



## Blue Earth Economic Development Authority Forgivable Loan/Grant Program

### OVERVIEW:

The purpose of this program will be to provide for the promotion and continuation of existing lifestyle businesses within the City of Blue Earth. Most of these businesses are owned and operated by one individual or a family. The forgivable loan/grant program will provide an incentive for a new individual to purchase an existing lifestyle business and continue operations. A lifestyle business is defined as a for profit business in which the owner will be treating the business as their full-time job.

### APPLICATION PROCEDURE:

The Blue Earth EDA Director serves as the loan officer. The EDA Director will gather preliminary details of the project from the interested business or individual and present an informational summary soon after to the EDA Loan Committee.

A Loan Committee consisting of three members of the Blue Earth EDA Board reviews the summary and meets with the applicant. A full application is provided by applicant and reviewed by the EDA Director, then referred to Loan Committee. The Loan Committee may call a second meeting with the applicant before recommendation to the EDA. The EDA Director and Loan Committee will complete the due diligence worksheet.

The Chairman of the Loan Committee is responsible for conducting the Loan Committee meetings and is also the main contact with the EDA Director on application reviews prior to a formal meeting of the Loan Committee.

The Loan Committee provides a recommendation to the EDA Board for final authorization. No loan shall be made prior to EDA authorization.

### QUALIFICATIONS:

1. The business being purchased must have shown a positive net income for the past 3 years.
2. The person purchasing the business must agree to treat it as their full time job (This program is not intended to subsidize an investment).
3. The person purchasing the business is not directly related to the person selling the business

### LOAN:

- The loan needs to be approved **prior** to the purchase of the business to qualify
- The loan amount will be a 2:1 match of the purchaser's personal investment towards the acquisition. The maximum loan amount will be \$20,000.
- The loan will charge a fixed rate of interest equal to prime (Wall Street Prime).
- The loan will be secured with the assets of the business and personal guarantees from the purchaser
- For each year the business stays open, and the purchaser meets the requirements of this program 25% of the remaining balance will be forgiven. At the end of the five (5) years should all the conditions of this program have been met the remaining principal balance will be forgiven.
- Should the business be sold during the five (5) years the entire remaining principal balance becomes due
- The EDA will budget \$60,000/year for this program. If that amount is reached the program will be closed until the following year.

*Note: The costs for preparation and filing of the documents necessary to document the loan and security interests granted to the Economic Development Authority will be deducted from the loan proceeds.*



## Blue Earth Economic Development Authority Forgivable Loan/Grant Program Application

### BUSINESS INFORMATION:

Business Name:		
Address:		
City:	State:	Zip:
Office Phone:	Office Fax:	
Email:	Website:	
Structure of Business: <input type="checkbox"/> Proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation ( <input type="checkbox"/> S Corp or <input type="checkbox"/> C Corp )		
Tax Identification Number:		

### BUSINESS OWNER(S) INFORMATION:

Owner Name:	Title:	Percent of Ownership:
Mailing Address:		
City:	State:	Zip Code:
Contact Number:	Email Address:	
Social Security Number:		
Owner Name:	Title:	Percent of Ownership:
Mailing Address:		
City:	State:	Zip Code:
Contact Number:	Email Address:	
Social Security Number:		

### ACCOUNTANT INFORMATION:

Accountant Name:		
Address:		
City:	State:	Zip:
Contact Number:	Email Address:	



**DESCRIBE THE DETAILS OF THE LOANS YOU ARE APPLYING FOR:**

Loan Amount:	Collateral Available and Market Value:
Term:	Special Payment Terms or Conditions:
Are the owners of the company willing to disclose their personal financial condition? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Are the owners of the company willing to sign personal guarantees? <input type="checkbox"/> Yes <input type="checkbox"/> No	

**USE AND SOURCE OF FUNDS:**

Use:	Source: (EDA, Bank, Equity, etc.)	Amount:
Property Acquisition:		\$
Site Improvement:		\$
Building Renovations:		\$
New Construction:		\$
Machinery & Equipment:		\$
Working Capital:		\$
Inventory:		\$
Debt Refinancing:		\$
Other:		\$
Other:		\$
Total		\$

**PROPOSED FINANCING TERMS:**

	EDA	Bank	Equity	Other	Other
Loan Amount:					
% Project Cost:					
Term of Loan:					
Interest Rate:					
Annual Payment:					
Collateral:					

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Lien Position:					
Guarantees:					
Approved Y/N					

**EXISTING BUSINESS FINANCING OBLIGATIONS:**

Creditor Name	Original Amount	Present Balance	Monthly Payment	Maturity Date

**JOB IMPACT:**

	Current	Additional Created
Full time positions (year round)		
Part time positions		
Average full time hourly wages		
Average part time hourly wages		



## INFORMATION RELEASE AUTHORIZATION

You are hereby authorized to release to the Blue Earth Economic development Authority (lender), its successors and assigns any information you may possess regarding the following.

- Credit Report
- Employment history, dates of employment, title, income, hours worked stability, etc.
- Banking and savings accounts, deposits and balance verifications
- All loan ratings, opening date, high credit, payment amount, loan balances, payment record and pay off information
- Any other information requested in connection with a determination of credit worthiness

This information is for use of this lender and its investors, successors and assigns in connection with my/our loan application and the conduct of "Post Closing" Quality Control Audits as required by various government and quasi-government agencies.

