

**CHECKLIST
FOR THE EDAP REVOLVING LOAN FUND APPLICATION PROCESS**

- _____ 1. Give application to applicant and review process and EDAP's main objectives.
- _____ 2. Get timeline from applicant to schedule a verbal presentation to the EDAP Board and return application.
- _____ 3. Put applicant on the EDAP Board agenda to give a verbal presentation to the EDAP Board and get completed application. This must be 1 week prior to the EDAP Board meeting.
- _____ 4. Schedule a time for the applicant to meet with the EDAP Finance Sub-Committee to review financial documents required with the application.
- _____ 5. Obtain written Findings of Fact and recommendation from the Finance Sub-Committee to be on the EDAP Board agenda.
- _____ 6. Obtain a recommendation from the EDAP Board to be submitted to the City Council and/or Paynesville Township Board for approval or denial.
- _____ 7. If approved, contact City Attorney to prepare all loan and security agreements.
- _____ 8. Schedule the closing of loan documents. The borrower and the City and/or Township must sign all documents.
- _____ 9. Prepare any checks and payment schedule(s) for the closing.
- _____ 10. Record documents at Stearns County.
- _____ 11. Give copies of documents to Accounts Receivable to monitor payments and send out invoices.

STEPS IN THE RLF APPLICATION PROCESS

1. Loan Requirements for applicants for RLF Loans
 - A. Applicant must pick up application from City Hall and complete. Also, provide the following:
 1. Purpose statement (what are they applying for)
 - a) Type of business
 - b) Amount of monies requested
 - c) Number of employees
 - d) Retail or manufacturing
 - B. Three (3) years Federal tax returns for their current business and three (3) years personal tax returns.
 - C. Business Plan. Projections for what the business could do if the loan was granted. Data of numbers showing sales volume and expenses.
 - D. Appraisals of any property or equipment.
 - E. Blueprints and specs for any building projects.
 - F. Estimate or bids confirming the costs of any equipment purchases.
 - G. Business and personal financial statements not more than 90 days old.
 - H. Agreement that Uniform Building Code will be followed.
2. Applicant to make verbal presentation to EDAP Board and return application.
3. Application will be turned into City Hall.
4. EDAP Finance committee as of 5-19-09: Alan Habben, Bruce Stang, Jeff Thompson, Gene Beavers (alternate) will review application to make sure application is complete with applicant present to answer questions. There shall be no review of financial documents by a member with potential conflict of interest.
5. Finance Committee will submit a written recommendation to the EDAP board.
6. A recommendation of the Finance Sub-Committee will be reviewed by EDAP Board for their recommendation.
7. EDAP Board's recommendation will be submitted to the Paynesville City Council and/or Paynesville Township Board for approval or denial.
8. If approved, a loan agreement will be prepared with the City of Paynesville and/or Paynesville Township.
9. City attorney will prepare all development and security agreements; unless otherwise specified by EDAP Board.
10. The borrower and the City or Township must sign all documents.
11. Payments must be authorized.
12. A payment schedule will be established.
13. Payments will be monitored.

PLEASE ALLOW 4-6 WEEKS TO PROCESS APPLICATIONS.

HISTORY:

The Economic Development Authority of Paynesville (EDAP) was originally established in 1987. Both the City and Township of Paynesville have representatives on the EDAP Board and both have revolving loan funds that are administered by EDAP under a Joint Powers Agreement. EDAP's main objectives are to encourage, attract, promote, retain, and develop economically sound industry and commerce within the city and township for the prevention of unemployment.

PURPOSE:

For the above purposes, it was necessary for the City to establish a Revolving Loan Fund (RLF). The RLF Fund is made of two loan pools: Small Loan Fund and Industrial Loan Pool. This RLF is designed to provide gap financing for:

1. Promotion of business start-up and growth.
2. Retention of current industries.
3. Assisting firms in mature industries.
4. Promotion of economic diversification.
5. Revitalization of businesses.
6. Jobs for hard-to-employ segments of the work force.

The RLF has finite resources to achieve these ends.

ELIGIBILITY:

In order to be eligible, the applicant must establish or maintain a business within the City of Paynesville or Paynesville Township. Retail and service businesses are not eligible for the industrial loan pool. Loans which create or retain one job for each \$10,000 loaned, will be given preference. Service and retail establishments are eligible for the Small Loan Fund. All loan requests will meet the objectives of the EDAP Board.

LOAN GUIDELINES:

Administrative Responsibility:

The responsibility for the management of funds shall be designated by the City of Paynesville to the Economic Development Authority of Paynesville. Proposals for the use of RLF money should be recommended by the Finance Sub-Committee and EDAP Board before appearing before the council.

