

OVERVIEW

The Region Nine 6-County Revolving Loan Fund was established to strengthen and diversify the economy of Southcentral Minnesota by providing a source of gap-financing to new and expanded businesses. Loans are made to fill the gap between the total cost of the project and the amount that is available through owner investment, bank financing, and other sources of private funding. The goal of the fund is to leverage the maximum amount of private funds possible, in conjunction with creating the maximum number of jobs for the people of Southcentral Minnesota.

APPLICATION PROCEDURE

In the application, you will be asked to give a detailed explanation of your project, including business plan information, financial projections, historical statements, and other types of information. Also, because of regulations when using public funds for financing a project, you will be asked to provide evidence or assurances that you will comply with laws concerning civil rights, the environment, flood hazards, historic preservation, handicapped access, and other issues.

Our staff will review your application for completeness and consistency, and may ask for additional information or explanations depending on the specifics of your project. After this stage, your application will be reviewed by our Loan Review Committee. The Loan Review Committee will make a decision on your application immediately following the staff presentation. If approved, your loan will then be scheduled for closing as soon as possible.

RESTRICTIONS

Because of the limited pool of funds available for this region, and the guidelines that are required when using public funds, the following restrictions apply to the use of the Region nine 6-County Revolving Loan Program funds:

The project must be located within the following Counties:

Faribault	Sibley
LeSueur	Waseca
Martin	Watonwan

The Revolving Loan Fund loan should not exceed one third of the total project cost.

Jobs must be created or retained (not including the owner's positions). The guidelines is 1 full time equivalent job for every \$10,000 loaned.

- No refinancing of existing businesses can be done.
- Two dollars of private funds must be provided for each loan dollar.
- All industries and types of businesses are eligible to apply, including manufacturing, distribution, value-added agriculture facilities, retail and service industry businesses.

APPROVAL CONSIDERATIONS

Because of the limited amount of funds available, the Loan Review Committee will take things into consideration when asked to approve a loan. While the following points are not restrictions, they are examples of parameters that are measured when deciding whether a project meets the goals of the Fund:

- Owners / Investors are residents of the 6 counties.
- Jobs would be created / retained for the unemployed and / or the underemployed.
- Jobs would be filled with local residents.
- This type of business would help to diversity the local economy (i.e. manufacturing, distribution, ag-processing, etc.)
- This business will use local sources of supply for raw and / or semi-finished materials to the greatest extent possible.
- This business would sell goods and / or services outside the region.
- The local property tax base will be enhanced by adding market value to real property.

REQUIREMENTS OF LOAN APPLICANTS

Individual consideration is given to each applicant, and as such the requirements will vary from project to project. In general, the following conditions will apply:

- The business owners would be required to provide personal guarantees for the loan amount.

- A life insurance policy on the business owner sufficient to cover the balance of the loan and with a collateral assignment to the Region Nine Revolving Loan Fund must be provided.
- The application and processing fees will take two forms:
 1. A 1^{1/2}% application fee for all projects, payable to the Region Nine Development Commission (RNDC) when the full application is submitted.
 2. A \$600 processing fee is payable when the applicant accepts a letter of commitment from the RNDC describing the terms of the loan approval.

Both fee amounts may be included as part of the loan.

- Collateral for the loan will be taken, although the Loan Committee may approve a position subordinate to another lender.
- Hazard insurance on the collateral, naming the Region Nine Revolving Loan Fund as loss payee, and proof of workman's compensation insurance must be provided.
- Loan recipients will be required to fill out a semi-annual report on the number of jobs created and / or retained.
- Loan recipients will be required to submit financial statements as required as a condition of their loan.
- Applicants should be aware that basic information provided in the application procedure is public information and could be available to persons outside the application process if requested. The information is made available only to the six members of the Loan Review Committee and the Revolving Loan Fund staff as a part of the normal review process.

