

FLORIDA RECYCLING LOAN PROGRAM

Program Guidelines

**Florida Department of Environmental Protection
&
Florida First Capital Finance Corporation**

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Loan Program Guidelines

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Loan Program Guidelines

Introduction

The Florida Recycling Loan Program (FRLP) discussed in the Guidelines has been created to make funding available at affordable rates and allow for company growth. This program was designed for creditworthy established operating and creditworthy start-up companies and offers an amortized loan with scheduled payments. The purpose of the Recycling Loan Program is to increase the amount of material being recycled or being produced into recycled content products and reduces the amount of waste going into landfills.

Eligibility

1. Eligible Applicants

Eligibility for the Florida Recycling Loan Program is limited to small businesses that are legally licensed and operating in Florida, creditworthy start-up companies or out-of-state firms considering expansions into Florida. The companies must have the capacity to incur and repay the debt, have a net worth less than \$6 million and have fewer than 100 employees.

2. Eligible Projects

All projects for which financing is sought must be located in Florida and be based on proven technology. All facets of the project must comply with all applicable state and local environmental, safety and legal regulations. Eligible projects include those that result in the processing or conversion of recyclable materials into industrial feedstock or the manufacture of products from that feedstock. A recyclable material is a material capable of being recycled and which would otherwise be processed or disposed of as solid waste. Prior to submitting an application, it is strongly recommended that the Applicant contact the DEP Project Manager to discuss the scope of the project and licensing verification. To set up a pre-submission Technical Review, please contact Shannan Reynolds at (850) 245-8716 or Shannan.reynolds@dep.state.fl.us.

3. Eligible Use of Funds

- a. Purchase of manufacturing, processing, or conversion machinery and equipment.
- b. Conversion of existing equipment and machinery for the manufacturing of products that contain recycled materials.
- c. Refinancing of eligible equipment when such refinancing will enable a company to realize a savings which will be used to increase the productivity of the company's recycling output, thereby increasing the amount of materials diverted from Florida's landfills.
- d. Eligible use of funds may also include installation costs and other expenses directly related to the equipment described in the application. Capital costs must be directly related to the project and be necessary to accomplish the objectives of the project.

4. Ineligible Use of Funds

Ineligible costs include, but are not limited to:

- a. collection costs of secondary materials not directly associated with the proposed expansion
- b. personal services, consulting fees and travel,
- c. land and site improvements except those related to equipment installation and conversion,

- d. buildings,
- e. licenses and permits,
- f. legal costs,
- g. working capital,
- h. office equipment,
- i. indirect or overhead expenses, and
- j. expenses incurred before the loan was approved.

Evaluation Criteria

Factors that will be considered when evaluating loan applications for the Florida Recycling Loan Program include but are not limited to the following:

1. Amount of materials diverted from Florida's landfills.
2. Type of recyclable material being utilized.
3. Economic feasibility: the project must be cost-effective and not place an undue financial burden on the business. Moreover, the applicant must show ability to repay the amount financed. The expected financial success of the project must be demonstrated in the applicant's business plan).
4. Management team skill and expertise (include documentation of the company management's ability to implement the project).
5. Owner's equity in the project.
6. Proportional need (due to fund limitations, applications may be evaluated in relation to total company assets and income, as well as to the availability of other sources of financing).
7. Proof of proper licensing and permits for existing operations and the new process/materials handling and verification of compliance.
8. Environmental Compliance Record.

Loan Parameters

1. Loan Amount
The minimum loan available will be \$20,000, and the maximum available will be \$200,000 for traditional loans. The maximum amount for leveraged loans will be \$200,000, or 40 percent of total eligible costs whichever is less.
2. Private Sector Investment
Loans may be made in conjunction with other conventional sources of funding. However, all additional funds must be secured or guaranteed before funds from the FRDF will be released. A letter of intent from a qualified lender will be acceptable.
3. Equity
Applicants will be required to make a minimum 10 to 25 percent equity investment in the project, depending on the project.
4. Loan Security
All loans will be secured with a first or second lien position (depending on the loan structure) of the asset being financed, the company guarantee, and the personal guarantees of principal owners.

5. Terms

Terms will vary depending on the nature of the project. Partial disbursements and/or draws may be negotiated. Loans will have amortization periods of no more than 10 years or the life of the asset whichever is less. The repayment structure will vary depending on the expected project outcomes; end-product market needs estimates, and recycled material market history as expressed in the company's business plan.

