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**UNDERWRITING AND LENDING GUIDELINES**

**THE ZANESVILLE DOWNTOWN  
BUSINESS LOAN FUND**

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The participating lenders (the "Banks) have established a loan pool to fund the renovation and/or new construction of mixed residential use and commercial properties in the downtown area of the City of Zanesville. The funds may also be used to support equipment purchases and permanent working capital needs of businesses located in downtown Zanesville. These loans will be originated, funded, and serviced by the following Banks:

Century National Bank  
Community Bank

North Valley Bank  
Peoples National Bank

The Banks have committed initial funds totaling \$2 million for The Zanesville Downtown Business Loan Fund (the "Loan Fund"). The commitment of funds will be for an initial period of 12 months, effective from the date of the Loan Fund's formation and will be reviewed for continuation and possible expansion at the end of each 12-month period.

The guidelines established for the Loan Fund are designed to guide individual borrowers and the Banks in planning and reviewing projects which may qualify for financing from the Loan Fund.

I. ELIGIBILITY FOR FINANCING

To be considered for financing from the Loan Fund, proposed projects must satisfy all of the following criteria:

A. Market Area

During the initial 12-month period of the Loan Fund, projects must be located within the downtown area of the City of Zanesville, as defined by the City of Zanesville (Economic Development Division):

Bordered by the Muskingum River on the west side,  
State Route #60 on the east side, starting at Hughes Street  
on the southernmost point and Interstate 70 as the  
northernmost point (see map).

Based upon the experiences of the Loan Fund during its initial 12-month period, the downtown area may be subject to review and redefinition.

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B. Commercial and Mixed Residential Use

The property must be used for mixed residential or commercial purposes. Financing will be provided for the mixed use of any property only on a case-by-case basis. If leased space is intended to be taken into account for purposes of underwriting the loan, the loan commitment may be contingent upon approval of the credit of the tenant.

C. New Construction or Substantial Rehabilitation

The proceeds of the loan must be used to pay the costs of new construction or substantial rehabilitation of the property that will be subject to the mortgage securing the loan. The Borrower may be required to demonstrate, through a structural and/or environmental report completed by an independent third party, that any existing structural deficiencies have been remedied or will be remedied in the construction process.

D. Equipment and Permanent Working Capital

The loan proceeds may be used to fund equipment purchases and permanent working capital needs of businesses expanding in or relocating to downtown Zanesville. Financing will be provided for equipment and permanent working capital needs only on a case-by-case basis.

II. APPLICATIONS AND UNDERWRITING CRITERIA

A. Applications

All loan requests will be submitted to the Banks' Loan Committee for consideration through the office of the Director of the Zanesville Downtown Association.

B. Loan Amounts

1. Minimum Loan Amount

No loan of less than \$20,000 will be made from the pool.

2. Maximum Loan Amount

The maximum individual loan will not exceed \$500,000.

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Loan amounts normally will not exceed:

80% of the lesser of cost or appraised value – commercial and mixed residential

80% of the lesser of cost (exclusive of developing fee), or appraised value – new construction or substantial rehabilitation

50% of the lesser of cost or appraised value - equipment

The actual amount of the loan will be established by the Bank's Loan Committee, and may be for an amount less than the limits established above.

C. Borrower's Equity

The Borrower will normally invest (or have invested on account of the Borrower) at least 20% on commercial and mixed residential use properties and 50% on equipment purchases. All equity invested by or on behalf of the Borrower must be spent prior to or concurrent to any disbursements from the Loan Fund. If the project is for new construction or substantial renovation, and if the project contains a line item for developer's fees, those fees may be held by the Banks, and they will be available to fund any cost overruns. The actual amount of equity required will be determined by the Banks' Loan Committee and may be for an amount greater than the minimums established above. The Loan Committee will consider additional real estate or other acceptable assets in lieu of a cash down payment only on a case-by-case basis.

D. Borrower's Characteristics

The Borrower should either be an experienced business or small business owner/operator, or manager of mixed residential real estate.

The loan will be subject to a satisfactory credit history and to an evaluation of the current creditworthiness of the Borrower.

If for new construction or substantial renovation, the Banks' Loan Committee will have the discretion to require as a condition of loan approval that the Borrower or general contractor provide a payment and performance bond, a letter of credit, or additional contingency financing.

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E. Demonstration of Market for Rental Units

The Borrower may be required to demonstrate that the rents for the proposed project are reasonable in light of other rents for space with similar amenities located in the City or County and the projected income of expected tenants.

F. Appraisals

The Banks' loan commitment on commercial and mixed residential use properties will be subject to receipt of an appraisal conforming to federal regulations ordered by the Banks, showing that the ratio of the loan to the value of the property does not exceed the ratio established by the Banks' Loan Committee. If the loan-to-value exceeds this ratio, then the loan amount will be reduced accordingly, and the loan will not be closed until the Borrower supplies sufficient equity to fill the financing gap created by the reduction in the loan amount.

