

# Blue Earth Economic Development Authority

## Revolving Loan Fund Application



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Return To:

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# Blue Earth Economic Development Authority

## Revolving Loan Fund Application

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### Overview

The Blue Earth Economic Development Authority (EDA) Revolving Loan Fund provides assistance to local business within the corporate municipal boundaries. Eligible projects include working capital, inventory, machinery and equipment, and building renovations or expansions and land purchase. The Loan Criteria provided in *Exhibit B* of this application summarizes the eligible projects and general terms of the Revolving Loan Fund.

The purpose of this fund is to provide capital for new and existing business expansion, retain or expand employment, expand the tax base and encourage new business investment in the community. It is fully intended that all funds repaid to the EDA Revolving Loan Fund by any borrower be re-loaned to other business for additional expansion and economic development projects within the City.

### Application Procedure

The Blue Earth EDA Director serves as the loan officer. The EDA Director will gather preliminary details of the project from the interested business or individual and present an informational summary soon after to the EDA Loan Committee.

A Loan Committee consisting of three members of the Blue Earth EDA Board reviews the summary and meets with the applicant. A full application is provided by applicant and reviewed by the EDA Director, then referred to Loan Committee. The Loan Committee may call a second meeting with the applicant before recommendation to the EDA. The EDA Director and Loan Committee will complete the due diligence worksheet.

The Chairman of the Loan Committee is responsible for conducting the Loan Committee meetings and is also the main contact with the EDA Director on application reviews prior to a formal meeting of the Loan Committee.

The Loan Committee provides a recommendation to the EDA Board for final authorization. No loan shall be made prior to EDA authorization. Any loan over \$100,000 also requires approval by the City Council as recommended by the EDA.

### Approval Considerations

The Loan Committee shall review all information that will provide decision-making assistance as to the viability of the business applicants. The Credit Criteria listed in *Exhibit B* will be used to review the applications. Committee members will review and discuss the strengths and weaknesses of the business, determine their credit worthiness, and ensure satisfaction of meeting the goals of the Blue Earth EDA Revolving Loan Fund.

Generally, the following criteria will be used in reviewing loan applications to determine their credit worthiness:

- > Equity or cash commitment
- > Collateral coverage
- > Credit worthiness of applicant
- > Leveraging of other funds
- > Job creation/retention
- > Economic impact

### Application Requirements

To apply for financial assistance to aid in the decision making process of the Loan Committee, the following items are required:

- a) Complete the attached Revolving Loan Fund Application.
- b) Include all applicable exhibits as outlined in attached *Exhibit A – Application Exhibits* as deemed applicable by the EDA. Please contact the EDA Director to verify required exhibits.

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c) Complete and sign the attached *Information Release Authorization*.

**Loan Approval**

Upon final approval by the EDA, and City Council when required, the EDA will prepare a promissory note and/or mortgage to be signed and recorded. All fees related to document preparation, legal fees and recording fees are the responsibility of the borrower.

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**Name and Address of Business**

**Phone Number**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Fax Number**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Email Address** \_\_\_\_\_

**Business Internet Address** \_\_\_\_\_

**Federal Tax ID#** \_\_\_\_\_

**Structure of Business** (place "X" the appropriate business structure that applies)

\_\_\_\_ Proprietorship    Corporation ( \_\_\_\_ S Corp OR \_\_\_\_ C Corp)    \_\_\_\_ Partnership

**Business Owners Names and Addresses**

1. \_\_\_\_\_ Title \_\_\_\_\_  
\_\_\_\_\_ Percent of Ownership \_\_\_\_\_  
\_\_\_\_\_ Social Security Number \_\_\_\_\_  
\_\_\_\_\_

2. \_\_\_\_\_ Title \_\_\_\_\_  
\_\_\_\_\_ Percent of Ownership \_\_\_\_\_  
\_\_\_\_\_ Social Security Number \_\_\_\_\_  
\_\_\_\_\_