6. Interest Rate

The interest rate for FRDF will be fixed for the life of the loan. The rate can fall between 2% below and 1% above the Prime Lending Rate as published in *The Wall Street Journal* on the Friday prior to closing.

7. Fees

A processing fee of one and one half percent will be charged on each loan, which is due at funding and can be financed from loan proceeds.

8. Confidentiality

Information relating to an applicant's financial or technological information will be considered confidential in nature. However, Florida's Open Records laws provide, with some exceptions, that Florida First Capital Finance Corporation must supply information reflected in its files and records to a person requesting it.

Information about approved loans that will be automatically released includes, among other things, statistics on our loan programs (individual borrowers are not identified in the statistics) and other information such as the names of the borrowers (and their officers, stockholders or partners), the collateral pledged to secure the loan, the amount of the loan, its purpose in general terms, and the maturity. Proprietary data on a borrower would not routinely be made available to third parties. All requests under this Act are to be addressed to Florida First Capital Finance Corporation and must be identified as an Open Records request.

Loan Documents

An approval decision to fund a project is an agreement in principle and not a final commitment to disburse funds. A Promissory Note, Loan Agreement, a resolution from the Board of Directors of the Borrower authorizing it to borrow, and Personal Guarantee(s) will establish the terms specific to each loan.

At the time of pre-application, the borrower will agree to provide the following information for consideration:

1. A balance sheet and income statement and or tax return for the previous three years for the small business. If the small business is a new business, provide a preform a balance sheet and income statement for three years with a description of assumptions;
2. A balance sheet and income statement dated within 120 days of the application together with an aging of accounts receivable and accounts payable listed as of the same date;
3. Where appropriate, a projected, annualized income statement for the first two years

- after the loan with a description of assumptions (mandatory on startups for two years) ;
4. For a new business, please provide a business plan that includes a monthly cash flow analysis for the first 12 months of operation or for three months beyond the breakeven point (whichever is longer) together with a description of assumptions;
 5. A schedule of debts (form supplied by FFCFC) which includes the original date and amount, monthly payment, interest rate, present balance owed, maturity to whom payable, and collateral securing the loan for each short- term and long-term loan that the business currently has outstanding or has planned for the next 12 months (other than the FRLP loan). Please indicate whether each loan is current or delinquent. Include a copy of all debt instruments described in Schedule of Debt Obligations form that will be refinanced;
 6. Personal financial statement (form supplied by FFCFC) current within 120 days for each proprietor, partner or stockholder with 20% or more ownership of the small business and the most recent two consecutive years of personal tax returns with all supporting schedules;
 7. Purchase records showing the volume of recovered materials and other feedstock used;
 8. Sales records reporting the quantity of recycled content products sold;
 9. Vendor quotes for machinery and equipment;
 10. Access permission for site visits to the facility for which funding is to be provided;
 11. Proof of liability and hazard insurance and, if applicable, flood insurance;
 12. Verification of federal and state income and payroll taxes paid; and
 13. Proof of proper licensing for existing operations and the new process/materials handling, if required by law.

Application Packet

The Application Packet consists of the following documents:

1. Application: Detailed description of how the loan will help the company to increase recycling or the amount of materials being used to produce recycled content products. The application also includes information regarding economic development objectives of the State of Florida, including the capital investment within the state; revitalization of economically distressed areas; minority business; and improvement of ability of the business to compete effectively in state and regional markets.
2. Addendum to Application: Consists of the Information Checklist, Addendum to Application, History of Business, Management Résumé, Personal Financial Statement, Forecast of Profit, and Schedule of Debts.
3. Applicable Exhibits from Checklist
4. Florida Recycling Loan Program Guidelines

To request an Application Packet, please contact the Florida First Capital Finance Corporation (FFCFC) Recycling Loan Project Manager, Guillermo Gutierrez, at (850) 681-3601 or by email at gui@ffcf.com.

Information requested on the application form will include, but is not limited to: purpose and description of the project; type, source, and quantity of recyclable material involved; list of equipment, including type, purpose and status of equipment (new/used); total project cost with a breakdown of proposed uses

of funds; source(s) of additional funding including applicant's equity contribution, and, if used, third-party funds; estimated income and expenses for the project, or pro forma documents, and business plan showing evidence of product market and source of raw materials.

