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NEW HAMPSHIRE

BUSINESS FINANCE AUTHORITY

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January 15, 2014

Her Excellency, Governor Margaret Wood Hassan and
The Honorable Council
State House
Concord, New Hampshire 03301

**Re: Business Finance Authority Loan to Southeast Economic Development Corporation
Pursuant to RSA 162-A:7.**

Dear Governor and Council:

REQUESTED ACTION

Holding of a public hearing and passage of a resolution entitled: A RESOLUTION UNDER RSA 162-A:18 AWARDED AND APPROVING A LOAN UNDER RSA 162-A:7 TO SOUTHEAST ECONOMIC DEVELOPMENT CORPORATION. (For the text of the requested Resolution see Exhibit One attached to this letter of transmittal.)

The Business Finance Authority of the State of New Hampshire (the "Authority") respectfully requests that you hold a public hearing and make the statutory findings under RSA 162-A:18, with respect to the proposed loan by the Authority to Southeast Economic Development Corporation (the "Borrower"), a local development organization, in the form of a ten year loan in the principal amount of up to One Million Dollars (\$1,000,000). The Authority recommends your favorable action and submits in support thereof, the following materials as designated:

- (1) a summary of the transaction
- (2) a proposed resolution for adoption by the Governor and Council;
- (3) a copy of RSA 162-A:7;
- (4) a letter from the undersigned explaining the transaction;
- (5) a commitment letter extended by the Authority to the Borrower;
- (6) an agreement between the Authority and the Southeast Economic Development Corporation, which when executed will evidence the local development organization's recommendation of the proposed loan transaction;

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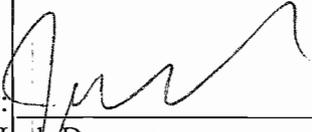
(7) a resolution adopted by the Authority on December 16, 2013, which recommends that Governor and Council approve the proposed loan;

(8) a summary of required statutory findings of the Governor and Council with reference materials to support each finding.

The Authority would be pleased to furnish any additional documentation and information which you may request.

Respectfully Submitted,

**BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE**

By: 

Jack Donovan
Executive Director

See Attached Exhibits
cmc\aidprog\sedcdare

LOAN SUMMARY

BORROWER –Southeast Economic Development Corporation

LOCATION - 100 Main Street, Suite 101
Dover, New Hampshire 03820

TYPE OF BUSINESS –Economic Development

LENDER - Business Finance Authority of the State of New Hampshire
2 Pillsbury Street, Suite 201
Concord, New Hampshire 03301

AMOUNT OF LOAN - \$1,000,000

TYPE OF LOAN – Line of Credit

PURPOSE – SEDC to utilize line to provide loan capital for the expansion and retention of businesses.

COLLATERAL – The Borrower's obligations under the loan documents will be secured by a Security Agreement of the Borrower granting what would be a first security interest on the Borrower's existing loans with risk grades of 1 or 2.

**A RESOLUTION UNDER RSA 162-A:18 AWARDED A LOAN
UNDER RSA 162-A:7 FROM THE BUSINESS FINANCE AUTHORITY OF
THE STATE OF NEW HAMPSHIRE TO SOUTHEAST ECONOMIC DEVELOPMENT
CORPORATION.**

WHEREAS, the Governor and Council (the "Governor and Council") of the State of New Hampshire (the "State") have received from the Business Finance Authority of the State of New Hampshire (the "Authority") its written recommendation that the Governor and Council make certain findings and determinations pursuant to RSA 162-A:18 with respect to a loan by the Authority to Southeast Economic Development Corporation (the "Borrower") in the original principal amount of up to \$1,000,000 to provide additional loan capital to support the expansion and retention of businesses (the "Loan");

WHEREAS, pursuant to the provisions of RSA Chapter 162-A, the Governor and Council is authorized to approve the recommendation of the Authority and to authorize and approve the Loan by the Authority upon the making of specific findings after public hearing;

WHEREAS, the Governor and Council will receive all the documentation and information with respect to the proposed Loan by the Authority; and

WHEREAS, further action by the Authority with respect to the proposed transaction is subject to the passage of this Resolution and cannot be taken until after its passage.

NOW, THEREFORE, it is hereby resolved that:

1. Findings and Determination. On the basis of the documentation and information received by the Governor and Council, after a public hearing, the Governor and Council find:

a. Special Findings.

