

## **The Ortonville Economic Development Authority**

# **Revolving Loan Fund MISSION STATEMENT**

It is the mission of the Economic Development Authority (EDA) to assist in stimulating the economy of Ortonville and improving the overall quality of life in the community. One means of accomplishing this is by providing gap financing from the City of Ortonville Revolving Loan Fund (RLF) to both new and expanding businesses. The fund makes loans with the intention that such loans will be instrumental in the creation and/or retention of jobs within new and existing businesses.

The EDA will provide fair and equitable lending opportunity to all potential applicants and assist in identifying creative and alternative financing techniques to all businesses and individuals applying for funds from the RLF. Not only will these funds be used for direct loans, but also as matching funds to enable the City to receive additional monies from other sources.

The RLF was initially created by a grant from the Minnesota Department of Trade and Economic Development. Since that time, additional funding has been provided from the City of Ortonville's utility reserve fund.

The RLF is not intended to be in direct competition with any traditional lending or financial institutions. The fund has been established to offer loans to businesses that might, without the benefit of gap financing, otherwise be considered a high risk by lending institutions. It is the goal of the EDA to establish and maintain good relations with all lending institutions, as well as cooperative and harmonious association with other community groups and organizations that are working to improve the economy of the area.

## The Ortonville Economic Development Authority

# REVOLVING LOAN FUND GUIDELINES

### 1. Goals and Objectives

- To create or retain permanent jobs
- To provide gap financing for business development and expansion

### 2. Eligible Businesses

- Retail, service, industrial, and tourist-related businesses located within the City Limits of Ortonville

### 3. Eligible Loan Activities

- Start-up or expanding businesses
- Redevelopment of blighted land and vacant facilities
- Modernization and rehabilitation of existing commercial, industrial or manufacturing facilities
- Other activities having sufficient merit as determined by the EDA Board on a case-by-case basis

### 4. Ineligible Loan Activities

- Those located in an ineligible or improperly zoned area
- Any type of residential housing facility
- Those that do not create or retain jobs

### 5. Other Considerations

- Environmental compliance
- Historical sensitivity
- Compliance with Fair Labor Standards Act
- Flood plain and flood hazard insurance
- Compliance with City ordinances/administrative code, i.e. Shoreland Management, etc.

### 6. Conflict of Interest

- Any Board member that may indirectly or directly gain financially from loan transactions shall immediately inform the Board of any potential conflict of interest.
- If a potential conflict of interest exists, all necessary steps will be taken to ensure that the loan application is processed in full accordance with local and State regulations.

### 7. Types of Financing Available

- Equity position in the business
- Collateralized loan

## **8. Loan Conditions**

- Each loan application will be judged on its individual merit
- Loan amount may not normally exceed 25% of total project cost
- Maximum loan amount is normally \$20,000
- Working capital may not normally exceed 30% of total loan amount
- Interest rates for new loans will be set on a periodic basis
- Any fees incurred will be due at the time of closing.
- Repayment terms for loans will be determined on an individual basis and will normally be set as follows:
  - Loans less than or equal to \$5,000 will have a maximum of 5 years
  - Loans less than or equal to \$10,000 will have a maximum of 7 years
  - Loans greater than \$10,000 will have a maximum of 10 years
- Upon default of loan, or close or sale of business, note becomes due and payable in full immediately
- Loans are not transferable unless approved by the EDA Board
- Applicant must have a minimum of 10% equity (unleveraged)
- Loan payment method will normally be automatic withdrawal.

## **9. Collateral**

- Shall be consistent with the purpose, terms and risks involved
- Shall be in accordance with generally accepted lending principles
- Assignment of life insurance policy on principal owners may be required
- Personal guarantees may be required

## **10. Reporting Requirements**

- Annual progress and financial reports or tax returns normally due by June 30th

## **11. Publicity**

- Advertising the RLF's existence will take place in the EDA brochure
- Publicity of loans awarded will be in press release form to the media

## **12. Policy Review**

- Policies will be reviewed annually at the first EDA Board meeting of each year and are subject to change or modification at any time

## **The Ortonville Economic Development Authority REVOLVING LOAN FUND APPLICATION PROCEDURES**

1. Prospective applicant picks up application materials. Note: If an individual other than the applicant will be making presentations to the EDA Board or discussing any information concerning the application on behalf of the applicant, this individual must submit a written authorization statement signed by the applicant.
2. EDA Secretary will provide and/or recommend technical assistance.
3. The following materials will be submitted by the applicant:

<u>Existing Business</u>	<u>New Business</u>
a. Completed application form	a. Completed application form
b. Business Plan - MN Small Business Development Center's form	b. Business Plan – MN Small Business Development Center's form
c. 3 year profit/loss statement	c. 3 year projected profit/loss statement
d. 3 year balance sheet	d. 3 year projected balance sheet
e. 12 month cash flow statement	e. 12 month projected cash flow statement
f. Personal Financial Statement	f. Personal Financial Statement
g. Letter of commitment/turndown from financial institution or other lender	g. Letter of commitment/turndown from financial institution or other lender
h. Subsidy Application (if applicable)	h. Subsidy Application (if applicable)
i. Authorization for release of Information	i. Authorization for release of Information
4. Applicant submits the completed application along with required attachments to the EDA office for review by the RLF Committee.
5. EDA RLF Committee reviews loan application and forwards their recommendation to the EDA Board.
6. EDA Secretary notifies applicant of EDA Board action.
7. EDA Secretary and/or City Attorney will prepare documents and file security agreements.
8. Checks will be received at the time of closing.
9. Press release will be given to the media.
10. EDA Secretary will:
  - a. Monitor the loan
  - b. Make regular reports to the EDA Board, particularly notifying the Board of any problems with clients making payments, etc.
11. EDA Secretary or RLF Committee Member(s) will make annual visits to the borrower's business.

Applicant should allow for at least a 30-day timeframe once the completed application and all required documentation is submitted. An EDA representative will assist the applicant through all stages of the application process.

## **Business Credit Check – Application Process Procedure**

Applications for business assistance requires obtaining credit reports and credit references, both on the company and owners holding 20% or more of the company. Some or all of the items in #1-8 may be accessed to determine credit worthiness.

1. Obtain a credit status report from the applicant's bank on the business requesting assistance.
2. Conduct a name search with the County Recorder's office (and/or Registrar of Deeds) where the business is presently located to identify any filings of public record against the business. It may be necessary to go to several surrounding counties depending on the information received. For the majority stockholders, a name search should be undertaken in the counties where the individuals reside (or have resided in the past.) Individuals providing personal guarantees are generally the majority stockholders owning 20% or more of the company. The County Recorder's records will identify liens which may include:
  - A. Federal tax liens
  - B. State tax liens
  - C. Equipment liens
  - D. Real estate liens
3. Conduct a lien search with the Secretary of State.
4. Conduct a name search with the Criminal Clerk of Court in the county where the business is located and where the majority stockholder(s) reside (or have resided in the past.) The Criminal Clerk of Court will identify court actions taken in regard to the business and stockholder(s). Conduct a name search with the Civil Clerk of Court to identify any pending action against the company or stockholder(s).
5. To determine if there is a pending law suit, conduct a name search of the business and majority stockholders through the US District Court.

St. Paul	651-848-1100
Mpls.	612-664-5000
Duluth	218-529-3500
6. Contact "local" bankruptcy court to determine if company or owners have filed for bankruptcy protection. Web site: [www.mnb.uscourts.gov](http://www.mnb.uscourts.gov) or 1-800-959-9002
7. Obtain a Dunn and Bradstreet report on the business requesting assistance.
8. Obtain supplemental reports (letters and telephone calls to credit references) when other channels of information do not clearly indicate the credit history of the business.

## The Ortonville Economic Development Authority REVOLVING LOAN FUND APPLICATION FORM

Name of Business: \_\_\_\_\_

If incorporated, State and date of incorporation: \_\_\_\_\_

Principals (Enter name and ownership percent)

\_\_\_\_\_ %  
 \_\_\_\_\_ %  
 \_\_\_\_\_ %

<b>Address</b>		
<b>City</b>	<b>State</b>	<b>Zip</b>
<b>Contact Person</b>	<b>Phone</b>	
<b>Contact E-mail Address</b>	<b>Fax</b>	
<b>Nature of Business</b>		
<b>Business Location</b>		

**Type of Development:**     **Start-up**             **Expansion**             **Retention**

**Project Title:** \_\_\_\_\_

**Project Summary:** \_\_\_\_\_

<b>Proposed Start Date:</b>	<b>Primary Bank:</b>
<b>Primary Accountant:</b>	<b>Primary Attorney:</b>

**Applicant's Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Attachments:**

1. Business Plan (Use MN Small Business Development Center's *Business Plan Preparation Guide* to assist in preparing your plan.)
2. Purpose and Source of funding for Total Project
3. Profit and Loss Statement
4. Balance Sheet
5. Cashflow Statement
6. Personal Financial Statement
7. Letter of Acceptance/Rejection from Financial Institution or lender
8. Full-time Equivalent Worksheet

**The Ortonville Economic Development Authority**

**EMPLOYEES WORKSHEET**

Name of Business: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Use this worksheet to provide employee information. (The example below will assist you in completing the full-time equivalent portion of the worksheet.)