The recommendations regarding the granting of loans from the Fund may be presented at any meeting of the City Council or Township Board. If a loan is recommended for approval by EDAP to the Council, then council will be expected to give their approval or state their reason for disapproval within 20 days of Council seeing minutes at next meeting.

Use of Funds:

Loan funds may be used to finance new business development or the expansion of an existing business.

Eligible Project Costs Include:

- Land & Building Acquisition
- Land Improvements
- New Building Construction
- Building Renovation

Machinery & Equipment
Inventory Purchase (Only as part of the total loan package)
Working Capital (Only as part of the total loan package)
Assessments
Job Training Through Stearns & Benton Counties

Terms and Conditions:

The term of the loan will try to match the life of the collateral offered. The term and rate of the loan may vary according to the type of the project, use of funds and cash flow needs. The interest rate shall be a fixed-rate established at one-quarter point above Prime Rate at the date of the EDAP Board approval, but shall not be less than 3.0%.

EDAP will be reimbursed for all costs incurred in issuing the loan. RLF should not exceed fifty percent (50%) of the total project costs. EDAP typically requires a secured position on a building, and/or equipment. EDAP is a GAP financing Board.

Application process:

The EDAP and City staff will assist the applicant through all stages of the application. Prior to the submitting of the application the applicant will give a verbal presentation to EDAP to determine if the project is eligible. Once the application is accepted, the Finance Sub-Committee should determine if the loan meets the following criteria:

Applicants must:

1. Be Credit Worthy
2. Show Lender Commitments
3. Sign Personal Guarantee
4. Pledge Adequate Collateral
5. Inject Adequate Equity

Small Loan Fund:

The Economic Development Authority operates a Small Loan Fund along with the Industrial Loan Pool. The Small Loan Fund was designed to address unique credit needs of small service and retail businesses. Conventional financing is sometimes difficult to obtain due to the size and nature of the requests and only when conventional financing is not a possibility; EDAP will Review the requests. With the Small Loan Fund, the Economic Development Authority can address these unique needs by relaxing some of the lending criteria described earlier. For example, this may include a waiver on the type of business, the conventional lender match requirement. There is a separate loan application and maximum amount is \$10,000.00.

Industrial Loan Pool:

The Industrial/Commercial Loan was designed to address credit needs of industrial/commercial entities that are in need of gap financing. These loans require a primary lender, other than EDAP. A business plan is also required.

These guidelines adopted by the Economic Development Authority of Paynesville Board of Directors on September 17, 2010. These guidelines adopted by the City Council of Paynesville on August 25, 2010.

These guidelines supersede any previous guidelines.

INDUSTRIAL/COMMERCIAL PAYNESVILLE REVOLVING LOAN FUND APPLICATION

GENERAL BACKGROUND

The Economic Development Authority of Paynesville (EDAP) was originally established in 1987. Both the City and Township of Paynesville have representatives on the EDAP Board and both have revolving loan funds that are administered by EDAP under a Joint Powers Agreement. EDAP's main objectives are to encourage, attract, promote, retain, and develop economically sound industry and commerce within the city and township for the prevention of unemployment.

REVOLVING LOAN FUND

In an effort to accomplish the above objectives, EDAP has established a Revolving Loan Fund (RLF) with two options: Small Loan Fund and Commercial/Industrial. For Commercial/Industrial Loan Funds, EDAP's lending capacity is in the form of providing gap financing. A primary lender other than EDAP is required.

The RLF is designed to provide financing for the following purposes:

1. Promotion of business start-up and growth
2. Retention of current industries
3. Promotion of economic diversity
4. Revitalization of businesses
5. Employee recruitment and retention

ELIGIBILITY

Certain projects, applicants, activities and costs are eligible for revolving loan funds. The successful applicant must demonstrate proof of the following:

1. Ownership or lease agreements of the subject property;
2. Property insurance;
3. Property taxes paid and current;
4. Freedom from all judgements, liens, agreements, consent decrees, stipulations for settlements, or other such actions which would prevent the applicant from participating in any EDAP loan program; and
5. Compliance with all applicable City or Township ordinances and plans.

ELIGIBLE LOAN ACTIVITIES

1. Land Improvements. Improvements to the land that are a portion of the project cost including but not limited to new streets, parking lots, utilities, and landscaping.
2. Purchase or Renovation of Building. Purchase and, if necessary, renovation of an existing industrial or commercial facility. Includes the purchase of land.

