

**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.

# PAYNESVILLE SMALL 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 Funds and Commercial/Industrial. This application is for Small Loan Fund which provides assistance for service and retail businesses.

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

## 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 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. Sign Personal Guarantee
3. 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, development, job creation and job retention to meet business needs, and preservation of business district.

1. The maximum loan amount for the Small Loan Fund is \$10,000.
2. The interest rate shall be a fixed-rate established at one-quarter point above Prime Rate at the date of EDAP approval and recommendation, 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 ten (10) years.
  - C. The term of the loan for new construction/renovation shall not exceed ten (10) years.
  - 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.

5. 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.
6. Repayment of the loan must begin within one month of the closing of the loan. The City and/or Township may make exceptions to this rule on a case by case basis.
7. 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.
8. All loans will be in compliance with the City Ordinance, Township rules, and Building Code.

# PAYNESVILLE SMALL 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(es) of shareholders that own 20% or more of outstanding shares of the corporation:

If a partnership, provide name(s) and address(es) 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**

How and what funds will be used to finance project? (dollar amounts) (Complete all that are applicable for your loan.)

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

**IV. FINANCING TERMS AND CONDITIONS** (Complete all that are applicable for 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: \_\_\_\_\_

Other Lender: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Telephone #: \_\_\_\_\_

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

**V. OTHER REQUIRED DOCUMENTS**

1. Statement of Proposed Collateral
  - A. Provide a detailed list of all collateral offered, its value, and security position by funding sources.
2. Copy of last year's submitted business income tax statement.

**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

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

**Economic Development Authority of Paynesville  
Small 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. Products \_\_\_\_\_
3. Financial Information \_\_\_\_\_
  - A. Monthly cash flow analysis for next 12 months
  - B. Profit and Loss Statements: last year, current statement (less than 90 days), and 1 year of projections.
  - C. Balance Sheet: last year and current year
4. Schedule of Business Debs \_\_\_\_\_
5. Statement of Collateral \_\_\_\_\_
6. Personal Financial Statements \_\_\_\_\_
7. Corporate/Partnership Authorization \_\_\_\_\_
8. Township contacted to participate \_\_\_\_\_
9. Building Code – site plan review and additional costs \_\_\_\_\_
10. Refinance – have all parties on previous loan been contacted \_\_\_\_\_