Name and address of business:

Type of Business:

Date Established:

Telephone Number:

Structure of Business:

Proprietorship

Corporation

Partnership

Business Owners Names and Addresses:

1. _____

2. _____

3. _____

Title: _____
Ownership Percent: _____
Title: _____
Ownership Percent: _____
Title: _____
Ownership Percent: _____

Describe the details of the loan you are applying for.

Loan Amount: _____

Interest Rate: _____

Term: _____

Collateral Available and Market Value: _____

Special Payment Terms or Conditions: _____

Are the owners of the company willing to disclose their personal financial condition and sign personal guarantees? (This is a program requirement.) Yes No

Briefly describe your current business and the project you are proposing. Indicate the part of the project this loan would be used for. Include information on any existing financial situations of the applicant which might affect the credit worthiness of this application.

Project Costs

		Purchase machinery and equipment	\$ _____
Property acquisition	\$ _____	Repair machinery and equipment	\$ _____
Site improvements	\$ _____	Purchase fixtures and furniture	\$ _____
Site improvements	\$ _____	Professional fees	\$ _____
Renovation of an existing building	\$ _____	Working capital	\$ _____
New construction	\$ _____	Administration	\$ _____
		Other (Infrastructure, Relocation expense, etc.)	\$ _____
		TOTAL	\$ _____

Funding Sources

Proposed Region Nine Revolving Loan Fund Loan	\$ _____
Owners Investment	\$ _____
Bank	\$ _____
Other financial institution	\$ _____
Other public funding	\$ _____
TOTAL	\$ _____

Bank Name and Address:

Contact Person: _____
 Telephone Number: _____

Job impact: Jobs created:
 _____ Full time year around
 _____ Part time
 _____ Total hours per year for all part time employees

Jobs retained*:
 _____ Full time year around
 _____ Part time
 _____ Total hours per year for all part time employees

* Jobs that would be lost if this project is not funded.

Provide the following information on your sources of financing for this project.

Name of Source	<u>9-County Revolving Loan Fund</u>	<u>Bank</u>	<u>Other</u>	<u>Other</u>	<u>Total</u>
Loan Amount	_____	_____	_____	_____	_____
% of Project Cost	_____	_____	_____	_____	_____
Activities Funded	_____	_____	_____	_____	_____
Term of Loan	_____	_____	_____	_____	_____
Interest Rate	_____	_____	_____	_____	_____
Total Annual Payment	_____	_____	_____	_____	_____
Special Terms	_____	_____	_____	_____	_____
Collateral	_____	_____	_____	_____	_____
Lien Position	_____	_____	_____	_____	_____
Guarantees (personal, third party)	_____	_____	_____	_____	_____
Does this loan have final approval?	<u>N/A</u>	_____	_____	_____	_____
TOTALS	_____	_____	_____	_____	_____

Briefly describe why other sources of public or private financing are unavailable or insufficient for this project. (Interest rates, terms, risk, collateral, loan limits, etc.)

Attach an explanation if any answer to the following questions is yes:

1. Have you or any officer or owner of your company ever been involved in bankruptcy or insolvency proceedings?

Yes No

2. Are you or any officer or owner of your business involved in any pending lawsuits or judgements?

Yes No

3. Does your business have any subsidiaries or affiliates? (Include financial statements with explanations.)

Yes No

4. Do you buy from, sell to, or use the services of any concern in which someone in your company itself has a significant financial interest?

Yes No

I hereby pledge that this project will be completed in accordance with the terms and conditions of this application, if approved and funded.

Applicant's Name (type or print):

Signature of Applicant:

Date of Application:

AUTHORIZATION FOR RELEASE OF FINANCIAL INFORMATION

_____, hereby authorizes any third party to release to the Region Nine
(borrower)

6-County Revolving Loan Fund, without limit, any and all financial information regarding

_____ that is requested by the Region Nine 6-County Revolving Loan Fund,
(borrower)

its representatives or employees, and that is the possession of that third party or readily accessible to that third party.