(i) The Loan is consistent with local or regional development plans or policies.

b. General Findings.

(i) The Loan that the Authority has proposed will serve a public use and provide a public benefit.

(ii) The Loan that the Authority has proposed is within the policy of, and the authority conferred, by RSA Chapter 162-A.

(iii) The Loan that the Authority has proposed will preserve or increase the social welfare or economic prosperity of the State and one or more

of its political subdivisions, and will promote the general welfare of the State's citizens.

(iv) The Loan that the Authority has proposed will promote the orderly development of business activities, create or preserve employment opportunities, or protect the physical environment.

2. Approval. Governor and Council approve the Loan by the Authority as recommended by the Authority and authorize the Authority to cause the execution and delivery of the loan documents substantially in the form submitted to Governor and Council and to take such further action as the act with respect to the transaction as may be required.

3. Effective Date. This Resolution shall take effect upon its passage.

Passed and agreed to January 15, 2014.

The Governor

Councilor

Councilor

Councilor

Councilor

Councilor

162-A:7 Aid to Local or Regional Development Organizations.

I. The authority may expend or loan money upon such terms and conditions as prescribed by the authority to acquire, develop, redevelop, construct, renovate, or expand real or personal property for business use. No expenditure or loan shall be made by the authority under this section unless it is with the approval of, or in cooperation with, a local development organization.

II. Prior to the expenditure or loan of any money under this section, the authority shall enter into one or more agreements with such organization to provide for the conditions on which the expenditures or loans will be made, the terms of repayment of such expenditure or loan, the time and manner of such repayment, conditions under which the property is to be used by or leased to one or more businesses, the form and amount of security if any, to be pledged to the authority for such repayment, and such other provisions as the authority may determine are necessary or desirable. Repayment of any expenditure or loan made by the authority may be with or without interest and may take the form of cash, real or personal property, or services.

III. Any property acquired, developed, redeveloped, constructed, renovated, or expanded under this section may be leased by the authority or the local development organization, as appropriate, for business use, and under such terms and conditions as they shall deem appropriate. Any such lease may include options of the lessee to purchase the property, provided that the purchase price upon the exercise of any such option shall not be less than the amount necessary to reimburse the authority, with interest if applicable, for any unpaid balance of expenditures made by the authority for such property. Any lease shall obligate the lessee to pay all costs and expenses of upkeep, maintenance and operation of the property during the lease term.

IV. The authority shall not expend or loan any money or make a binding commitment to spend any money for a particular project under this section unless after a hearing the governor and council have made the findings specified in RSA 162-A:18.



**NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY**

January 15, 2014

Her Excellency, Governor Margaret Wood Hassan and
The Honorable Council
State House
Concord, New Hampshire 03301

Re: Loan from the Business Finance Authority to Southeast Economic Development Corporation pursuant to RSA 162-A:7

Dear Governor and Council:

The purpose of this letter is to describe and explain the proposed loan from the Business Finance Authority of the State of New Hampshire (the "Authority") to Southeast Economic Development Corporation (the "Borrower") as recommended by the Authority, based upon information supplied by the Authority and the Borrower.

1. **Statutory Authority.** RSA 162-A:7 authorizes the Authority to expend or loan money to acquire, develop, redevelop, construct, renovate or expand real or personal property for business use with the approval of or in cooperation with a local development organization. The statute also provides that upon the Authority's recommendation, the Governor and Council may, after holding a public hearing and making certain findings, approve and authorize such a loan or expenditure of money by the Authority.

2. **Concept of the Aid to Local Development Organization Program.** The Authority has developed the Aid to Local Development Organization Program as a significant part of its programs intended to facilitate the growth and development of businesses within the state. In general, the program focuses on expending funds or making loans for projects identified by local development organizations as providing important opportunities for economic development within particular regions or communities of the State.

3. **Agreement with Local Development Organization.** RSA 162-A:7, II requires the Authority to enter into an agreement with a local development organization providing for the conditions upon which the expenditure or loan will be made.

4. **Description of the Transaction.** The Borrower is the Southeast Economic Development Corporation. The Authority recommends that it make a loan to the Borrower in the principal amount of up to One Million Dollars (\$1,000,000) (the "Loan") to provide loan capital for the expansion and retention of businesses.

