

**SEDA-Council of Governments Rural Broadband**  
**Revolving Loan Fund Guidelines**

**I. Purpose**

SEDA-Council of Governments (SEDA-COG) is administering a Rural Broadband Expansion project in Clinton, Lycoming, Northumberland and Union Counties. SEDA-COG has established a low interest Revolving Loan Fund (RLF) for the purpose of incentivizing Internet Service Providers (ISP's), leading to a build-out of both fiber and wireless broadband systems that will provide a minimum of 100mb down and 100mb up for businesses and 50mb down and 10mb up for residential throughout predetermined service areas.

**II. Eligible Businesses**

The RLF will target business enterprises located within the Commonwealth of Pennsylvania that are classified as nonprofit and for-profit including limited liability companies (LLC), corporations, partnerships, sole proprietorships, or legal business entities. The business must have a demonstrated ability of being an ISP for at least one (1) year.

**III. Eligible Costs**

Land Costs

Land cost may include, but not be limited to acquisition, legal, and other related costs.

Building & Equipment Costs

Building costs may include modifying towers, antennas, and ancillary buildings to house equipment. Equipment costs may include radios, antennas, or other broadband related equipment.

Soft Costs

Soft costs associated with the project may include engineering, legal, environmental, appraisal, and other related costs. Fees associated with the RLF are also eligible.

Revolving Loan Funds may not be used for the following:

- Refinancing of existing debt
- Lines of credit
- Repayment of delinquent taxes
- Illegal activity

IV. **Loan Amounts**

Maximum of \$1,000,000 per county may be considered.

V. **Loan Term**

The term shall be set up to ten (10) years.

VI. **Interest Rate**

The interest rate shall be set at between 1.5% - 3% and shall be determined upon receipt and review of the required loan application materials.

VII. **Credit Requirement**

In order to assure the stability of the RLF, loans will be made to companies that can demonstrate a minimum debt service coverage ratio.

For existing businesses (those who have been an active ISP for at least two (2) years prior to application), a minimum debt service coverage ratio of 1.15x shall be required based upon the most recent full year of operations.

For businesses that have been operating less than two (2) years as an ISP, a minimum debt service ratio of 1.25x shall be required based upon the first full year of projected operations.

If the business cannot meet the minimum debt service ratio, additional collateral or personal guarantees may be pledged to the loan, so long as the debt service coverage is not less than 1x.

Note: A Revolving Loan Fund request will not be considered if the business has not been an operating ISP for at least twelve (12) months.

VIII. **Collateral Requirements**

Loans made under the RLF shall be secured by fixed assets. At a minimum, loans shall be secured by the assets being financed as part of the project and personal guarantees.

The loan-to-value shall not exceed one hundred percent (100%) based upon the cost of the equipment; or in the case of land, the lesser of the cost or the full appraised value.

**IX. Fees**

RLF shall have a one percent (1%) commitment fee due at the time the applicant signs the commitment letter from SEDA-COG. There shall also be a one and a half percent (1.5%) closing fee due at the time of the loan closing, as well as a minimum five hundred dollar (\$500.00) legal fee for document preparation.

**X. Late Fee**

If no payment is received after the due date, a five percent (5%) penalty on the payment amount will be charged in addition to the accrued interest.

**XI. Other Conditions**

RLF's may be prepaid at any time without financial penalty.

The applicant and its principles may not be delinquent in or in default of any existing loans relating to the applicant, unless they have entered into a workout agreement satisfactory to the respective creditors(s) and are fully in compliance with the terms of that agreement. The applicant and its principles will be required to execute an affidavit to that effect.

The applicant must be current in payment with all applicable local, state, and federal taxes unless they have entered into a workout agreement satisfactory to the respective taxing authority and are fully in compliance with the terms of the agreement.

The applicant and its principles are managerial officers, and as such, must disclose any potential conflicts of interest with any officials or employees of SEDA-COG involved in the submission of the applicant's project.

**XII. Amendments**

These guidelines may be revised from time to time to better reflect current market conditions.