This Authorization to Release Financial Information specifically includes records and information prepared or compiled prior to the date of the signing of this Authorization and records any information prepared after the date of the signing of this Authorization.

_____, hereby authorizes release of said records and information by
(borrower)

Region Nine 6-County Revolving Loan Fund, to a third party, as deems necessary.

A photocopy of this signed Authorization shall be treated in the same manner as the Original.

Upon full repayment of the loan obligation of _____, to Region Nine
(borrower)

6-County Revolving Loan fund, this Authorization shall automatically expire without any express written revocation need on behalf of _____.
(borrower)

(Signature of Owner or Chief Executive Office and Title)

CREDIT AUTHORIZATION

I hereby authorize Credit Resource Services or its agents to investigate my credit record. I authorize any person, broker or consumer reporting agency to complete and furnish to you any information it may have in response to your credit or employment inquiries.

Signature

Printed Name

Social Security Number

Current Address

City, State, Zip Code

APPLICATION APPENDIXES - On separate sheets attach the following information:

A. BUSINESS, MARKETING, AND MANAGEMENT INFORMATION

Describe your plans for your business, including the following points, where applicable, and any other pertinent information.

1. Describe your product or service and explain the benefits or competitive advantages it has over other products or services.
2. What is your overall strategy for selling, distributing, pricing, and advertising your product or service?
3. Describe your targeted market area and the projected demand for your product or service.
4. If applicable, what patents, copyrights, and other legal considerations have been met?
5. If you are building, expanding, or remodeling a facility, include a brief description of your capital improvements and the planned effect on your business.

B. BUSINESS HISTORY

Describe the history of your business including the following points based on your business situation.

1. Existing business expansion:
 - a. What have been the current and long term trends in the business?
 - b. How long have the current owners or operators run the business?
 - c. If applicable, what previous experience did the owners or key personnel have?
2. Start-up business:
 - a. Summarize the experience, education and training of the owners and other key personnel.
 - b. Briefly explain how this business concept was formed.

C. FINANCIAL STATEMENT COPIES (for existing businesses)

Submit Balance Sheets and Profit and Loss Statements, along with Notes or Financial Statements explaining all significant entries (i.e. accounting methods and policies, debt structure, market value of assets, etc.). Include Financial Statements dated within 90 days of filing this application and Year End Financial Statements covering the last three years.

D. REPRESENTATION LETTER (for existing businesses)

Complete the attached representation letter assuring that the Financial Statements you are submitting conform to generally accepted accounting principles.

E. FINANCIAL PROJECTIONS

Submit a Proforma Balance Sheet for the next three years. Provide Profit and Loss Statements and a Cash Flow Analysis monthly for the first year of the loan and year end

in years two and three. Financial projections are expected to flow logically from historic Financial Statement and the Business, Marketing, and Management information included in Appendix A. Include notes explaining the basis of your projections.

F. PERSONAL FINANCIAL STATEMENTS OF BUSINESS OWNERS

If possible, the date of your Personal Financial Statements should be the same as the date of your 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.

G. LETTERS OF COMMITMENT

Include documentation of commitment from all other financial participants listed on page two under sources of financing.

H. AUTHORIZATION FOR RELEASE OF FINANCIAL INFORMATION

Complete the attached Authorization for Release of Financial Information form (Page A) which authorizes the release of credit reports and other financial information to the Revolving Loan Fund.

I. DOCUMENTATION OF APPROVAL FROM YOUR LOCAL GOVERNMENT UNIT

Include a copy of the city, township or county action approving your project as being in the best interest of that local unit of government. A sample format for the resolution is attached.

J. CERTIFICATION OF INCORPORATION AND CORPORATE RESOLUTION

For incorporated businesses, include a copy of your Certificate of Incorporation and a corporate resolution authorizing the corporation to borrow money from the Revolving Loan Fund.

K. LEASES

If you are leasing or proposing to lease building space or major pieces of equipment, include a copy of the current lease.