5. **Terms of the Loan Documents.** The terms and conditions of the Loan are to be expressed in a loan agreement between the Authority and the Borrower and certain other loan



Her Excellency, Governor Margaret Wood Hassan and
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documents. The loan documents, which will be in substantially the form submitted to Governor and Council with this letter, will include the following terms and conditions:

a. Promissory Note. The Loan will be evidenced by a Promissory Note of the Borrower in the original principal amount of up to One Million Dollars (\$1,000,000). Five hundred thousand (\$500,000) will be available immediately, with the remaining \$500,000 available in 2014 as SSBCI cash flow allows. The Loan will bear interest at the rate of 2.00 percent fixed and will be paid in monthly interest payments.

b. Representations and Covenants of the Borrower. The loan agreement contains such provisions as the Authority has determined necessary and desirable in order to administer the loan, including without limitation, representations and warranties and covenants of the Borrower, indemnification of the Authority for the risks concerning any potential hazardous waste, the provision of payment of the Authority's costs and expenses, and the Authority's remedies upon default of the Borrower.

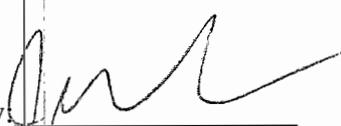
c. Security. The Borrower's obligations under the loan documents will be secured by a Security Agreement of the Borrower granting what would be a first security interest on the Borrower's existing loans with risk grades of 1 or 2.

d. Use of Proceeds. Proceeds of the Loan will be used only to finance the expansion and retention of businesses.

6. In Summary. Based upon the foregoing, all statutory requirements are embodied and implemented in the proposed transaction and loan documents.

Very truly yours,

BUSINESS FINANCE AUTHORITY

By: 

Jack Donovan
Executive Director



**NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY**

**CONFIDENTIAL
COMMERCIAL AND FINANCIAL
INFORMATION**

December 17, 2013

Mr. Dennis McCann
Strafford Economic Development Corporation
Cocheco Falls Millworks
100 Main Street, Suite 101
Dover, NH 03820

RE: Loan to Strafford Economic Development Corporation

Dear Mr. McCann:

The Business Finance Authority of the State of New Hampshire ("the Authority") has approved in principal the application submitted by the Strafford Economic Development Corporation (the "SEDC"), a local development organization (the "LDO"). Accordingly, the Authority is prepared to proceed with the discussions to make the loan described below (the "Loan") to the SEDC under the Authority's Local Development Organization loan program, subject to the general terms and conditions set forth in this letter. This letter is an expression of the Authority's intent to recommend that the Governor and Council approve the Loan as described in this letter and upon such approval to make the Loan based only upon the information that the LDO has submitted. Any obligation to recommend Governor and Council's approval of the Loan, or to consummate the Loan, will arise only upon the satisfactory preparation, execution and delivery of documentation in form and substance satisfactory to the Authority.

In reaching its decision, the Authority has reviewed all information submitted in the application. We have acquired an understanding of the SEDC's financial situation. Of course, as we proceed, we will require further information.

POLICY BACKGROUND

The Authority has determined that the proposed transaction will serve to promote business development within the State by expanding the availability of credit within Strafford County. The Authority's commitment concerning the Loan reflects this fundamental determination that the proposed transaction will serve a public use and provide a public benefit.

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The Authority was created to offer credit enhancements to struggling New Hampshire businesses. The LDO loan program established under RSA Chapter 162-A:10 is intended to do so indirectly by assisting local development organizations in promoting and developing business within the State. In fact, the statute provides that the Authority may make a loan only if the local development organization agrees to the use of the proceeds of the loan for the promotion, encouragement or development of business within the State, or a region or community of the State and to the terms and conditions upon which the Authority will make the loan. This letter is intended to outline the ways in which the Authority intends to meet these requirements.

TERMS OF LOAN PROPOSAL

I am authorized to report to you that the Authority has approved in principal the SEDC's request, subject to and limited by the following terms and conditions:

Identification of Loan: The Loan will be in the amount of up to \$1,000,000, and be used by SEDC to provide additional small business loans. Five hundred thousand (\$500,000) shall be available immediately, with the remaining \$500,000 available in 2014 as SSBCI cash flow allows.

