

*U.S. DEPARTMENT OF COMMERCE
Office of Inspector General*



***ECONOMIC DEVELOPMENT
ADMINISTRATION***

***Philadelphia Authority for
Industrial Development
Philadelphia, Pennsylvania
Revolving Loan Fund
EDA Grant No. 01-49-03274***

Audit Report No. ATL-15123-2-0001 / August 2002

PUBLIC RELEASE

Office of Audits, Atlanta Regional Office



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EXECUTIVE SUMMARY

In April 1993, the Economic Development Administration (EDA) awarded a \$2,700,000 Sudden and Severe Economic Dislocation Implementation grant, No. 01-49-03274, to the Philadelphia Authority for Industrial Development. The grant was funded under Title IX of the Public Works and Economic Development Act of 1965, as amended. EDA awarded the grant in response to the closing of three U.S. Navy facilities in Philadelphia.

The grant included \$1,600,000 to establish a revolving loan fund (RLF) and required the authority to provide \$750,000 in matching funds, which brought the RLF's total capitalization to \$2,350,000. The RLF was to be used to assist defense-dependent businesses in converting to non-defense sectors and to assist other businesses in creating new jobs for dislocated workers. The RLF is administered by the Philadelphia Industrial Development Corporation.

We performed a financial and compliance audit of the RLF during April 2002. Our objectives were to (1) determine the financial status of the RLF, (2) the corporation's compliance with applicable federal laws and regulations, grant terms and conditions, and the RLF plan, and (3) the propriety of administrative costs charged to the RLF.

Our audit disclosed that the corporation had \$735,048 in excess RLF cash as of March 2002, and has retained excess funds for three consecutive semiannual periods, which violates EDA guidelines and is contrary to RLF program objectives. The excess funds have resulted from the corporation not making enough new loans in recent years to use all of the revenues generated by repayments of earlier loans and investment income.

Corporation officials, in their draft report response, did not dispute our finding that the corporation had \$735,048 in excess RLF funds but did not agree with our recommendation that EDA recover the funds. Instead, the officials stated that EDA has recently approved a grant amendment allowing the corporation to make a 15-year loan up to \$1,310,000 that, if approved, will eliminate the excess cash balance.

We recognize the corporation's authority to make the proposed loan, provided that it fully complies with all RLF requirements. We are recommending that, if the loan is not approved, EDA's Philadelphia Regional Director immediately recover the agency's \$500,458 share of the \$735,048 in excess funds and remit the funds to the U.S. Treasury. If the loan is approved, we plan to conduct a follow-up audit to determine whether the loan fully complies with all RLF requirements.

Our audit also disclosed that the corporation has not complied with certain other RLF administrative requirements. Specifically, the corporation did not record \$16,410 in RLF loan fees as income or deposit the income into the RLF account, did not submit required RLF status reports to EDA for three semiannual periods, and reported inaccurate and incomplete data to EDA in the latest RLF status report and submitted the report late. Also, the corporation did not submit required annual RLF plan certifications to EDA and mistakenly charged \$4,875 in administrative costs to the RLF.

The officials agreed with our findings and recommendations relating to their noncompliance with certain other RLF administrative requirements. The officials stated that they have deposited \$21,285 into the RLF account to implement two draft report recommendations and that they are taking steps to implement the two remaining recommendations.

We concur with the corporation's affirmative response and have omitted two draft report recommendations pertaining to the \$21,285 RLF deposit. We are recommending that EDA's Philadelphia Regional Director require the corporation to (1) submit all required semiannual RLF status reports to EDA and ensure that the reports are complete, accurate and timely, and (2) submit annual RLF plan certifications and necessary plan modifications to EDA.

We have summarized the corporation's draft report response and provided our comments in the appropriate report sections. We also have included the corporation's complete response, excluding two attachments, as Appendix I.

INTRODUCTION

In April 1993, the Economic Development Administration (EDA) awarded a \$2,700,000 Sudden and Severe Economic Dislocation Implementation grant, No. 01-49-03274, to the Philadelphia Authority for Industrial Development. The grant was funded under Title IX of the Public Works and Economic Development Act of 1965, as amended. EDA awarded the grant in response to the closing of three U.S. Navy facilities in Philadelphia.

The \$2,700,000 grant included \$1,600,000 to establish a revolving loan fund (RLF) and \$1,100,000 for three technical assistance projects. The RLF element required the authority to provide \$750,000 in matching funds, which brought the RLF's total capitalization to \$2,350,000. The RLF was to be used to assist defense-dependent businesses in converting to non-defense sectors and to assist other businesses in creating new jobs for dislocated workers.

