

**ATTACHMENT
NO. 1**

COLLATERAL ASSISTANCE PROGRAM

GUIDELINES PROJECT FINANCING

The Industrial Development Authority of the City of Chandler, Arizona ("CIDA") has established a Reserved Collateral Account under its Collateral Assistance Program that will be available to offset losses in the event that the borrower defaults on its loan obligations and the lender is unable to collect the loan balance from the borrower, the collateral pledged by the borrower, or the loan guarantors.

Applications for assistance are submitted to the Chandler IDA by the qualifying business. The business secures financing from a lending institution that has conditioned its commitment upon the CIDA's pledge of Reserved Collateral. Within seven (7) days of receipt of an Application, the lending institution shall deliver a complete copy of the borrower's loan application, related financial information and the lending institution's credit memo conditioning its commitment upon the CIDA's pledge of Reserved Collateral. Approved borrowers will enter into a tri-party Program Agreement ("Program Agreement") with the CIDA, the lender, and the borrower, which outlines the terms and conditions of the CIDA's participation and the responsibilities of each party. At closing, the CIDA will certify that funds are on deposit in a Certificate of Deposit account or money market account (or other deposit instrument at the discretion of the CIDA) at the lending institution and reserved for the loan. These funds then serve as the Reserved Collateral Account providing the lending institution additional collateral for repayment of the loan. The account is restricted so that only the CIDA can withdraw funds. The use and disposition of the Reserved Collateral Account is outlined in the Program Agreement. Alternatively, the CIDA may provide a letter of credit as collateral for the loan at the discretion of the CIDA.

ELIGIBILITY REQUIREMENTS

ELIGIBLE BUSINESSES. Participation in the Collateral Assistance Program is subject to the following eligibility requirements:

- Any for-profit legal entity such as a proprietorship, partnership, limited liability company or corporation whose majority owners are citizens or lawful permanent residents of the United States.
- Manufacturing, retail, services, and wholesale businesses located within the City of Chandler.
- Businesses with net worth of not more than \$7.5 million and profit after federal income tax of not more than \$2.5 million averaged for the past two years.
- Businesses with at least two years' operating history. Exceptions can be made on

a case-by-case basis at the discretion of the CIDA based upon the likely success of the borrower, including management history, financial strength and overall capitalization.

ELIGIBLE USES. Eligible uses for financing obtained with participation in the Collateral Assistance Program include:

- Working Capital
- Purchase or renovation of an existing facility
- Acquisition of machinery and equipment
- New construction
- Leasehold improvements

INELIGIBLE BUSINESSES. The following businesses are not eligible for participation in the Collateral Assistance Program:

- Gambling, speculative venture, investment oriented activities, illegal activities, businesses substantially engaged in the sale of alcoholic beverages, or other ineligible business activities as may be determined from time to time by CIDA.
- Non-profit or not-for-profit business entities

INELIGIBLE USES. Financing obtained through participation in the Collateral Assistance Program may not be used by the borrower for any of the following:

- Debt refinancing
- Payment of delinquent taxes or judgments
- Product development costs
- Organizational and start-up costs
- Acquisition, rehabilitation, or construction of residential real estate

COLLATERAL RESERVE AMOUNT

- Maximum \$50,000 or 20% of total loan proceeds, whichever is less

TERMS OF DEPOSIT

- Four-year maximum term

EQUITY INJECTION

- For fixed asset projects – minimum 10%
- Larger amount may be required by the lender
- All businesses must be adequately capitalized

JOB CREATION

- For loans, within 2 years of closing, a minimum of one job within the City of Chandler, Arizona is targeted. Borrower to report on job creation to the CIDA annually.

INTEREST RATE

- Negotiated between the borrower and the bank
- Must be legal and reasonable

COLLATERAL

- Borrower will provide lender a Deed of Trust and/or other appropriate security agreement; lender will file liens on machinery and equipment or other assets as needed to secure the Loan as provided in or contemplated by the Loan Documents.
- A personal guaranty securing additional personal or business assets may be held as collateral when necessary to secure the Loan and to reduce the risk to the Collateral Assistance Reserved Collateral fund.

FEES

- \$250 non-refundable application fee to be paid to the CIDA for review of the loan application and related documents.
- Closing fee equal to one percent (1%) of the total amount of the Reserved Collateral Account.
- Annual administration fee equal to one percent (1%) of the total amount of the Reserved Collateral Account.
- Third party advisors to the CIDA, including reasonable legal and accounting fees.

INDEMNIFICATION

- Borrower shall indemnify the CIDA, its Board of Directors, the City of Chandler, Arizona, and their respective counsel, agents, consultants and advisors, and hold such parties harmless against any loss, liability or expense incurred by such parties, arising out of or in connection with the Reserved Collateral Account.