L. BIDS AND QUOTES

If you are buying land or constructing a building, provide bids or quotes. If you are buying machinery or equipment, attach a list of the equipment, cost, and sellers name.

M. JOBS DOCUMENTATION

Contact your local Job Service office to identify the employment and training programs, including resources and tax benefits, that can be applied in this project. Once you have contacted Job Service, complete the job plan according to instructions provided in the attachment..

N. CIVIL RIGHTS

Complete Form ED-503 from the Economic Development Administration. This form provides assurances that you will comply with civil rights, rehabilitation, and age discrimination regulations.

O. ENVIRONMENT

Complete the attached Environmental Checklist . Most projects should not have any difficulties complying with environmental standards, but if the potential of a significant environmental impact exists, your local responsible government unit (county or city) may need to prepare an Environmental Assessment Worksheet. If this worksheet so indicated, the local government or state agencies could require an Environmental Impact Statement.

P. FLOOD HAZARD

Please submit evidence that the activity to be financed is not in the 100 year floodplain.

Q. HISTORIC PRESERVATION

Submit a description of the property or site to be built upon, altered, expand or demolished. This description will be submitted to the State Historical Office. If the property or site is in a Historical District or has been designated "historically significant", there may be additional requirements you must meet.

R. HANDICAPPED ACCESS

If this loan will finance a construction project to which the public will have access, you must insure that access to the handicapped will be provided.

S. NON-RELOCATION

Businesses that relocate jobs from one area to another are not eligible borrowers. Complete the Certificate of Non-Relocation form (attached), assuring compliance with this requirement.

T. DAVIS-BACON

Contact our office for further information on compliance with the requirements of the Davis-Bacon Act if this loan will be financing all or part of construction or equipment installation. If the Davis-Bacon Act applies, wages paid to construction workers must comply with a Wage Determination for this area issued by the U.S. Department of Labor and with Federal Labor Standards Provisions.

U. ADDITIONAL ASSURANCES

Complete the assurances form as provided. Agreeing to the terms of the applicable federal regulations is required if you are to receive federal loan funds through the Region Nine Revolving Loan Fund.

V. DOCUMENTATION OF REJECTION

The borrower is eligible for Revolving Loan Fund (RLF) financing only where credit is not otherwise available on terms and conditions which would permit completion and / or the successful operation or accomplishment of the project activities to be financed. The borrower will provide supporting documentation in the form of bank rejection letters or other outside documentation substantiating the need for RLF financing.

FEDERAL RESTRICTIONS AND ASSURANCES

The following documents must be completed by the applicant in order to qualify the business for this EDA-sponsored program.

- 1. Form ED-612, Current and Projected Employee Data
- 2. Form ED-503, Assurance of Compliance: Civil Rights Act of 1964
- 3. Employer's Certificate of Non-Relocation
- 4. Form 101A, Assurances: Construction Programs
- 5. Environmental Assessment Checklist
- 6. Form ED-524, Certificate of Compliance with Clean Air Act and Water Pollution Control Act

Region Nine Revolving Loan Fund Employment Plan

The Employment Plan is intended to provide information on the current jobs and / or jobs to be retained or created. This document will be used to evaluate the effectiveness of your project in meeting our primary objective of creating or retaining jobs. The information will also be used to provide a base for monitoring the progress of your project if a loan is approved.

To complete the Employment Plan will require only three steps:

1. Complete Form ED-612 as provided in this appendix.
2. Attach a separate sheet which provides the following information for each job category where you will be creating or retaining jobs:
 - a. Identify the skills or educational background that will be considered a minimum for obtaining a job in this category.
 - b. Indicate how many of the jobs in this category could be made available to the long term unemployed in the area.
 - c. Indicate what types of training that will be provided for persons hired into this job category.
3. On the same sheet provide the name of the person from the Minnesota Department of Jobs and Training that you contacted and indicate if you will be using any of the programs available from that organization to hire or train your employees.