G. Plans and Specifications

The rehabilitation plans and specifications of new construction or substantial renovation projects must be approved by the Banks' Loan Committee and the Zanesville Downtown Review Board prior to the start of the construction.

III. TERMS OF FINANCING

A. Interest Rates

Borrower's option of the following:

1. One-year U.S. Treasuries rate + 2.00%, adjusted every 12 months
2. Three-year U.S. Treasuries rate + 2.00%, adjusted every 36 months
3. Five-year U.S. Treasuries rate + 2.00%, adjusted every 60 months
4. Wall Street Journal Prime rate, adjusted every calendar quarter

B. Term and Amortization

1. The term of a Construction Loan will be established at the time of Banks' Loan Committee approval, and generally will not exceed six months.

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2. The term of a real estate loan will not normally exceed 20 years, and the term of an equipment or permanent working capital loan will normally not exceed five years.

C. Loan Fees and Expenses

1. Application Fee

The borrower will pay a non-refundable application fee in the greater amount of either .25% of the principal amount of the loan requested or \$100 at or before the loan is submitted to the Banks' Loan Committee. If the loan is approved, the application fee may be applied to out-of-pocket costs.

2. Out-of-Pocket Expenses

The Borrower will be responsible for payment of all out-of-pocket expenses, including but not limited to costs of appraisal, environmental site assessment, structural or architectural inspection, legal and title fees, and credit reports. These costs may be reimbursed to the Borrower from the proceeds of the loan if sufficient funds are available.

IV. SECURITY AND RECOURSE FOR LOAN

The actual amount of security required will be determined by the Banks' Loan Committee and may exceed the minimums established above.

A. First Mortgage

If for commercial or mixed residential use properties and/or for new construction or substantial renovation, the loan will be secured by a mortgage on the property that is the subject of the loan that is superior to each and every other lien on the property. If there is any junior financing, the terms and conditions thereof and all loan documentation will be subject to approval by the Banks' Loan Committee.

B. Assignment of Rents and Leases

If for commercial or mixed residential use properties, the Borrower will be required to sign an assignment of rents agreement, security agreement, and UCC financing statements providing a security interest in the rents.

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C. UCC Financing Statements

If for equipment or permanent working capital purposes, the loan will be secured by a lien on all business assets that is superior to each and every other lien on the assets.

D. Recourse

The loan will be made on a full recourse basis, unless the Banks' Loan Committee expressly approves otherwise. The Borrower will be required to personally guarantee repayment of the loan with recourse to all assets of the Borrower and any guarantors.

V. INFORMATION REQUIRED FOR CONSIDERATION OF THE LOAN APPLICATION

A. Identification of Project Owners and Ownership Structure

The names and addresses of all owners of the property subject to the loan. If the owner is a corporation, limited liability company, or partner, then the names and addresses of all principals of the ownership entity will be disclosed, per letter of authority or conforming documentation.

B. Evidence of Site Control

If for commercial or mixed residential use properties, the Borrower will provide evidence of ownership or has an option to purchase the site on which the project is or is to be located.

C. Pro Forma Development and Operating Budget

The Borrower will provide a statement of sources and uses of funds and may be required to provide a pro forma budget not including debt service. The operating budget should include a detailed breakdown of operating expenses.

D. Borrower's Financial Statement

If a corporation, limited liability company, or partnership, the Borrower will provide the three most recent fiscal year-end income statements and balance sheets and federal income tax returns. Interim financial statements may also be required.



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Proprietorships, individuals, and any corporate guarantors will be required to submit a personal financial statement, current within 60 days of application, and the three most recent years federal income tax returns.

During the term of the loan, monthly rent rolls may be required for rental units.

E. Other Required Items

Depending on the complexity and size of projects, the Banks' Loan Committee may require additional documentation and other items for its consideration.

VI. BANKS' LOAN COMMITTEE

- A. The Banks' Loan Committee will be comprised of a representative from each of the Banks (Century National Bank, Community Bank, North Valley Bank, and Peoples National Bank).

The City of Zanesville and the Director of the Zanesville Downtown Association will serve as ex-officio members of the Banks' Loan Committee.

- B. The Banks' Loan Committee will be chaired by members of the committee on a rotating 6-month basis. The chairperson will be responsible for:
1. Providing liaison among the Loan Fund and the Director of the Zanesville Downtown Association;
  2. Scheduling and conducting meetings of the Loan Committee (normally twice per month or as necessary) to review loan requests;
  3. Such other duties as the Loan Committee may require.
- C. Loans will be approved based upon the agreed participation of one or more lenders. Any participating Bank may elect not to participate in a particular loan. A loan will be considered to have been denied, if the level of participation among lenders is insufficient to fully fund the proposed loan.
- D. The lead participant Bank will provide all administrative services required in conjunction with the loan, and will receive a ½% servicing fee (of total commitment) as compensation for these services. The loan amount and

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loan points will be distributed to the Banks on a pro-rata basis determined by the ratio of loan amount.