Terms of Repayment: The Loan will be a 10 year, revolving, advance type note, reviewable annually. The Note will bear interest at the rate of 2.00% fixed. Interest only will be billed monthly, but the Authority can require upon default, at any time, that the outstanding Loan balance be amortized over the shorter of the remaining loan term or the average remaining term of the loans collateralizing the Loan.

Security: The Loan will be secured by the assignment of existing SEDC loans with risk grades of 1 or 2. Initial collateral coverage of 120% of the outstanding Loan balance will be required. Collateral coverage will be reviewed and adjusted quarterly.

Disbursement:

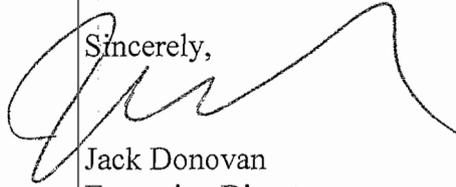
- (1) Disbursement of Loan proceeds shall be subject to request by SEDC and Authority receipt of notice of assignment of the required notes.
- (2) SSBCI Certificates. The Authority shall have received SSBCI Certificates from the Borrower, SEDC and any other participating lenders for each small business loan to be made with Loan proceeds.
- (3) SEDC shall provide documentation for each small business loan confirming that SSBCI loan funds do not account for more than 80% of any SEDC loan to a small business (minimum requirement that SEDC have 20% of each loan at risk) and each loan has minimum 1x leverage.

- Documents:** The Loan Agreement, Promissory Note and Security Instruments to be drafted by counsel to the Authority shall contain such representations, warranties and covenants as are acceptable to the Authority. The SEDC shall provide the Authority with such other documents, agreements, reports and certificates the Authority may reasonably require, including, without limitation, title insurance and survey in form and substance satisfactory to the Authority.
- LDO Agreement:** At or before the closing, the SEDC shall execute an agreement evidencing its approval of the Loan in accordance with RSA 162-A:7 II.
- Further Investigation and Modification of Documents:** The Authority's obligation to make the Loan shall be subject to the Authority's review and approval to its satisfaction of all loan documents relating to the Loan and the proposed Loan collateral, evidenced by the Loan and all other loan documentation, including, without limitation, UCC search information, collateral value analysis, appraisals, environmental reports, governmental approvals, construction contracts, and financial statements of the SEDC and also subject to the truth and accuracy of the SEDC's representations in its loan application.
- Authority Legal Expenses:** As a condition to proceeding, the SEDC shall pay all reasonable legal counsel fees and expenses incurred in the evaluation, preparation and provision for the Authority's Loan, even if the transaction is not consummated.
- Legal Opinion:** Counsel to the LDO shall provide opinions as to the due organization of the LDO and the power and due authority of the LDO to enter into the loan documents, the enforceability of the Loan documents and such other matters as the Authority may reasonably request, including compliance with applicable laws.
- Approval:** As required by RSA 162-A:10, the Loan transaction may become effective only upon approval of the Governor and Council.

If SEDC wishes to proceed further to finalize the terms of this proposal, please sign and return this letter to us on or before 2:00 p.m. on December 24, 2013. This rapid response is required to accelerate the process of seeking approval of the Governor and Council. As noted, any obligation to take action by the Authority will arise only upon satisfactory preparation, execution and delivery of documentation.

On behalf of the Authority, I look forward to working with the SEDC toward a successful financing transaction.

Sincerely,



Jack Donovan
Executive Director

Agreed and Accepted.

STRAFFORD ECONOMIC DEVELOPMENT CORPORATION

By: Dennis H. McCann Date: 12/20/13
Name: DENNIS H. McCANN
Title: EXECUTIVE DIRECTOR

December 20, 2013

Business Finance Authority of
the State of New Hampshire
2 Pillsbury Street, Suite 201
Concord, NH 03301

RE: Loan to Strafford Economic Development Corporation

Ladies and Gentlemen:

This letter shall evidence our agreement concerning a proposed loan of the Business Finance Authority of the State of New Hampshire (the "Authority") to Strafford Economic Development Corporation (the "Borrower"), a local development organization, in the principal amount of up to One Million Dollars (\$1,000,000) (the "Loan"). The Authority has issued to the Borrower its commitment to recommend that Governor and Council of the State of New Hampshire approve the Loan.