*\* Please attach a separate list of the above information if there are more than two owners.*

**Business Accountant Address, Name and Contact Information**

\_\_\_\_\_ Name \_\_\_\_\_

\_\_\_\_\_ Phone \_\_\_\_\_

\_\_\_\_\_ *\* Please provide an attachment if other information or additional accountants apply.*

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**Describe the details of the loan you are applying for:**

Loan Amount \$ \_\_\_\_\_

Term \_\_\_\_\_

Collateral Available & Market Value \_\_\_\_\_

Special Payment Terms or Conditions \_\_\_\_\_

Are the owners of the company willing to disclose their personal financial condition? \_\_\_ Yes \_\_\_ No

Are the owners of the company willing to sign personal guarantees? \_\_\_ Yes \_\_\_ No

**Job Impact**

	<u>Current</u>	<u>Additional Created</u>
Full time positions (year round)	_____	_____
Part time positions	_____	_____
Average full time hourly wages	_____	_____
Average part time hourly wages	_____	_____

**Existing Business Financing Obligations** (date of most recent balance sheet) Include personal financial obligations if applicant is a sole proprietorship. Show contingent liabilities.

<u>Creditor Name</u>	<u>Original Amount</u>	<u>Present Balance</u>	<u>Monthly Payment</u>	<u>Maturity Date</u>
_____				
_____				
_____				
_____				
_____				
_____				
_____				
_____				
_____				
_____				

*Please attach a separate list including all of the information above if space does not permit a comprehensive summary.*

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**Project Financing Summary – Source & Use of Funds**

<u>Use</u>	<u>Amount</u>	<u>Source (EDA, Equity, Bank, etc.)</u>
Property Acquisition	\$ _____	_____
Site Improvement	\$ _____	_____
Building Renovation	\$ _____	_____
New Construction	\$ _____	_____
Machinery & Equipment	\$ _____	_____
Working Capital	\$ _____	_____
Inventory	\$ _____	_____
Debt Refinancing	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
<b>TOTAL</b>	<b>\$ _____</b>	_____

**Project Financing Summary – Proposed Financing Terms**

	<u>EDA</u>	<u>Bank</u>	<u>Equity</u>	<u>Other</u>	<u>Other</u>
Loan Amount	_____	_____	_____	_____	_____
% Project Cost	_____	_____	_____	_____	_____
Term of Loan	_____	_____	_____	_____	_____
Interest Rate	_____	_____	_____	_____	_____
Annual Pymt.	_____	_____	_____	_____	_____
Collateral	_____	_____	_____	_____	_____
Lien Position	_____	_____	_____	_____	_____
Guarantees	_____	_____	_____	_____	_____
Approved Y/N	_____	_____	_____	_____	_____

# Blue Earth Economic Development Authority

## Revolving Loan Fund Application

### Exhibit A – Application Exhibits *(if applicable as determined by the EDA)*

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#### **Exhibit 1 – History and Description of Business**

Briefly describe the past operation of the business and/or events leading up to its creation. Include information on the product lines or services, industry, management and key employees, the operation's growth and affiliates.

#### **Exhibit 2 – Project Summary**

Briefly describe the project you are proposing. Indicate the part of the project the loan would be used for. Include information on any existing financial or legal situations of the applicant that might affect the credit worthiness of this application.

#### **Exhibit 3 – Marketing Plan**

Detail the marketing strategy and describe how it will support the planned business expansion or start-up. Include information on the following:

- Ø current customers and target markets (provide copies of contracts, purchase orders, etc. that relate to the loan request).
- Ø manufacturing process and materials.
- Ø major suppliers.
- Ø competition and comparison of products.
- Ø pricing, distribution and promotion.

#### **Exhibit 4 – Commitment or Rejection Letters**

Include firm commitments or rejections from banks and other participating lenders stating the terms and conditions of their financing.

