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Hamburg Business Development Fund Loan Program

Program funding is provided to the Hamburg Development Corporation through the Town of Hamburg Community Development Block Grant program as granted by the federal Department of Housing and Urban Development.

The Hamburg Business Development Fund (HBDF) has been established to provide an alternate source of flexible financial assistance to growth oriented industrial and commercial firms in the Town and Village of Hamburg and the Village of Blasdell.

The HBDF is administered by the Hamburg New York Development Corporation (HDC) a not-for-profit local development corporation designed to stimulate reinvestment in the residential, commercial and industrial areas situated in the corporation's geographic boundaries. The HDC serves as a vehicle for controlled community development through a partnership of residents, members of the business community, representatives of local government and financial institutions, and other interested persons.

The fundamental purpose of the HBDF is to: encourage capital formation in the corporation's geographic area by stimulating and facilitating private sector investment decisions, relieve fiscal distress by expanding the tax base, create jobs for residents and otherwise promote economic development.

In order to encourage job creating business expansion projects, the HBDF can help bridge the gap in the conventional financial marketplace which may be impeding the growth of otherwise financially sound, employment generating companies.

ELIGIBLE APPLICANTS

An eligible borrower may be a proprietorship, partnership or corporation.

Priority will be given to targeted (by SIC code) manufacturing, transportation, wholesale trade, office located in the corporation's geographic area. Specific applicant eligibility is determined in accordance with the HBDF Loan Administrative Plan.

LOAN PROGRAM

HBDF financing is available only in conjunction with public and/or private financing from recognized financial institutions or public agencies on a joint participation basis. HBDF funds generally will not exceed 33% of a total project financing (three to one ratio).

HBDF financing must result in a minimum of one new job within one year of the financing to be eligible. Highest priority will be accorded to transactions requiring \$35,000 in HBDF funds per new job being created.

The HBDF maximum participation in any well structured financing transaction, generally, will not exceed \$100,000 on a direct basis to any single borrower and/or borrower's affiliates or subsidiaries. Generally, a minimum HBDF loan/investment of \$25,000 is required.

HBDF loan proceeds when leveraged with conventional financing can be used for any of the following purposes or combinations thereof:

1. Acquisition development or rehabilitation of land, buildings, and facilities
2. Acquisition of machinery and equipment
3. Permanent working capital
4. Pollution control and related improvements sufficient to bring the borrower into full compliance
5. Funds to effect a change in ownership in extraordinary cases where it can be demonstrated that the employment base of the company is in jeopardy

PRINCIPAL ADVANTAGES

HBDF financing, generally, have lower interest rates, longer maturities or more flexible repayment schedules than conventional business loan sources.

RATES, TERMS AND CONDITIONS

An objective of the program is to provide a below market blended interest rate and gap financing for small and medium size business concerns. The interest rate associated with the HBDF shall be 75% of the Prime Rate as reported in the Business First on the day of the loan closing. The interest rate may normally be a fixed rate. The maximum loan rate allowed under the HBDF is 12% which is equivalent to a 16% prime rate.

HBDF maximum maturities will, generally, be in a range from two to ten years.

Most HBDF financing include a recapture provision requiring early repayment in cases where earnings substantially exceed projections during the loan term.

HBDF can accept various lien positions with respect to a company's assets depending upon total financing required and the relative position of the other participant lenders. HBDF may take a first in, last out position in a complete financing package with either a subordinated security position, later maturities, or both.

RESTRICTIONS

No expenditures or commitments for expenditures may be made prior to HDC Board of Director approval of the proposed financing.

Dollar for dollar refinancing without additional private financing is not permitted.

The HBDF generally will not participate in a financing if a similar loan accommodation is available on reasonable terms and conditions from conventional financing sources.

FOR MORE INFORMATION

For further information regarding this program, please contact the Hamburg Development Corporation, at 648-4145 or hamburgida@townofhamburgny.com.

APPLICATION PROCEDURES

REQUESTS FOR APPLICATIONS

Request for application to the Hamburg Development Corporation (HDC) for the Hamburg Business Development Fund (HBDF) financing may be directed to the Hamburg Development Corporation, by the principals of the company directly or by a company's professional advisors (attorneys, bankers, accountants).

FEASIBILITY MEETING

Potential borrowers may be requested to complete a HBDF Pre Application to be returned to the Hamburg Development Corporation.

Prior to the submission of a HBDF financing and the need for participant lenders, the meeting should include the company's principals and legal/financial advisors. If application is deemed appropriate, the HBDF Loan Application should be prepared for submittal.

LOAN COMMITTEE REVIEW AND APPROVAL

The HBDF Loan Committee meets as needed for review of loan applications. The Loan Committee evaluates applications as to conformance with policy guidelines and eligibility criteria, credit worthiness and the relationship of the applicant/project to both community and area economic development goals. The Loan Committee will select and recommend applications to the HDC Board of Directors for final disposition.

Upon approval, a letter of commitment is sent to the company for acceptance. The letter of commitment, if not accepted by the company, expires thirty days after the date of approval of the loan. Acceptance by the company allows the project to commence, with interim financing if necessary, while requirements for the loan closing are being finalized.

LOAN CLOSING

The loan closing date is scheduled by mutual consent of the financing participants, pending the preparation of final closing documentation.

FEES

A non-refundable application fee of \$100.00 is due with the submission of a pre application or application.

A commitment fee of 1% of the principal amount of the HBDF loan is required and payable by the company at the time of acceptance of the HBDF letter of commitment.

The company is required to pay the expenses incidental to the loans including filing and recording fees, mortgage tax (if any), and abstract charges.