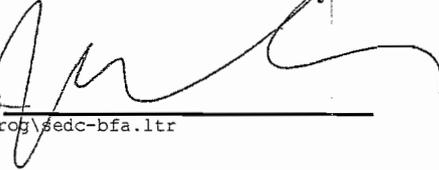
Strafford Economic Development Corporation has determined that the Loan would promote orderly development of business in the Strafford County region and is consistent with local and regional development plans and policies. In accordance with RSA 162-A:7, II we agree upon the terms and conditions of the Loan as described in the commitment letter attached hereto as Exhibit A. We understand that no loan will be consummated without approval of Governor and Council of the State of New Hampshire.

Strafford Economic Development Corporation

By: 

Business Finance Authority of the State of New Hampshire hereby agrees to recommend that Governor and Council approve the Loan as described above.

Business Finance Authority of the State of New Hampshire

By: 
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**A RESOLUTION REQUESTING AUTHORIZATION FOR A LOAN BY
THE BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
TO SOUTHEAST ECONOMIC DEVELOPMENT CORPORATION, A LOCAL
DEVELOPMENT ORGANIZATION,
PURSUANT TO THE AUTHORITY'S AID TO LOCAL DEVELOPMENT
ORGANIZATIONS PROGRAM**

I, the undersigned, HEREBY CERTIFY that the following are true and correct.

WHEREAS, **THE BUSINESS FINANCE AUTHORITY OF NEW HAMPSHIRE** (the "AUTHORITY") has been requested by Southeast Economic Development Corporation, a local development organization organized and existing under the laws of the State of New Hampshire (the "LDO"), to make a loan to a local development organization, organized and existing under the laws of the State of New Hampshire, in the principal amount of up to One Million and no/100 dollars (\$1,000,000.00) (the "Loan") to provide loan capital to the expansion and retention of businesses.

WHEREAS, the Credit Committee of the Board of Directors of the Authority has recommended that the Authority make the Loan in accordance with the terms and conditions presented to the Board pursuant to a Loan Agreement to be executed by the Lender and the Authority;

WHEREAS, the Authority took official action with respect to the Loans by passing a resolution on December 16, 2013;

WHEREAS, the Authority has been furnished with (a) information and materials about the Borrower and the Loan, (b) the proposed terms and conditions of the Loan, (c) certain financial information concerning the LDO; and (d) other information, materials and assurances deemed relevant by the Authority;

IT IS HEREBY RESOLVED THAT:

1. Factual Findings. On the basis of the information, materials and assurances received by the Authority and considered by it, the Authority finds:

(a) The Loan would be evidenced by a ten (10) year term note to Southeast Economic Development Corporation (SEDC). The note to be secured by an assignment of existing SEDC loans.

(b) The Lender would be the Business Finance Authority of the State of New Hampshire.

(c) The Authority is authorized and empowered under RSA 162-A:7 to make loans recommended by local development organizations to finance the acquisitions of real or personal property.

(d) The Loan will enable the LDC to further assist in the business development of the seacoast area.

2. Special Findings.

(a) The Loan to be made by the Authority is consistent with local or regional development plans or policies.

3. General Findings.

(a) Making the Loan as proposed will serve a public use and provide a public benefit.

(b) Making the Loan as proposed is within the policy of, and the authority conferred by, RSA Chapter 162-A.

(c) Making the Loan as proposed will preserve or increase the social welfare or economic prosperity of the state and one or more of its political subdivisions, and will promote the general welfare of the state's citizens.

(d) Making the Loan as proposed will promote the orderly development of business activities, create or preserve employment opportunities, or protect the physical environment.

4. Determination and Recommendation. The Authority finds that making the Loan as proposed will serve a public use and provide a public benefit and determines that making the Loan as proposed will be within the policy of, and the authority conferred by the Act. The Authority recommends to His Excellency, the Governor, and The Honorable Council that they make findings and a determination similar to those set forth above, and for that purpose the Executive Director, Chairman, or Vice Chairman is authorized, empowered and directed to transmit to the Governor and Council copies of this resolution, the materials received by the Authority with respect to the Loan and any other documentation and information the Governor and Council may request.