#### **Exhibit 5 – Business Financial Statements**

Provide balance sheets, income statements, and statement of cash flows for the past three fiscal years. If a start-up, go to Exhibit 8.

#### **Exhibit 6 – Personal Resumes and Financial Statements**

Provide resumes of all principals as well as current, dated and signed personal financial statements on all principals with a financial interest in the business.

If possible, the date of the personal financial statements should be the same as the date of the most current business financial statement. Include notes indicating the basis of value on assets (market value or acquisition cost) and explanations of other entries (notes payable, receivables, stocks, etc.). Financial statements should be dated within 90 days of filing this application.

#### **Exhibit 7 - Interim Statement**

Provide balance sheets, income statements, and statement of cash flows that are less than 90 days old.

#### **Exhibit 8 – Projections**

Provide a proforma, balance sheets, income statements and statement of cash flows stated on a monthly and annual basis for a two-year period. Define the assumptions used to derive the projections.

#### **Exhibit 9 – Affiliates**

Provide a description of any affiliates or subsidiaries of business or principals requesting assistance, as well as balance sheets, income statements, and statement of cash flows for the past two fiscal years.

#### **Exhibit 10 – Appraisals/Proposed Lease/Purchase Options or Agreements**

An independent appraisal paid for by the applicant may be required for any real estate which is a subject of the proposed financing, or which is offered as a major source of collateral to secure the loan. Also, include copies of existing or proposed lease(s), purchase options or agreements, or other financial arrangements.

#### **Exhibit 11 – Partnership Certificate of Authorization or Corporate Certificate of Authority**

Include minutes of the corporate meeting adopting this certification, where applicable. Evidence of corporate action approving the borrowing will be required at closing.

#### **Exhibit 12 – Other Required Attachments**

- Ø A letter from the County Auditor or Treasurer verifying that there are no outstanding judgement or tax liens against the business, property or owners of the business.

#### **Exhibit 13 – Evidence of payment of last quarter's payroll and sales tax.**

#### **Exhibit 14 – Evidence of Worker's Compensation insurance coverage.**

# Blue Earth Economic Development Authority

## Revolving Loan Fund Application

### Exhibit B – Loan Criteria

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#### Financing Policies

##### Eligible Projects

- Ø Use of loan funds must be for operations within the municipal corporate boundaries.
- Ø Working capital, inventory, machinery and equipment, and building renovation or expansion.

##### Ineligible Projects

- Ø Land and building purchase or lease.
- Ø New construction of buildings.
- Ø Purchase of equity positions in business enterprises.
- Ø Refinance of existing debt.

##### Loan Amount

- Ø Minimum of \$5,000.
- Ø Maximum of \$100,000.
- Ø The Loan Committee may recommend an exception to exceed the maximum \$100,000 loan, however, a loan exceeding the maximum limit would also require City Council approval.

##### Loan Term Length

- Ø Loan terms shall not exceed 10-years in length.
- Ø Each loan will be determined on a case-by-case basis.
- Ø Equipment loans will generally not exceed 5 to 7 years, not to exceed the depreciated life of the asset being financed.

##### Interest Rates

- Ø Fixed interest rates based on current market interest rate for similar loan and risk as recommended by the Loan Committee and approved by the EDA Board.

##### Late Penalties

- Ø The EDA may include late penalties for loan payments made after their due date.

##### Loan Disbursement Policy

- Ø The EDA may place restrictions on the disbursement of loan funds.

##### Fees

- Ø Approved borrowers are responsible for all legal fees, document preparation, recording and filing fees.
- Ø No origination or application fees apply.

#### Credit Criteria

##### Equity or Cash Requirements

- Ø Loan applicants must demonstrate an acceptable level of project equity, with a minimum of 10% equity provided by the borrower.

##### Collateral Requirements

- Ø Loan collateral coverage will be reviewed and taken into consideration.
- Ø A position subordinate to another lender may be approved.