A photocopy of this authorization, bearing the photocopied signatures of the undersigned, may be deemed to be the equivalent of the original and may be treated and used as a duplicate original.

\_\_\_\_\_  
Applicant Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Full Name

\_\_\_\_\_  
Date of Birth

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Applicant Signature

\_\_\_\_\_  
Date

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Print Full Name

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Date of Birth

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Social Security Number

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Social Security Number

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Applicant Signature

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Date

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Print Full Name

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Date of Birth

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Social Security Number



## Blue Earth Economic Development Authority Forgivable Loan/Grant Program Exhibits

### EXHIBIT A - APPLICATION EXHIBITS

*(If applicable as determined by the EDA)*

#### Exhibit 1 – History and Description of Business

- Briefly describe the past operation of the business and/or events leading up to its creation. Include information on the product lines or services, industry, management and key employees, the operation's growth and affiliates.

#### Exhibit 2 – Project Summary

- Briefly describe the project you are proposing. Indicate the part of the project the loan would be used for. Include information on any existing financial or legal situations of the applicant that might affect the credit worthiness of this application

#### Exhibit 3 – Marketing Plan

- Detail the marketing strategy and describe how it will support the planned business expansion or start-up. Include information on the following:
  - Current customers and target markets (provide copies of contracts, purchase orders, etc that relate to the loan request).
  - Manufacturing process and materials
  - Major suppliers
  - Competition and comparison of products.
  - Pricing, distribution and promotion

#### Exhibit 4 – Commitment or Rejection Letters

- Include firm commitments or rejections from banks and other participating lenders stating the terms and conditions of their financing.

#### Exhibit 5 – Business Financial Statements

- Provide balance sheets, income statements, and statement of cash flows for the past three fiscal years.

*If a start-up, go to Exhibit 7*

#### Exhibit 6 – Personal Resumes and Financial Statements

- Provide resumes of all principals as well as current, dated and signed personal financial statements on all principals with a financial interest in the business
- If possible, the date of the personal financial statements should be the same as the date of the 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.

#### Exhibit 7 – Projections

- Provide a pro forma, balance sheets, income statements and statement of cash flows stated on a monthly and annual basis for a two-year period. Define the assumptions used to derive the projections.

#### Exhibit 8 – Affiliates

- Provide a description of any affiliates or subsidiaries of business or principals requesting assistance, as well as balance sheets, income statements, and statement of cash flows for the past two fiscal years.

#### Exhibit 9 – Appraisals/Proposed Lease/Purchase Options or Agreements

- An independent appraisal paid for by the applicant may be required for any real estate which is a subject of the proposed financing, or which is offered as a major source of collateral to secure the loan. Also, include copies of existing or proposed lease(s), purchase options or agreements, or other financial arrangements.

#### Exhibit 10 – Partnership Certificate of Authorization or Corporate Certificate of Authority

- Include minutes of the corporate meeting adopting this certification, where applicable. Evidence of corporate action approving the borrowing will be required at closing.

#### Exhibit 11 – Other Required Attachments

- A letter from the County Auditor or Treasurer verifying that there are no outstanding judgment or tax liens against the business, property or owners of the business.

#### Exhibit 12 – Evidence of payment of last quarter's payroll and sales tax.

#### Exhibit 13 – Evidence of Worker's Compensation insurance coverage.



## EXHIBIT B - LOAN CRITERIA

### FINANCING POLICIES:

#### Eligible Projects

- Use of loan funds must be for operations within the municipal corporate boundaries.
- The business being purchased must have shown a positive net income for the past 3 years.
- The person purchasing the business must agree to treat it as their full time job (This program is not intended to subsidize an investment).
- The person purchasing the business is not directly related to the person selling the business.

#### Loan Amount

- Maximum of \$20,000

#### Loan Disbursement Policy

- The EDA may place restrictions on the disbursement of loan funds

#### Fees

- Approved borrowers are responsible for all legal fees, document preparation, recording and filing fees.
- No origination or application fees apply

### CREDIT CRITERIA:

#### Equity or Cash Requirements

- Loan applicants must demonstrate an acceptable level of project equity, with a minimum of 10% equity provided by the borrower.

#### Collateral Requirements

- Loan collateral coverage will be reviewed and taken into consideration.
- A position subordinate to another lender may be approved.

#### Debt to Worth

- Projects must have a tangible net worth ratio on an actual and pro forma basis of no greater than 10 to 1 (10% project equity or greater). Each project shall be analyzed on its own merit to service both existing and new debt.
- Borrowers should have a tangible net worth of 5 to 1 or less, based upon their most recent financial statements and, on a Pro Forma basis, reflecting the new proposed debt.

#### Personal Guarantees

- Personal guarantees may be required for all owners with 20% or greater ownership.

#### Management Experience

- It is required that the project have capable, skilled management through experience or expertise in the applicant's industry, either through previous successful business ownership or through appropriate managerial support services.
- Loan risk will be taken into consideration for borrowers having erratic or undocumented earnings, or borrowers having new and unproven management.

#### Repayment Ability

- Applicants must demonstrate adequate historical cash flow showing trends that support debt service coverage. Pro forma financial cash flows must also support debt service coverage.

#### Community Economic Benefits

- Jobs created and/or retained for employees will be considered.
- Enhancement to local property tax base will be considered.

#### Coverage Ratio

- There shall be demonstrated adequate historical cash flow trends and pro forma cash flows to support the debt coverage.