



Blue Earth Economic Development Authority Forgivable Loan

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 been operating for the past three 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.
4. Projections from new owner must show a positive cash flow and ability to service all debt related to the business purchase.

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 \$25,000.
- The loan will charge a fixed rate of interest equal to prime (Wall Street Prime) at the time of closing.
- The loan will be secured by all 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 20% of the original 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 \$75,000 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.