Submit your Application Packet to the following address:

**Guillermo Gutierrez
FFCFC Recycling Loan Project Manager
P O Box 4166
Tallahassee, FL 32315**

Incomplete application packages will be returned to the applicant. Whether the second submission of the application is found to be complete or incomplete, it will be scored as is. An application review committee with representatives from the Florida Department of Environmental Protection will perform a Technical Review. FFCFC will perform a preliminary credit review. Both DEP and FFCFC have 10 business days to review a complete application and make an eligibility determination.

Overview of the Application Process

1. Applicant submits to FFCFC a completed Application Packet.
2. FFCFC submits a copy of the Application and equipment quotes to the Department of Environmental Protection for Technical Review.
3. FFCFC begins its preliminary underwriting review simultaneously with DEP's Technical Review. Preliminary underwriting includes: 1) establishing the total project amount, the estimated loan amount and the applicants required equity injection and 2) the applicant's ability to repay the debt (i.e. the company's financial statements initially show repayment ability.) DEP will determine whether the project meets the technical requirements of the program. Both DEP and FFCFC estimate a time frame of 10 business days, from the time of application submission to DEP and FFCFC. This time frame could be extended should additional information be required.
4. Notification to FFCFC Program Manager from DEP on Technical Review approval or turndown occurs within 10 business days from the date of submittal. During this period of time, FFCFC has made a preliminary credit worthiness decision as well. If the Technical Review Committee does NOT approve the project and or FFCFC's preliminary credit review is not approved, the applicant will be notified by FFCFC, in writing. The letter will include the reason(s) the project did not meet program guidelines.
5. When the loan request is approved both technically and meets preliminary credit worthiness, the review process for credit loan applications should take about 20 business days. This time frame could be extended, however, if additional information is requested from the applicant. The credit application review and notification process will involve the following steps:
 - a. FFCFC will conduct a formal financial credit analysis of the financial condition of the applicant and company and their ability to repay their obligations, the financial strength of all guarantors, which will include all owners with 20% or more interest in the company,

- satisfactory review of all credit reports and an analysis of the project. Further information may be requested at the discretion of FFCFC for clarification of items on the application;
- b. The application will be evaluated based on the applicant and all guarantor's credit-worthiness, strength of collateral, cash flow of applicant and all guarantors, and source(s) of repayment. Terms and conditions in the loan documents will vary depending on the evaluation;
 - c. Applications meeting FRLP's credit standards will be presented for approval to the FFCFC board of directors loan committee;
 - d. FFCFC will notify the applicant in writing of the loan decision, and if the loan is approved, will send an acceptance letter covering the terms and conditions of the loan. Alternatively, FFCFC will send a letter to applicants indicating reasons for a rejected application;
 - e. After the borrower has returned an executed acceptance letter, the loan closing documents will be prepared. Generally, loan closings must take place within 90 days from the acceptance date, unless other arrangements are negotiated with FFCFC during the application review phase. If the closing does not occur within 90 days, the applicant may be required to submit current financial statements and equipment price quotes;
 - f. Loan funds will be disbursed jointly to the applicant and the equipment vendor when proof of machinery or equipment installation is provided in accordance with the terms of the loan agreement.

Post-funding Services

Post funding servicing by FFCFC includes the review of company compliance with all laws governing the project; site visits; annual analysis of company financial information, annual analysis of personal financial statements and tax returns; and a review of the project's progress. Borrowers must submit the following:

- a. Company financial statements and tax returns, and personal financial statements and personal tax returns of all guarantors within 90 days of year-end,
- b. Proof of hazard and liability insurance,
- c. Proof of property tax payment, and
- d. List of current employees.

Default Actions

FFCFC will aggressively collect any loan payments that are in default for more than 60 days. For loans that become delinquent the borrower will usually be notified in writing of the default. If you receive a loan and do not make payments as they come due, FFCFC may take one or more of the following actions:

- a. Report the status of your loan(s) to the credit bureaus;
- b. Hire an attorney or collection agency to collect your loan; and/or
- c. Foreclose on collateral or take other action permitted in the loan instruments.

Program Information

To receive more information about the Florida Recycling Loan Program, please contact **Guillermo Gutierrez**, at (850) 681-3601, gui@ffcf.com, or write to the address below:

Florida Recycling Loan Program
c/o Florida First Capital Finance Corporation
P.O. Box 4166 Tallahassee, FL 32315