The authority's primary mission is to promote commercial, industrial, and other economic development projects for the City of Philadelphia. However, because the authority has no full-time staff, it transferred the RLF award to the Philadelphia Industrial Development Corporation-Local Development Corporation, an affiliated nonprofit corporation. This corporation then entered into a management agreement with the Philadelphia Industrial Development Corporation, another nonprofit corporation, to administer the RLF.

As of March 31, 2002, the corporation had made 12 RLF loans totaling \$2,955,000. Of the 12 loans, 4 had been fully repaid, 2 had been written-off, 3 were delinquent and 3 were current. The six delinquent and current loans had a total outstanding principal balance of \$688,580.

OBJECTIVES, SCOPE AND METHODOLOGY

Because the RLF is administered by the Philadelphia Industrial Development Corporation, our financial and compliance audit focused on this corporation. Our audit objectives were to determine (1) the financial status of the RLF, (2) the corporation's compliance with applicable federal laws and regulations, grant terms and conditions, and the RLF plan, and (3) the propriety of administrative costs charged to the RLF.

We performed the audit fieldwork in April 2002 at the corporation's office in Philadelphia, Pennsylvania. The audit covered the period from April 1, 1999, through March 31, 2002. We examined pertinent EDA and corporation RLF records, and interviewed agency and grantee officials as deemed necessary.

We reviewed the corporation's most recent single audit report for the fiscal year ended December 31, 2000. The audit was conducted by an independent certified public accounting firm in accordance with Office of Management and Budget Circular A-133. The report disclosed no material internal control weaknesses but did disclose some noncompliance findings, relating to the RLF grant, that were not classified as material and were being resolved. We did not rely upon the accounting firm's internal control reviews but instead determined that we could better meet our audit objectives through detailed substantive testing of RLF transactions.

We relied on computer-processed data supplied by the corporation as the basis for some of our audit findings and recommendations. Consequently, we tested the data's accuracy by tracing and comparing the data to original source documents and other supporting documents. Based on our tests, we concluded that the data was sufficiently reliable for use in meeting our objectives.

We also evaluated the corporation's compliance with federal laws and regulations applicable to the grant project. We identified *Title IX of the Public Works and Economic Development Act of 1965, as amended*, as the applicable federal law. We also identified EDA's *Revolving Loan Fund Grants Administration Manual*, EDA's *Revolving Loan Fund Grants Standard Terms and Conditions*, and EDA's *Special Terms and Conditions* as the applicable federal requirements.

Since a nonprofit corporation administers the RLF, we also identified OMB *Circular A-110 Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, and OMB *Circular A-122 Cost Principles for Non-Profit Organizations*, as additional federal requirements.

We found that the corporation was not in compliance with certain RLF grant requirements. The noncompliance issues were deemed material and are detailed in the "Findings and Recommendations" section of this report. With regard to items not tested, nothing came to our attention that caused us to believe that the corporation had not complied in all material respects.

We conducted the audit in accordance with generally accepted government auditing standards, and performed it under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

FINDINGS AND RECOMMENDATIONS

CORPORATION HAD OVER \$735,000 IN EXCESS RLF CASH

The corporation had \$735,048 in excess RLF cash funds as of March 2002, and has retained excess funds for three consecutive semiannual periods. The corporation's retention of excess funds violates EDA guidelines and is contrary to RLF program objectives. The excess funds have resulted from the corporation not making enough new loans in recent years to use the revenues generated by repayments of earlier loans and investment income. Corporation officials stated that they are now more actively marketing the RLF and indicated, in their draft report response, that they are considering a loan that, if approved, will eliminate the excess cash balance. We believe that if the loan is not approved, EDA should immediately recover the agency's share of the excess funds and remit the funds to the U.S. Treasury.

Excess Funds Caused by Low RLF Activity

The RLF program assists economically distressed areas by creating loan funds for use in making business loans designed to save or create jobs. In order to realize the program's potential, EDA's *RLF Grants Administrative Manual*, Section X.A., requires RLF operators to maximize the amount of capital loaned out or committed at all times. According to the manual, at least 75 percent of an RLF's capital should be in use and when the percentage of capital loaned out falls below this standard, the amount of funds equivalent to the difference between the percentage of capital loaned out and the standard represents excess funds.

