

# **Big Stone Area Growth**

## **Revolving Loan Fund**

### **MISSION STATEMENT**

It is the mission of Big Stone Area Growth (BSAG) to assist in stimulating the economy of Big Stone County and improving the overall quality of life in the Big Stone area. One means of accomplishing this is by providing gap financing from the Big Stone Area Growth 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 by new and existing businesses within the Big Stone area.

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

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 eligible businesses and individuals that might, without the benefit of gap financing, otherwise be considered a high risk by lending institutions. It is the goal of BSAG 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.

## Big Stone Area Growth

# 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 Big Stone County

### 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 BSAG 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 and/or administrative codes, i.e. Shore Land Management, etc.
- Borrowers are encouraged to utilize local vendors as much as possible for project equipment, materials and labor. Priority will be given to those applicants showing they have given preference to local vendors

### 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

- Loans to local businesses or individuals to be used as gap financing for business development or expansion purposes.

## **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 \$50,000
- Working capital may not normally exceed 30% of total loan amount
- Interest rates for new loans will be set on a periodic basis. Current rate is set at 5.0% Simple Interest.
- 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 greater than \$5,000 but 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 BSAG Board of Directors
- Applicant must have a minimum of 10% equity (unleveraged).
- A Local Development Entity must invest into the RLF an amount equal to or greater than 26% of the RLF loan amount.

## **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**

- BSAG will determine the type of reporting required. At a minimum the business will need to provide 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 BSAG brochure and through promotion by the local development entities wanting to utilize the funds
- Publicity of loans awarded will be in press release form to the media

## **12. Policy Review**

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

# Big Stone Area Growth REVOLVING LOAN FUND APPLICATION PROCEDURES

1. Prospective applicant picks up application materials from BSAG. Note: If an individual other than the applicant will be making presentations to BSAG 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. BSAG staff 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 BSAG office for review.
5. The BSAG staff review the loan application and forwards their recommendation to the BSAG RLF Committee.
6. The BSAG RLF Committee submits their recommendation to the BSAG Board for ratification.
7. BSAG staff notifies the local development entity of BSAG Board action and requests that the 26% required local match be forwarded to the RLF.
8. BSAG staff and/or the BSAG attorney will prepare documents and file security agreements.
9. Checks will be received at the time of closing.
10. Press release will be given to the media.
11. BSAG staff will:
  - a. Monitor the loan
  - b. Make regular reports to the BSAG Board, particularly notifying the Board of any problems with clients making payments, etc.

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

## Business Credit Check – Application Process Procedure

Applications for business assistance may require 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
Minneapolis	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.

# Big Stone Area Growth REVOLVING LOAN FUND APPLICATION FORM

Name of Individual Borrowers and/or Business: \_\_\_\_\_

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

Principals (Enter name and ownership percent)

\_\_\_\_\_ % SS # \_\_\_\_\_  
 \_\_\_\_\_ % SS # \_\_\_\_\_  
 \_\_\_\_\_ % SS # \_\_\_\_\_

<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>		
<b>DUNS Number:</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** as required in the Revolving Loan Fund Application Procedures.

# Big Stone Area Growth REVOLVING LOAN FUND APPLICATION 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

**Big Stone Area Growth  
REVOLVING LOAN FUND APPLICATION**

**AUTHORIZATION FOR RELEASE OF INFORMATION**

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

1. Big Stone Area Growth (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

\_\_\_\_\_  
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:			
<b>Total Requesting on RLF</b>			
Who Local Entity Match?			
Local Match \$ _____ (Min 26% Required)			
<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.	Local Entity Match (Minimum 26%)	<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)	\$

	Type of Financing:	Amount
	<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>	<b>\$</b>
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**Project/Business Description:**


**Other Funding Sources:**

1.	<b>\$</b>
2.	<b>\$</b>
3.	<b>\$</b>
4.	<b>\$</b>

<b>RLF – BSAG Funds</b>	<b>\$</b>
<b>RLF – Local Entity Match Funds</b>	<b>\$</b>

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