



166 Direct Loan Program Program Summary

The **166 Direct Loan Program (166 Direct Loan)** provides capital for expansion projects to companies that have limited access to capital and funding from conventional, private sources of financing.

Priority may be given to eligible projects based on job creation and payroll commitments, fixed asset investment commitment, project return on investment, project location and other project factors.

Available Funding

The program may finance allowable project costs with 166 Direct Loans typically ranging in size from \$500,000 to \$1,500,000. The amount of the 166 Direct Loan will take into account additional financing offered through other State loan programs; total financing from State programs should typically range from 20% to 40% of a project's total investment.

Job Creation

The program requires the creation of jobs within a three-year period, with typically one new job created for every \$35,000 - \$75,000 of proceeds from State loan programs. Projects at the higher end of this range will have some combination of significant job creation, high average hourly wage, or will be located in a priority investment area.

The program also provides financing for eligible projects that improve the efficiency of companies' operations and that enhance their effectiveness in the marketplace (retention of jobs will be considered).

Eligible Projects

Eligible projects include those related to commerce, manufacturing, distribution or research activities in targeted industries. Retail projects are **ineligible** for the 166 Direct Loan. Refinancing is **ineligible**.

Allowable Project Costs/Uses

- Land and/or building purchase; if the project involves the purchase of an existing building, the business must occupy at least 51% of the premises
- Machinery & equipment purchase
- Building construction and/or renovation costs; if the project involves new construction the business must occupy at least 60% of the premises
- Long-term leasehold improvements
- Capitalized costs directly related to a fixed-asset purchase

Term

The 166 Direct Loan term is based upon the useful life of the allowable project costs/uses financed. The term for real estate is up to 15 years and the term for machinery and equipment is up to 10 years.

Interest Rate

The 166 Direct Loan interest rate is fixed at closing.

Applicant Contribution

The program requires a 10% minimum equity contribution in the allowable project costs/uses. The required contribution may be higher, depending on the company's financial and operating position and the project's characteristics. At least 50% of the allowable project costs must be funded by the borrower, either directly or indirectly through third-party investors and/or lenders.

Security and Collateral

The program requires a first and/or shared first priority mortgage and/or lien position on project costs/uses financed with the 166 Direct Loan proceeds. The program may consider a shared position with participating third-party lenders; this position is established via a multi-party agreement between the participating lender(s), the State's Development Services Agency and the borrower. The program may require the following additional collateral or credit enhancements:

- Personal guarantees from owners of the company
- Corporate guarantees from related companies
- Full or partial letter of credit
- Life insurance on key business owners and/or managers
- Other types of credit enhancement, if necessary

Disbursement of 166 Direct Loan Proceeds

The 166 Direct Loans are "take-out" financing of allowable project costs/uses that must be purchased with interim financing with the 166 Direct Loan disbursing upon project completion.

Program Fees

- Non-refundable \$1,500 application fee is due upon submitting a completed Financial Assistance Application
- Commitment fee equal to 2% of the loan amount (and 1% of any amount over \$1 million) is due to proceed with documenting the loan.
- Annual servicing fee equal to 0.25% of the outstanding principal amount of the loan is prorated and payable monthly

Pre-payment

The program does not impose a pre-payment penalty.

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