The manual also addresses prolonged excess funds and states that when a second consecutive RLF status report shows that the 75 percent standard has not been met, EDA may require an RLF operator to deposit the excess funds into a separate interest-bearing account. The manual states that interest earned on the account, attributable to the EDA grant, should be remitted to the U.S. Treasury. Also, Section XII.C. of the manual states that RLF operators who persistently fail to make maximum use of the available RLF capital will be required to return excess funds to the U.S. Treasury.

The corporation had accumulated \$735,048 in excess cash funds, as of March 31, 2002, based on the corporation's \$2,498,171 fund balance and EDA's 75 percent usage standard. The excess funds balance takes into account the \$688,580 in outstanding loans and \$450,000 in pending loan commitments as of the March date. The following table shows how the corporation's excess funds were determined.

**RLF Excess Cash Balance
As of March 31, 2002**

Fund Balance		\$2,498,171
Less: Outstanding Loan Principal	\$688,580	
Committed Loans	<u>450,000</u>	<u>1,138,580</u>
Net Fund Balance		\$1,359,591
Less: Uncommitted Cash Allowed*		<u>624,543</u>
Excess Cash		<u>\$ 735,048</u>

*EDA allows 25 percent of the fund balance to be in cash.

Since the corporation reported an excess cash balance on its March 31 and September 30, 2001, semiannual RLF status reports, the corporation has retained excess funds for three consecutive semiannual periods. The excess funds have resulted from the corporation not making enough new loans in recent years to use all of the revenues generated by the loan principal repayments and interest from existing loans and from investment income. In fact, the corporation made its last RLF loan in December 1998, or about three and one-half years ago. At the time of our April 2002 audit, the corporation had \$450,000 in loan commitments but no new loans in process.

Corporation officials attributed the low level of RLF activity in recent years to several factors. First, the officials stated that the corporation has already accomplished the RLF's primary objective of providing loans to assist defense-related businesses in converting to non-defense sectors and to create new jobs for dislocated workers. Second, the officials stated that the RLF program is hindered by a common perception that its loans require too much paperwork. Finally, the officials stated that some of the corporation's other loan programs are more attractive because they offer better financing terms.

**Recent Effort Made To Increase
RLF Marketing**

The corporation, in January 2002, created a new marketing department with a goal of more actively marketing the corporation's various loan programs, including the RLF, through a proactive approach. Corporation officials stated that the increased marketing of the RLF could result in increased RLF lending. The officials also stated that they are now targeting the RLF program to start-up and expanding businesses.

Grantee Response

Corporation officials did not dispute our report finding that the corporation had \$735,048 in excess RLF funds but disagreed with our draft report recommendation that EDA recover the funds. The officials stated that EDA, on June 28, 2002, approved an amendment to the RLF plan allowing the corporation to make a 15-year loan of up to \$1,310,000 to AppTec Laboratory Services, LLP. The officials further stated that the corporation's board of directors would probably consider the loan at its August 2002 meeting and that, if the loan is approved, there

would be no excess cash balance. Therefore, the officials concluded that EDA should not recover any funds from the corporation. The corporation's complete response, excluding two attachments, is included as Appendix I.

OIG Comments

Corporation officials did not disclose the loan application from AppTec Laboratory Services, LLP during our April 2002 audit. Therefore, we believe that the corporation had either not received the loan application or was not processing the application, as a RLF loan, at that time. In addition, we were informed by a corporation official, shortly after receiving the corporation's July 24, 2002, audit response, that the loan was still being processed.

We have concerns about the lengthy term, high dollar value and timing of the proposed loan as well as whether the corporation might hastily approve the loan simply to prevent EDA from recovering the excess cash. Nonetheless, we recognize the corporation's authority to make the loan, provided that the loan fully complies with RLF program and operating plan requirements, and is made in accordance with prudent lending practices. If the loan is approved, we plan to conduct a follow-up audit to determine whether the loan fully complies with all RLF requirements.

We have not changed our report finding but based on documentation submitted in connection with the response, we have decreased the fund balance by \$300 to \$2,498,171, and the excess cash balance by \$225 to \$735,048. We have also modified our recommendation to recognize the proposed loan's possible approval. However, if the loan is not approved, we believe EDA should immediately recover its share of the excess funds. Since the RLF was initially comprised of \$1,600,000 in EDA funds and \$750,000 in corporation matching funds, totaling \$2,350,000, EDA funds account for 68.0851 percent of the fund's assets. Therefore, EDA's portion of the \$735,048 in excess cash is \$500,458.