3. Purchase of Machinery or Equipment. Purchase of major items of machinery and equipment, independent of land and buildings. These items must be defined to have a useful life of at least five (5) years.
4. Building Construction. Construction of a new building and/or an addition to an existing building.
5. Inventory Purchase. Only as part of the total loan package.
6. Working Capital. Only as part of the total loan package.
7. Job Training.

APPLICATION PROCESS

EDAP and City staff will assist the applicant through all stages of the application process. Prior to submitting a recommendation to the City Council and/or Township Board, EDAP shall determine if the loan application meets the following criteria:

Applicant must:

1. Be credit worthy
2. Show lender commitments
3. Sign Personal Guarantee
4. Pledge adequate collateral

LOAN TERMS AND CONDITIONS

The City and Township shall make available to eligible applicants direct low-interest loans for the purpose of encouraging economic development, industrial development or growth, downtown development, job creation and job retention to meet business needs, and preservation of business district.

1. The maximum loan amount available for the Commercial/Industrial Loan Fund shall be determined on a case by case basis.
2. The interest rate shall be a fixed-rate established at one-quarter point above Prime Rate on the date the application is approved by EDAP, but shall not be less than 3.0%.
3. The term of the loan shall be tied to the useful life of the assets being financed. The following general terms shall apply:
 - A. The term of the loan for machinery/equipment shall not exceed seven (7) years.

- B. The term of the loan for land/building acquisition shall not exceed twenty (20) years. Loan shall be amortized over 20 years with a 10 year balloon.
 - C. The term of the loan for new construction/renovation shall not exceed twenty (20) years. Loan shall be amortized over 20 years with a 10 year balloon.
 - D. All balances will be due and payable if and when the loan recipient sells or otherwise transfers any or part of his/her interest in the property or fails to meet any of the guidelines established within the loan agreement before the maturity date of the loan or relocates any part or all of the business outside the City of Paynesville or Paynesville Township.
 - E. The above terms are considered maximums and the City and Township reserve the right to set loan terms for shorter periods.
4. Collateral requirements. All loan agreements will be secured by one or more of the following: promissory note, mortgage, or security agreement as required by the City and/or Township.
- A. The revolving loan may take a subordinate position to the primary lender on the assets financed; and
 - B. Surety deposits shall be required for certain construction contracts as set forth in Minnesota Statutes 290.9705.
5. Letters of commitment from all funding sources must be submitted before the application will be deemed completed.
6. Personal guarantees of persons with ownership interest of 20% or greater are required. Personal guarantees of persons with ownership interest between 1% to 19% may be required by EDAP but are discretionary.
7. Repayment of the loan must begin within one month after closing. The City and/or Township may make exceptions to this rule on a case by case basis.
8. EDAP may charge an administrative fee for processing the loan application. Charges may include, but are not limited to attorney fees, financial consulting services, building inspector services, etc.
9. All loans will be in compliance with the City Ordinance, Township rules, and Building Code.

PAYNESVILLE REVOLVING LOAN FUND APPLICATION

I. GENERAL INFORMATION

Name of Business: _____

Address: _____

City: _____ Zip Code _____

Business Contact Person: _____

Telephone # _____

Social Security # _____
(if business is a sole proprietorship)

Other contacts or application assistance providers:

| Name: | Telephone # |
|-------|-------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Type of Business:

_____ Sole Proprietorship _____ Corporation _____ General Partnership

_____ Limited Partnership _____ Limited Liability Partnership Other _____

If a corporation, provide the name(s) and address(s) of shareholders that own 20% or more of outstanding shares of the corporation.

If a partnership, provide name(s) and address(s) of all partners.

Has you or your business ever filed bankruptcy?

No _____ Yes _____ if yes, please explain:

II. NATURE OF LOAN REQUEST

Amount of loan request \$ _____ Total Project Cost \$ _____

New Business or Business Expansion? _____

of existing jobs _____ # of jobs to be created _____

of jobs retained _____ **Amount of Private Financing** _____

III. FINANCING PURPOSE AND SOURCES (Complete all that are applicable to your loan.)

How and what funds will be used to finance project? (dollar amounts)

| | RLF | Bank Loan | Equity | Other | Total |
|---------------------------|-------|-----------|--------|-------|-------|
| Property Acquisition | _____ | _____ | _____ | _____ | _____ |
| Site Improvements | _____ | _____ | _____ | _____ | _____ |
| Building Renovation | _____ | _____ | _____ | _____ | _____ |
| New Construction | _____ | _____ | _____ | _____ | _____ |
| Machinery/Equipment | _____ | _____ | _____ | _____ | _____ |
| Inventory Purchase | _____ | _____ | _____ | _____ | _____ |
| Working Capital | _____ | _____ | _____ | _____ | _____ |
| Job Training | _____ | _____ | _____ | _____ | _____ |
| Other (specify) | _____ | _____ | _____ | _____ | _____ |
| Total Project Cost | _____ | _____ | _____ | _____ | _____ |