##### Debt to Worth

- Ø Projects must have a tangible net worth ratio on an actual and proforma basis of no greater than 10 to 1 (10% project equity or greater). Each project shall be analyzed on its own merit to service both existing and new debt.
- Ø Borrowers should have a tangible net worth of 5 to 1 or less, based upon their most recent financial statements and, on a proforma basis, reflecting the new proposed debt.

##### Personal Guarantees

- Ø Personal guarantees may be required for all owners with 20% or greater ownership.

##### Management Experience

- Ø It is required that the project have capable, skilled management through experience or expertise in the applicant's industry, either through previous successful business ownership or through appropriate managerial support services.
- Ø Loan risk will be taken into consideration for borrowers having erratic or undocumented earnings, or borrowers having new and unproven management.

##### Repayment Ability

- Ø Applicants must demonstrate adequate historical cash flow showing trends that support debt service coverage. Proforma financial cash flows must also support debt service coverage.

##### Community Economic Benefits

- Ø Jobs created and/or retained for employees will be considered.
- Ø Enhancement to local property tax base will be considered.

##### Coverage Ratio

- Ø There shall be demonstrated adequate historical cash flow trends and proforma cash flows to support the debt coverage.



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**Information Release Authorization**

You are hereby authorized to release to the Blue Earth Economic Development Authority (lender), its successors and assigns any information you may possess regarding the following:

- Ø Credit report.
- Ø Employment history, dates of employment, title, income, hours worked, stability, etc.
- Ø Banking and savings accounts, deposits and balance verifications.
- Ø All loan ratings, opening date, high credit, payment amount, loan balances, payment records, and pay off information.
- Ø Any other information requested in connection with a determination of credit worthiness.

This information is for the use of this lender and its investors, successors, and assigns in connection with my/our loan application and the conduct of "Post Closing" Quality Control Audits as required by various government and quasi-government agencies.

A photocopy of this authorization, bearing the photocopied signatures of the undersigned, may be deemed to be the equivalent of the original and may be treated and used as a duplicate original.

\_\_\_\_\_  
Applicant Signature

\_\_\_\_\_  
Applicant Full Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Date of Birth

\_\_\_\_\_  
Applicant Signature

\_\_\_\_\_  
Applicant Full Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Date of Birth

\_\_\_\_\_  
Applicant's Signature

\_\_\_\_\_  
Applicant's Full Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Date of Birth

\_\_\_\_\_  
Applicant's Signature

\_\_\_\_\_  
Applicant's Full Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Date of Birth

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**Tenessen Warning: Data Privacy Statement**

The information provided in the application materials or to be obtained separately as a part of the application process will be used by the lender to determine whether you qualify as a prospective borrower for the Blue Earth Economic Development Authority (EDA) Revolving Loan Fund. The information provided in the application and information authorized above for assistance will become a matter of public record with the exception of those items protected under Minnesota Statutes Chapter 13 *Government Data Practices*.

The private data whom this information may be shared include:

1. The EDA Loan Review Committee and EDA Board; and
2. Staff who are involved in program administration; and
3. Auditors who perform required audits of the program; and
4. Authorized personnel from other County, State, Federal or Regional Agencies providing funding assistance to you; and
5. Those other persons who you authorize to see the information; and
6. Law enforcement personnel in the case of suspected fraud.

Unless otherwise authorized by MN Statutes or Federal Law, other government agencies using the private data must also handle the data as private. You may wish to exercise your rights as contained in the Minnesota Government Data Practices Act. Those rights include:

1. The right to see and obtain copies of the data maintained on you; and
2. Be told the contents and meaning of the data; and
3. Challenge the accuracy and completeness of the data.

To exercise these rights, contact the Blue Earth City Administrator at (507) 526-7336 or 125 West Sixth Street, PO Box 38, Blue Earth, MN 56013-0038.

*This institution is an equal opportunity lender, provider, and employer.*