Recommendation

We recommend that, if the loan to AppTec Laboratory Services, LLP is not approved, EDA's Philadelphia Regional Director immediately recover the agency's \$500,458 share of the \$735,048 in excess funds and remit the funds to the U.S. Treasury.

Funds to Be Put to Better Use

If the proposed loan is not approved and EDA recovers its \$500,458 pro rata share of the excess RLF funds and remits the funds to the U.S. Treasury, the funds will be put to better use.

CORPORATION HAS NOT COMPLIED WITH CERTAIN OTHER RLF ADMINISTRATIVE REQUIREMENTS

The corporation has also not complied with certain other requirements of EDA's *RLF Grants Administrative Manual*. Specifically, the corporation did not record \$16,410 in RLF loan fees as income or deposit the income into the RLF account, did not submit RLF status reports to EDA for three semiannual periods, and reported inaccurate and incomplete data to EDA in the latest RLF status report and submitted the report late. The corporation also did not submit required annual RLF plan certifications to EDA and mistakenly charged \$4,875 in administrative costs to the RLF.

Some RLF Loan Fees Not Recorded in Fund Account

EDA's *RLF Grants Administrative Manual*, Section VII.A. and B., defines RLF income and contains the general requirements for recording and using income. Section VII.A., defines RLF income as interest earned on outstanding loan principal, interest earned on investment accounts, all loan fees and related charges received from RLF borrowers, and other income generated from RLF operations. Section VII.B. states that RLF income should generally be used to offset loan losses and supply additional capital for future lending.

The corporation collected \$65,111 in RLF loan fees during the nine-year period from the RLF's April 1993 commencement through March 31, 2002. However, the corporation did not record \$16,410 of the fees as income or deposit the funds into the RLF account, which caused the corporation's RLF capital balance to be understated by this amount. Corporation officials could not explain why the loan fees were not recorded as income but stated that they would make the necessary accounting adjustments and deposit the funds into the RLF account.

Prior RLF Reports Not Submitted

EDA's *RLF Grants Administrative Manual*, Section XI.A.2., generally requires that RLF operators submit to EDA semiannual reports on their operations. EDA uses the reports to monitor the grant projects to ensure that operators are managing their funds in accordance with their RLF plans and the agency's administrative requirements. However, the corporation did not submit semiannual RLF status reports to EDA for the three periods ended September 30, 1999, March 31, 2000, and September 30, 2000. Corporation officials stated that the reports were not submitted because a former employee, responsible for the reports, failed to perform his reporting duties.

Latest RLF Report Not Accurate, Complete or Timely

EDA's *RLF Grants Administrative Manual*, Section XI.A.2., states that semiannual RLF status reports are due on October 31 for the period ending September 30, and April 30 for the period ending March 31. The manual provides a standard report format and instructions that require

RLF operators to report on their cumulative loan operations through each semiannual period. In order to serve as an effective EDA monitoring tool, it is essential that the reports be complete, accurate and submitted on time. EDA also requires that report accuracy be certified by a RLF official.

However, the corporation reported inaccurate data to EDA on its latest semiannual RLF status report for the period ended September 30, 2001. Specifically, the corporation understated its cumulative loan fee income by \$46,888 by reporting only \$18,223 in loan fees instead of the \$65,111 in actual loan fees collected. In addition, the corporation overstated its cumulative investment income by \$69,348 on the report by reporting loan principal repayments as investment interest. Finally, the corporation did not report the \$4,875 in cumulative RLF administrative costs discussed below.

In addition to reporting inaccurate data, corporation officials also did not complete several report sections or certify the report's accuracy as required by EDA. Also, EDA did not receive the report until more than one month after the October 31, 2001, due date. Corporation officials acknowledged the reporting deficiencies and attributed them to a former employee responsible for preparing the reports. The officials stated that the corporation's next semiannual RLF status report would contain accurate income and cost data and be submitted on time.

RLF Plan Certifications Not Submitted

EDA's *RLF Grants Administrative Manual*, Section VIII.D., requires each RLF operator to certify annually to EDA that (1) the RLF plan is consistent with and supportive of the area's current economic adjustment strategy, and (2) the RLF is being operated in accordance with the plan's policies and procedures, and that the loan portfolio meets the plan's standards. The annual certification procedure is intended to assure EDA that operators are reviewing their plans at least annually and that their operations conform to the plan. The annual certification is supposed to be submitted with the semiannual RLF status report for the September 30 period.