If more than one Bank is participating in the funding of loans approved by the Loan Committee, then the designated lead participant Bank would provide the servicing for the other Bank participants. If other Banks wish to take turns in serving as the lead participant Bank, then the lead could rotate at the time of the annual renewal of this program.

By definition, to serve as a lead participant Bank on a loan, the Bank would need to be a participant in that loan. If the current year's lead participant Bank is not a participant in the loan, then the remaining participating Banks will choose the lead Bank.

SIGNED the \_\_\_\_\_ day of \_\_\_\_\_, 2015.

CENTURY NATIONAL BANK

NORTH VALLEY BANK

By: \_\_\_\_\_

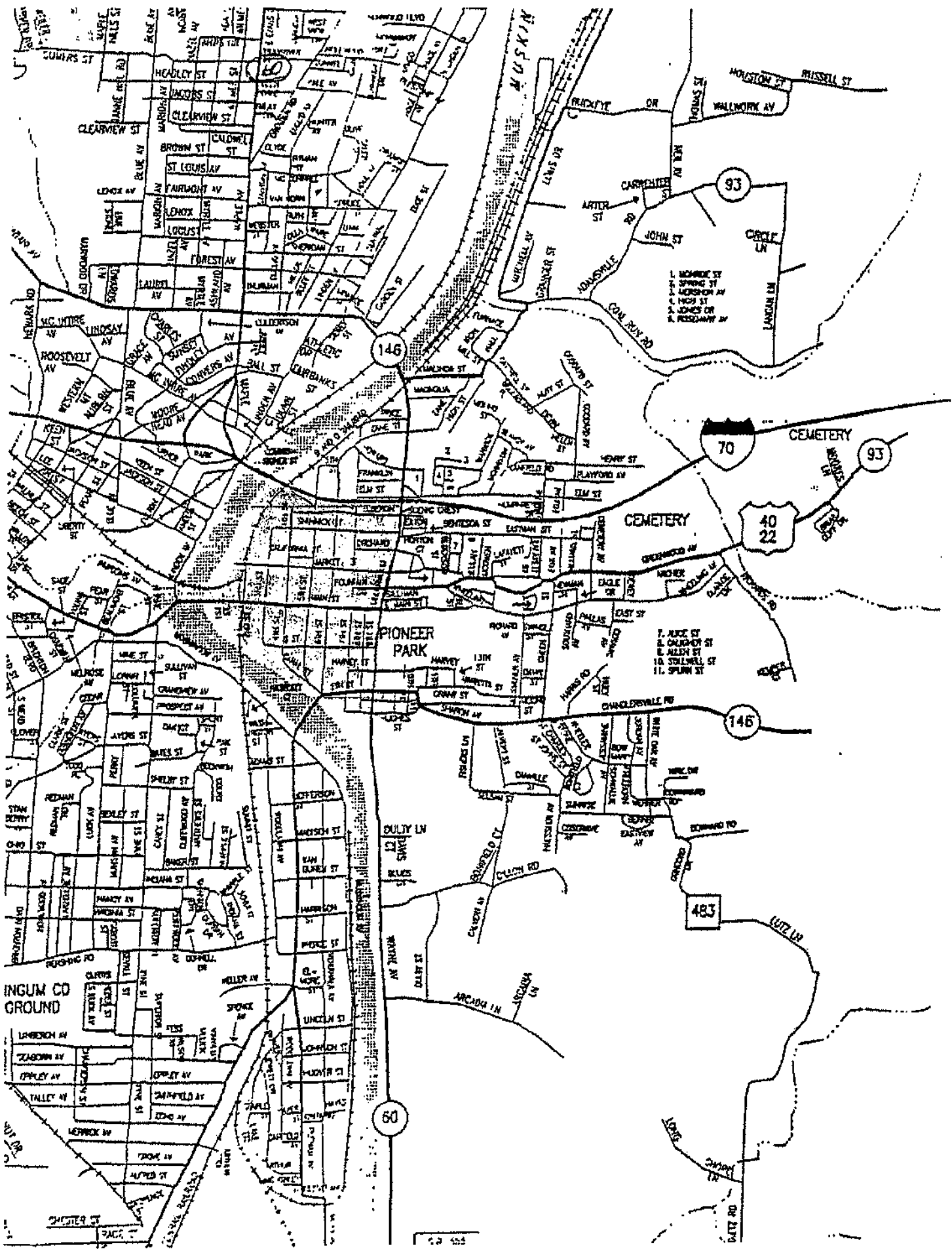
By: \_\_\_\_\_

COMMUNITY BANK

PEOPLES NATIONAL BANK

By: \_\_\_\_\_

By: \_\_\_\_\_



INGUM CO GROUND

50

93

146

70

40 22

93

146

483

0.5