IV. FINANCING TERMS AND CONDITIONS (Complete all that are applicable to your loan.)

| | RLF | Bank Loan | Equity | Other |
|--------------------|-------|-----------|--------|-------|
| Dollar Amount | _____ | _____ | _____ | _____ |
| % of Project Cost | _____ | _____ | _____ | _____ |
| Term (years) | _____ | _____ | _____ | _____ |
| Interest Rate | _____ | _____ | _____ | _____ |
| Collateral Offered | _____ | _____ | _____ | _____ |
| Lien Position | _____ | _____ | _____ | _____ |

Name of participating Bank: _____

Contact Person: _____ Telephone # _____

Address: _____

Name of participating Bank: _____

Contact Person: _____ Telephone # _____

Address: _____

Other Lender: _____

Contact Person: _____ Telephone # _____

Address: _____

Other Lender: _____

Contact Person: _____ Telephone # _____

Address: _____

V. BUSINESS PLAN OUTLINE

- A. History of Business
- B. Market Analysis and Strategy
 - 1. Description of current buyers and target markets
 - 2. List of current competitors
 - 3. Product pricing
 - 4. Advertising methods
 - 5. Sales promotion
- C. Products
 - 1. Description of Product Line
 - 2. Proprietary position of patents, copyrights, legal, and technical considerations
 - 3. Comparison to Competition
- D. Manufacturing Process
 - 1. Materials
 - 2. Production methods
- E. Financial Projections
 - 1. Provide monthly cash flow analysis for next 12 months
 - 2. Provide profit and loss statement for last three years, current year-to-date, and two-year projection
- F. List of Existing Business Debt
 - 1. List outstanding balance, interest rate, term, maturity date, and collateral on all existing debt.
- G. Statement of Proposed Collateral
 - 1. Provide a detailed list of all collateral offered, its value, and security position by funding sources.
- H. Resumes
 - 1. Include resumes of all principals who have significant financial interest in the business.
- I. Commitment Letters
 - 1. Include commitment letters from banks or others stating the terms and conditions of their participation.
- J. Affiliates
 - 1. Description of any affiliates or subsidiaries of business or principals requesting assistance, as well as balance sheets and income statements for past two years on such affiliates or subsidiaries.

- K. Appraisals/Lease Agreements/Purchase Agreements
 - 1. Provide a current independent appraisal for any real property subject to this loan request and/or offered as major collateral to secure the loan. Also, include copies of existing or proposed lease(s), purchase agreements, or other financial arrangements pertaining to the subject property.
- L. Partnership Certificate of Authorization or Corporate Certificate of Authority and Incumbency

VI. OTHER REQUIRED DOCUMENTS

- A. Copy of last year's submitted business income tax statement
- B. Copy of last two year's submitted personal income tax statement
- C. Evidence of payment of last quarter's payroll tax
- D. Evidence of Workers' Comprehensive and Liability insurance coverage

SIGNATURE OF APPLICANT(S)

I have willfully furnished this information to the Economic Development Authority of Paynesville (EDAP) for the purpose of applying for a loan. I (we) understand that this information will (may) be reviewed by City staff, the EDAP Board, City Council, and Township Board. I (we) further authorize EDAP staff to be in contact with those individuals and institutions involved in the proposed project.

Applicant's Signature

Date

**Economic Development Authority of Paynesville
Industrial/Commercial Loan Application
Check List**

The following is a list of the information and documentation necessary to submit a final application. Forms have been enclosed to aid you in preparing the information. You may use your forms, provided all the necessary information is furnished.

1. History of Business _____
2. Market Analysis and Strategy _____
3. Products _____
4. Manufacturing Process _____
5. Financial Information _____
 - A. Monthly Cash Flow Analysis for next 12 months
 - B. Profit and Loss Statements – last 3 years, current statement (less than 90 days) and 2 years of projections
 - C. Balance Sheet – last 3 years, current, 2-year projections
6. Schedule of Business Debts _____
7. Statement of Collateral _____
8. Resumes and Personal Financial Statements _____
9. Commitment Letters _____
10. Affiliates _____
11. Appraisals/Proposed Lease/Purchase Agreements _____
12. Corporate/Partnership Authorization _____
13. Township contacted to participate _____
14. Building Code – site plan review and additional costs _____
15. Refinance – have all parties on previous loan been contacted _____