However, the corporation did not submit annual RLF plan certifications to EDA for the three years ended September 30, 1999, 2000 and 2001, and a corporation official stated that he did not believe the corporation had ever complied with the requirement. The official also stated that he was unaware of the EDA requirement but that the corporation would submit annual RLF plan certifications to EDA in the future.

RLF Administrative Costs Mistakenly Charged

EDA's *RLF Grants Administrative Manual*, Section VI.A., allows RLF operators to use RLF income to cover eligible, reasonable and documented administrative costs. The corporation's RLF plan also provides for the charging of administrative costs but corporation officials stated that their practice has been not to charge such costs. However, our audit found that the

corporation had charged \$4,875 in cumulative RLF administrative costs through March 2002. Corporation officials stated that the costs were mistakenly charged to the RLF and that they will reimburse the RLF account.

Grantee Response

Corporation officials agreed with the draft report findings and recommendations and indicated that they have or will take the necessary corrective actions to implement the recommendations. Specifically, the officials stated that they (1) have recorded \$16,410 in previously unrecorded loan fees as RLF income and deposited the funds into the RLF account, (2) will submit future semiannual RLF status reports to EDA in a complete, accurate and timely manner, (3) will submit an annual RLF plan certification to EDA with each September 30 semiannual RLF status report, and (4) have reimbursed the RLF account for the \$4,875 in mistakenly charged administrative costs. The officials submitted documentation, in connection with the response, supporting their deposit of \$21,285 into the RLF account to correct the two financial findings. The corporation's complete response, excluding two attachments, is included as Appendix I.

OIG Comments

We concur with the corporation's affirmative response. We have not modified our report findings but have decreased the amount of unrecorded loan fees by \$300 to \$16,410 to reflect documentation submitted by the corporation in connection with the response. In addition, because the corporation has implemented two of the draft report recommendations, by depositing \$21,285 into the RLF account, we have omitted those recommendations. However, we have retained the two other draft report recommendations, pertaining to the submission of semiannual RLF status reports and annual RLF plan certifications, because the corporation has not yet fully implemented the recommendations.

Recommendations

We recommend that EDA's Philadelphia Regional Director require the corporation to (1) submit all required semiannual RLF status reports to EDA and ensure that the reports are complete, accurate and timely, and (2) submit annual RLF plan certifications and necessary plan modifications to EDA.

Funds to Be Put to Better Use

By implementing two of the draft report recommendations, \$21,285 was deposited into the RLF account and is now available for RLF lending. This has allowed the funds to be put to better use.

 8/30/02
for William F. Bedwell, Jr. Date
Regional Inspector General
for Audits



Philadelphia Industrial Development Corporation

Peter S. Longstreth
President

July 24, 2002

William F. Bedwell, Jr.
Regional Inspector General for Audits
Office of Inspector General
U.S. Department of Commerce
401 West Peachtree Street, N.W.
Suite 2742
Atlanta, GA 30308

Dear Mr. Bedwell:

This letter is in response to the draft audit report (#ATL-15123-2-XXXX) concerning the following Department of Commerce (DOC) financial assistance award:

Recipient: Philadelphia Authority for Industrial Development (PAID)
Grant No.: 01-49-03274
DOC Agency: Economic Development Administration (EDA)

With respect to the recommendations found on page 8 of the above-mentioned report, we present the following facts for your consideration:

Recommendation #1 (page 8): As requested, the \$16,710 in unrecorded loan fees was recorded as RLF income, and cash in the same amount was deposited into the RLF account.

Recommendation #2: Inasmuch as the RLF status reports are cumulative in nature, missing reports prior to the March 31, 2002 one will not be filed. The March 31, 2002 report was corrected and mailed April 25, 2002 to Mr. Paul Matyskiela of the Philadelphia Regional Office (attached). Beginning with the September 30, 2002 report, all future semi-annual reports will be complete, accurate and timely.

Recommendation #3: An RLF plan certification for the year ended September 30, 2002 will be submitted, as required, with the RLF status report for September 30, 2002. Thereafter, an annual plan certification will be submitted with each September 30th semi-annual RLF status report.

Recommendation #4: The \$4,875 in administrative costs mistakenly charged to the RLF has been reimbursed to the RLF, as requested.