5. Authorization of Agreement. The Authority hereby authorizes the execution and delivery of a letter of intent of the Authority by the Executive Director or the Senior Credit Officer of the Authority to the Lender, which letter of intent may propose the Loan by the Authority subject to the parameters, terms and conditions as presented to the Board by the Credit Committee. Subject to paragraph 6 below the Executive Director, Chairman or Vice Chairman is authorized, empowered and directed to execute and deliver a loan agreement on behalf of the Authority pursuant to the requirements of the Act which shall contain parameters, terms and conditions sub-

stantially consistent with those presented to the Board by the Credit Committee and the terms and conditions established by the Board, but subject to such changes and completion consistent with this resolution as the Executive Director, Chairman or Vice Chairman may approve, his signature being conclusive identification of the loan purchase agreement, and completed and authorized by this resolution.

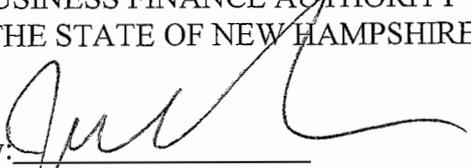
6. Actions Not to be Taken Until After Approval by Governor and Council. Except for the execution and delivery of the Authority's letter of intent by the Executive Director or the Senior Credit Officer of the Authority to the Lender, the actions authorized by paragraph 5 above shall not be taken until such time as Governor and Council have made the findings and determination required by the Act, it being the intent of the Authority that the various actions on its behalf which are authorized above are subject to the action of Governor and Council as required by the Act.

7. Other Actions by Officers. The Chairman, Vice Chairman, Executive Director, and Senior Credit Officer of the Authority are each authorized, empowered and directed to take all other actions and execute, deliver or receive such instruments and certificates as each of them may determine are necessary on behalf of the Authority in connection with the transactions authorized by the preceding paragraphs of this resolution, but subject in all events to paragraph 6 hereof.

8. Effective Date. This resolution shall take effect upon its passage.

IN WITNESS WHEREOF, I have set hereunto my hand and affixed the seal of the Business Finance Authority of the State of New Hampshire on this 16th day of December, 2013.

BUSINESS FINANCE AUTHORITY
THE STATE OF NEW HAMPSHIRE

By: 

Jack Donovan
Executive Director

**SUMMARY OF REQUIRED STATUTORY FINDINGS OF THE
GOVERNOR AND COUNCIL UNDER RSA 162-A:18**

The materials appearing in quotations below are extracts from RSA 162-A:18. The complete text of RSA 162-A:18 is attached to this summary.

General Findings

1. "The proposed action will serve a public use and provide a public benefit."

The proposed loan agreement by and between the Authority and the Borrower (the "Loan Agreement") and the "Note" and the "Security Instruments", as defined in the Loan Agreement contain commercially prudent financial safeguards and workable provisions designed to lessen the potential of the Authority's loss in the event of default by the Borrower. (Tab 5) The Authority has determined that the proposed loan would enable Southeast Economic Development Corporation to further assist business development opportunity for the Strafford County region. (Tab 6) The materials and information furnished and the findings described below support, and enable the making of, this general finding.

2. "The proposed action is within the policy of, and the authority conferred by, this chapter."

The Loan Agreement and the Agreement with Southeast Economic Development Corporation implement and incorporate all statutory requirements. (Tab 5 and 6) The Authority, which is the agency responsible for administration of RSA 162-A, has determined that the proposed Loan by the Authority is within the policy of, and the authority conferred by RSA Chapter 162-A. (Tab 7) The materials and information furnished and the findings described below support, and enable the making of, this general finding.

3. "The proposed action will preserve or increase the social welfare of economic prosperity of the state and one or more of its political subdivisions, and will promote the general welfare of the state's citizens."

The proceeds of the loan would be used by the Borrower to provide loan capital for the expansion and retention of businesses in the region. (Tabs 3, 4, 5 and 6).

4. **"The proposed action will promote the orderly development of business activities, create or preserve employment opportunities, or protect the physical environment."**

The Borrower would utilize the loan capital to support expansion and retention of businesses in the area. (Tabs 3 and 4). The Authority has determined that the proposed loan would promote the orderly development of business activities, create or preserve employment opportunities, or protect the physical environment (Tab 6).

Special Findings

5. **"The loan is consistent with local or regional development plans or policies."**

The Borrower, a local development organization, has determined that the loan would provide business development in the Strafford County region. The Authority has determined that the loan is consistent with local or regional development plans or policies (Tab 6).