1. Number of full-time employees: \_\_\_\_\_

9. Full-time Equivalent employees:

Part-time employee(s)	Wage	Total Hours Worked Annually
		+
		+
		+
		+
		+
Total part-time hours worked annually:		=
Divided by:		(1,820 hours)
Full-time Equivalent Employees:		=

**Applicant's Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Example	
Employee #1 worked	960 hours annually
+ Employee #2 worked	520 hours annually
+ Employee #3 worked	<u>640</u> hours annually
	=2,120 total part-time hours worked
Divided by	<u>1,820</u> hours
	=1.16 Full-time Equivalent Employees

**The Ortonville Economic Development Authority  
Revolving Loan Fund (RLF) Program**

**AUTHORIZATION FOR RELEASE OF INFORMATION**

I (We) hereby supplement the Loan Application of \_\_\_\_\_, 20 \_\_\_\_, and agree as follows:

1. The Ortonville Economic Development Authority (Lender) is authorized to make credit checks or inquiries concerning my (our) creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics, any matters relating to assets, liabilities, and references on said application and support information, any subsequent application and support information; or any loan servicing request or action on any loan resulting from said applications;
2. Creditors, including but not limited to credit reporting agencies, state and national banks, Federal Land Banks, Production Credit Associations, the Farmers Home Administration and others, are hereby authorized to disclose to Lender any information relative to any of my (our) loans, accounts, purchases, other financial transactions, production or marketing information or other pertinent information, whether past, present, or future, with said creditors;
3. Lender is authorized to share with credit reporting agencies and creditors doing business, or who may do business with me (us), information regarding this extension of credit, any subsequent transactions or loan servicing actions resulting from any extension of credit, and my (our) general credit history;
4. Photocopies of this authorization may be presented to and relied upon by my (our) creditors and others as evidence of my (our) authorization to release information to the Lender.

\_\_\_\_\_  
Applicant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Applicant

\_\_\_\_\_  
Date

## Purpose and Source of Total Project Cost

<b>Business Name:</b>			
			<b>Total Project Cost:</b>
<b>Project Summary</b>	% of total project	\$	
Property Acquisition			
Site Improvement			
New Construction			
Machinery/Equipment			
Working Capital			
Inventory			
Debt Refinancing			
Other:			
Other			
Other			
<b>Project Summary Total</b> (should equal Total Cost)			
<b>Funding Sources</b>	% of total project	\$	
Your Participation Total unleveraged investment			
Lender:			
Contact:			
Phone:			
Lender:			
Contact:			
Phone:			
Lender:			
Contact:			
Phone:			
Requesting of EDA			
<b>Funding Source Total</b> (should equal Total Cost)			

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**QUALIFYING WORKSHEET**

<b>Applicant:</b>	<b>Date:</b>
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		Yes	No
1.	Application Form completely filled out.	<input type="checkbox"/>	<input type="checkbox"/>
2.	Applicant's type of business meets eligibility requirements.	<input type="checkbox"/>	<input type="checkbox"/>
3.	Project falls within eligible activities guidelines.	<input type="checkbox"/>	<input type="checkbox"/>
4.	Conflict of Interest	<input type="checkbox"/>	<input type="checkbox"/>
5.	10% Ownership Equity	<input type="checkbox"/>	<input type="checkbox"/>

6.	Total Project Cost	\$
7.	Maximum loan (Lesser of \$20,000 or 25% of #5)	\$
8.	Working Capital requested (May not normally exceed 30% of total loan amount)	\$

9.	Type of Financing:	<b>Amount</b>
	<input type="checkbox"/> Equity Position	\$
	<input type="checkbox"/> Collateralized Loan	\$

<b>Remarks:</b>

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**RLF COMMITTEE RECOMMENDATION WORKSHEET**

<b>Applicant:</b>	<b>Date:</b>
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<b>Total Project Cost:</b>	\$
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**Project/Business Description:**


**Other Funding Sources:**

1.	\$
2.	\$
3.	\$
4.	\$

EDA	\$
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<b>EDA &amp; OTHER SOURCES</b>	<b>TOTAL:</b>	\$
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<b>EDA Recommended Terms:</b>	<b>Years</b>	<b>%</b>	\$
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**EDA Recommended Conditions (if any) & Collateral:**