In addition to the above Recommendations, on page 5 of the report it is recommended that EDA's Philadelphia Regional Director recover \$735,273 in excess funds and remit the recovered amount to the U.S. Treasury. On June 28, 2002, the date of the draft report, Mr. Paul M. Raetsch, Regional Director of

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BY: _____

William F. Bedwell, Jr.
July 24, 2002
Page 2

EDA, approved an Amendment to the RLF Plan to allow on a one-time basis a maximum loan of \$1,310,000 of up to 15 years to AppTec Laboratory Services, LLP (attached). It is expected that the Board of Directors will consider the transaction at its August meeting, and settlement is anticipated shortly thereafter.

If the "RLF Excess Cash Balance As of March 31, 2002" computation found on page 4 of the report is revised to reflect the AppTec transaction as shown below, there would be no Excess Cash on hand.

RLF Excess Cash Balance
As of March 31, 2002

Fund Balance		\$2,498,471
Less: Outstanding Loan Principal	\$ 688,580	
Committed Loans (including AppTec)	<u>1,760,000</u>	<u>2,448,580</u>
Net Fund Balance		\$ 49,891
Less: Uncommitted Cash Allowed		<u>624,618*</u>
Excess Cash		<u>\$ 0</u>

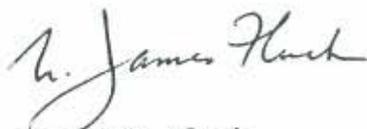
*EDA allows 25 percent of the fund balance to be in cash.

We therefore respectfully request that we not be required to return funds to the U.S. Treasury.

I trust you will find this letter responsive to the recommendations contained in the subject draft report. I want to acknowledge the professional manner in which Mr. Demetrius Bowman of your staff conducted the audit and thank you for allowing us the opportunity to respond to the draft report.

Should you have any questions about this response, please do not hesitate to call me at (215) 496-8140. Thank you.

Sincerely,



N. James Fluck
Executive Vice President

NJF:tdm

Attachment

cc: Paul M. Raetsch, Regional Director
Philadelphia Regional Office
Economic Development Administration

Peter S. Longstreth, PIDC
Joseph L. Gardner, PIDC
Jean DeBellis, PIDC



U.S. DEPARTMENT OF COMMERCE
Economic Development Administration
The Curtis Center
Suite 140 South
Independence Square West
Philadelphia, Pennsylvania 19106-3323

June 28, 2002

Mr. Robert A. Fina
Senior Vice President
Philadelphia Industrial Development Corporation
2600 Centre Square West
1500 Market Street
Philadelphia, Pennsylvania 19102-2126

RE: EDA Project No.: 01-49-03274
Amendment Number 5

Dear Mr. Fina:

In response to your request, we are pleased to advise you that pursuant to the authority provided to the Assistant Secretary for Economic Development by amended Public Works and Economic Development Act of 1965 and by the Economic Development Administration Reform Act of 1998, and pursuant to the authority delegated by the Assistant Secretary to the Regional Director, the Economic Development Administration (EDA) is offering to the Philadelphia Authority for Industrial Development (Recipient) an Amendment to the EDA Award Agreement governing the above-referenced Economic Adjustment Program project.

This Amendment hereby modifies the Award Agreement as follows:

1. Amends the approved Revolving Loan Fund Plan to allow on a one-time basis a maximum loan amount of \$1,310,000 and a maximum term of 15 years to permit a loan to AppTec Laboratory Services, LLP, which will generate exceptional job creation and other economic benefits. With the exception of the loan to AppTec Laboratory Services, LLP, all provisions of the approved Revolving Loan Fund Plan will remain in effect.

The scope of work for the project is not changed by this Amendment. There will be no change in the purposes, benefits, or overall activities approved as part of the project due to this Amendment. All terms and conditions of the Standard Terms and Conditions, the General Terms and Conditions, and the Special Terms and Conditions other than those specifically modified in this Amendment remain unchanged.

-2-

EDA Project Number: 01-19-03274

If the provisions of this Award Amendment are acceptable, please sign one copy of this Award Amendment and return it to me at the Philadelphia Regional Office of EDA. Keep one executed copy of the Award Amendment for your files.

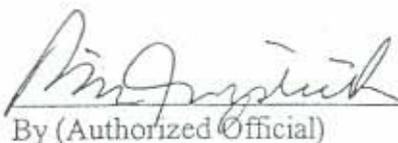
Dated this 28th day of June, 2002.



Paul M. Raetsch
Regional Director

The foregoing Award Amendment is hereby accepted.

Dated this 8th day of July, 2002.


By (Authorized Official)

PRESIDENT
Title