Small Business Loan Program Company (who acts as the Loan Committee). Applicants will be informed in writing of the Loan Committee's decision.

## Eligibility

Applicants must be for-profit business entities whose gross revenues do not exceed \$3 million per year.

All businesses must be located within Orange County in areas zoned appropriately for their use. Owner's length of residence in Orange County may be considered in assessment.

Applicants must have an equity contribution of at least 10%.

Owners with an ownership position of 10% or more of the business will be required to execute a Personal Guaranty Agreement for the full amount of the loan. Additional guarantors may be required.

Applicants must be willing to contract for management and technical assistance if determined to be necessary by the Loan Committee.

Applicants with pending criminal charges or who have been convicted of a crime and still serving an active prison sentence, are on probation or on parole are not eligible for an Orange County Small Business Loan.

## Eligible Uses of Loan Proceeds

1. Working capital or operational funds.
2. Purchase of equipment, commercial-use vehicles, or machinery.
3. Improvement of owner-occupied commercial property. (Owner must occupy 50% or more of total space.)
4. Start-up funding.
5. Expansion of business services or products.
6. Acquisition of owner-occupied commercial real estate (7-year maturation).
7. Tenant up fit and lease-hold improvements.
8. A small business loan request that is to be used in conjunction with other financing will be considered on a case-by-case basis.
9. Work force expansion.

## Loan Proceeds Shall Not Be Used For the Following

1. Refinancing of existing bank debt or investor loans.  
The Loan Committee may grant an exception of up to 50% of the loan value.
2. Purchase of equipment or improvement of real estate which are used or to be used for personal use.
3. Political activities.
4. Owner salary and dividend payments beyond an agreed amount.
5. Speculative ventures (Examples: drilling for gas, or oil, commodity futures).
6. Lending or investment.
7. Real property held for sale or investment.
8. Pyramid sales - distribution plan businesses.
9. Floor plan financing.
10. Foreign controlled businesses.
11. Non-profit institutions.
12. Private membership clubs.

## **Compliance With Applicable Regulations**

In all cases, loans made from this program must be consistent and in accordance with the following:

1. All state and local regulations governing the applicant's business.
2. Policies established by the Loan Committee for each particular applicant.
3. Policies established by the Board of County Commissioners dealing with this loan program.

## **Amount of Loans**

Maximum: \$50,000

Minimum: \$5,000

Should market conditions change, or in the event of an applicant with extraordinary conditions, a loan in amount outside of the maximum or minimum may be considered. All loans are subject to availability of loan funds.

## **Loan Term**

Maximum term—5 years (except 7 years for the purchase or improvement of real estate used or to be used wholly for the business purpose of the applicant.)

## **Interest Rates**

All loans will be charged finance charges based on a variable interest rate. The interest rate will be based on the length of the loan term, as follows:

Up to 2 years	Prime plus 2.00%
2 up to 3 years	Prime plus 2.25%
3 up to 4 years	Prime plus 2.50%
4 up to 7 years	Prime plus 3.00%

The periodic rate may vary from month to month due to changes in the interest rate. The Loan Committee will assign an interest rate using the rate guidelines provided above.

## **Fees and Expenses**

An origination fee, payable at closing from loan proceeds, will be charged at a rate of 1% to 1½%. The minimum origination fee will be \$100. Applicant will be responsible for all other expenses related to closing the loan. The applicant will also be responsible for any fees related to any appraisals or reports required by the Program's Loan Committee.

## **Loan Repayment**

Loan repayment schedules will be finalized upon loan commitment. A late payment will be assessed at 2% of the payment amount after 15 days overdue. Loans may be prepaid, in whole or in part, at any time without penal-

ty. In the event the loan payment becomes 30 days overdue, collection procedures will begin. Repayment terms may be modified by the Loan Committee.

## **Application Procedures**

Requests for application to the OCSBLP using the contact information at the bottom of this document may be initiated by the principals of a company or by the company's professional advisors (attorney, bankers, and accountant). Orange County Economic Development staff will meet with the applicants to ensure completeness of the application and process applications. Applicants may be referred to the SBTDC for consultation.

Completed applications will be submitted to Loan Committee no later than two weeks prior to its next scheduled meeting.

At the meeting, the Loan Committee will decide whether or not to take action on the request, based on the information provided. The applicant will be informed in writing of the Loan Committee's decision to deny, grant, grant with condition, or seek more information. Should the Loan Committee deny the applicant's application, the Loan Committee will not consider any applications from that applicant for at least six months.

At its discretion, the Loan Committee may impose any additional terms and conditions necessary to improve the loan or to secure the loan. The Loan Committee may require an itemized budget detailing the proposed use of loan funds.

Should the applicant think that the application has been improperly denied, then the applicant may notify, in writing, the Loan Committee. The notice to the Loan Committee shall state why they applicant thinks the loan should be approved. Denial of the application shall then be given further consideration by the Loan Committee. The Loan Committee decision on the loan is the final decision.

The Loan Committee shall provide regular reports to the Board of County Commissioners of loans that have been approved. Any event of default or loan loss shall be reported to the Board of County Commissioners in writing and presented to the Board of County Commissioners at its next regular meeting following the event of default or loan loss.

*NOTE: Loan terms and amounts, and documents, including but not limited to financial statements, business plans, customer and supplier lists, description of inventory or assets, contractual obligations and existing liabilities, submitted during the application process shall be treated as confidential information.*