

Collateral - Appraisals

Collateral must secure the entire loan, both guaranteed and non-guaranteed portions. Repayment must be reasonably assured. **Personal and corporate guarantees are required.** A qualified appraisal report is required on property that will serve as collateral.

Loan-to-Appraised Market Value Ratios

Lenders will discount collateral consistent with sound loan-to-value policy.

Maximum Repayment Terms

- Working capital - 7 years. (Maximum)
- Equipment - 15 years - or useful life.
- Leasehold improvements - negotiable.

Fees and Costs

A one-time guarantee of 2 percent of the guaranteed principal amount is paid by the lender and may be passed on to the borrower.

Borrower Equity Requirements

Applicant's equity, existing or contributed, shall be not less than 15% of the total loan amount. Shareholders notes may be used as portion of equity.

Interest Rates

Rates for loans may be fixed or variable. The rate is negotiated between the lender and borrower and is similar to those rates customarily charged to other borrowers in similar circumstances. Variable rates cannot be adjusted more than quarterly.

Credit Quality

Lender addresses the business adequacy of equity, cash flow, collateral, history, management, and the current status of applicable industry in a written credit analysis.

Servicing/Liquidation

Financial statements developed in accordance with Generally Accepted Accounting Principles (GAAP) are required. Lenders will service and, if necessary, liquidate the loans (with Army and USDA Rural Development concurrence).

For More Information

For more information on the ARMS Loan Guarantee Program contact the Rural Development State Office or visit the USDA home page on the Internet, at <http://www.rurdev.usda.gov>.



U.S. Department of the Army

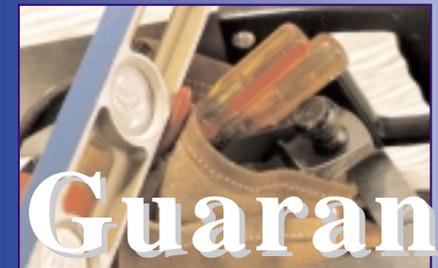


Armament Retooling & Manufacturing Support (ARMS)



U.S. Department of Agriculture
Rural Development
Rural Business - Cooperative Services

The ARMS



LOAN Guarantee Program



A Guarantee To Help Businesses Create Jobs



What is ARMS -

The Armament Retooling & Manufacturing Support (ARMS) program offers prospective commercial and industrial businesses the opportunity to locate at eligible facilities and to improve their competitive advantages. Facility infrastructure and services are available to these businesses seeking affordable manufacturing and office space. The facility contractor/site manager negotiates flexible terms and conditions with prospective businesses, which can benefit from use of the facility's assets.

The **ARMS Loan Guarantee Program**, a cooperative program between the Army & USDA Rural Development, is a tool for prospective commercial tenants to capitalize on this business opportunity. The Army provides this program's funding, and USDA administers the loan guarantee program. The ARMS program guarantees a portion of the loan rather than lending directly. A commercial lender finances the entire loan and assumes the risk on the remaining non-guaranteed portion of the loan. Once a borrower has located a lender interested in financing their loan and has submitted a full application to the lender the ARMS Loan can be processed in 120 days.

Benefits to Businesses

- May provide higher loan amounts, lower interest rates, and longer repayment terms.
- Assists a business in providing stability, growth, expansion, and employment.

Benefits to Lenders

- Provides lenders with another tool to expand their loan portfolio.
- Improves the economy and quality of life in communities.
- Reduces concerns regarding collateral appraisal issues often found in smaller communities.
- Allows lenders to make loans above their normal lending limits.

Eligible Areas

Participating ARMS facilities in or near Kingsport, TN; Middletown, IA; Independence, MO; Parsons, KS; Texarkana, TX; Doyline, LA; Milan, TN; Picayune, MS; Radford, VA; Riverbank, CA; and Scranton, PA.

This list is subject to change. Refer to http://www.openteprise.com/facility_sites.htm for the latest listing.

Eligible Borrowers

Individuals, public and private organizations, and federally recognized Indian tribal

groups may borrow. Applies to both existing and start-up companies. There is no size restriction on the business. Borrower must have an approved project with a participating ARMS facility contractor / site manager.

Eligible Loan Purposes/Borrowers

- Working Capital
- Leasehold Improvements
- Business and industrial building modification, conversion, expansion, repair, modernization, or development
- Pollution control and abatement
- Purchase of equipment, machinery or supplies
- Equipment rehabilitation
- Commercial and Industrial applications (need not be Government related)

Maximum Loan Amount

Loan guarantees are limited to a maximum of \$20 million unpaid indebtedness of any one borrower at any time.

Loan Guarantee Limits

- (maximum percentage applies to the entire loan)
- 85% for \$5 million or less.
 - 80% for over \$5 million through \$10 million.
 - 75% for over \$10 million to \$20 million.

Ineligible Loan Purposes/Borrowers

- Line of credit.
- Businesses not located on ARMS facility property.
- Agricultural production, which is not part of an integrated business involved in the processing of agricultural products.
- Payment to owners, partners, shareholders, or others who retain any ownership in the business.
- Charitable and educational institutions, religious organizations and affiliated entities, fraternal organizations.
- Loans to golf courses, gambling establishments, and racetracks

How to Participate

For more information on the ARMS Loan Guarantee Program, contact any USDA Rural Development Office. Field office information may be accessed at <http://www.rurdev.usda.gov>. For more information on the Army's ARMS Program contact Mr. Garry Eichorn, ARMS Office (309) 782-3460; or the ARMS Loan Guarantee program contact Mr. Ken Hennings, USDA, (202) 690-3809. You may also wish to hotlink to <http://www.amc.army.mil/amc/am/ARMS.htm>.