

IRON COUNTY ECONOMIC DEVELOPOMENT
REVOLVING LOAN FUND POLICY STATEMENT

Iron County created a fund of money, derived from community development block grants, that is to be used to further economic development within the county. This statement sets out the principles and policy which govern administration of the fund.

I. THE FUND

The fund and any income received from it, including repayments of loans, shall be paid to the Iron County Treasurer. The Treasurer shall deposit all fund monies in a separate fund entitled “Iron County Economic Development Revolving Loan Fund” (RLF).

II. OBJECTIVES

One of the major problems in local development and a significant contributing factor to local economic distress is the problem of credit availability. Even when available, the cost and terms of credit may prevent firms from starting, expanding, or continuing operations, resulting in the loss of potential jobs, tax revenues, and private investment. The primary goal of grant or loan capital availability through the RLF will be private sector job creation or retention. The RLF will finance industrial or commercial activities where 51% of the opportunities for private sector jobs will be held by low and moderate income persons. RLF loan activities will emphasize direct job creation/retention by attracting capital for start-up, expansion, or retention of business.

III. APPLICATION PROCESS

Applications for loans must be submitted to the Iron County Economic Development Corporation by completion of a loan application package on the form attached. The application will include a complete business plan, balance sheets, income statements, resumes of key officers, marketing information, verification of collateral, statement of cash flow projection, and statement of intention to comply with civil rights equal opportunity, Davis-Bacon wage standards in construction, and environmental and historic protection requirements.

IV. LOAN APPLICATION REVIEW PROCESS

Upon receipt of a complete application a standing committee of the Board of Directors of the Iron County Economic Development Corporation, comprised of three regular board members will review and investigate the application, detailing any further information which may be useful to the Economic Development Corporation (EDC) Board of Directors in passing upon the application.

The EDC RLF Loan Committee, upon being satisfied that the application is as complete as reasonably possible, will schedule a public hearing to be conducted by the EDC Board and provide at least five day prior public notice through publication in a newspaper of general circulation located in Iron County.

The EDC Board of Directors will meet to review and act upon the application within thirty days of the public hearing. The Board of Directors will recommend that the Iron County Board of Commissioners approve or disapprove the application, consistent

with the RLF objectives and policy. Criteria used in recommending approval of the loan include, but are not limited to, the following:

1. The job to cost ratio reflecting the number of jobs created or retained relative to the RLF investment;
2. The proportion of jobs that will be targeted to low and moderate income persons will be at least 51% of the jobs created by the new business activity;
3. Criteria for the types of jobs to be created or saved, relative to the long-term economic potential of the County;
4. The ratio of private sector dollars to be leveraged by RLF funds, including the amount of equity investment and other loans involved in the new business activity.
5. In the event security for the RLF loan is subordinated, the applicant must normally provide evidence of at least ten percent equity investment in the -new business activity;
6. Financing can be made available for reuse of abandoned facilities, modernization of plant and equipment, start-up capital for new firms, and purchase of fixed assets, including land;
7. A state or federally chartered commercial lending institution shall also participate as a lender in the new business activity when appropriate;
8. If the EDC Board of Directors preliminarily approves the application, the County of Iron shall complete and certify the appropriate level of environmental review.

Within thirty days of receipt of the EDC Board of Directors' recommendation, the Iron County Board of Commissioners at its public meeting will approve or disapprove of the loan and all proposed loan documents, consistent with this policy.

The Economic Development Corporation Board of Directors and the County Board of Commissioners reserve the right to reject any and all applications for loan or grant funds based upon the public interest in the number of types of jobs created and predicted viability of the business venture.

V. USE OF LOAN FUNDS

Loans made from the RLF may be for the acquisition of fixed assets or, in exceptional circumstances, working capital. Fixed assets include land and building acquisition, new construction or renovation, machinery and equipment, land or leasehold improvements. Fixed asset loans are preferred to working capital loans. Working capital loans may, however, be considered provided there is adequate collateral, the term is as short as possible, and the loan will have a significant impact in creation or retention of jobs and leveraging of other resources. The specific uses of working capital loans, or working capital elements of combined asset and working capital loans, must be detailed in the application, and approved uses of such funds must be made part of the final loan documents.

Speculative activities, such as land banking and the construction of speculative buildings, are ineligible for RLF loans. Similarly, the RLF cannot be used to refinance or consolidate existing debt.

Board members are required to make a full disclosure of any conflict or potential conflict of interest prior to the full board undertaking any action which results or may result in a conflict of interest, real or apparent. Conflict of interest would include

participating or exercising in a decision making process which results in obtaining a financial interest or benefit from a CDBG assisted activity or have an interest in any contract, subcontract or agreement with respect thereto, or in the proceeds hereunder, either for themselves or those with whom they have family or business ties, during their tenure on the board or for year thereafter.

No loan will be made which is known to be inconsistent with federal and state guidelines applicable to the RLF.

VI. SIGNIFICANT LOAN TERMS

The interest rate carried by the loan will vary from loan to loan and will be established by the Iron County Board of Commissioners upon recommendation of the EDC Board of Directors. Recognizing that the RLF loan is designed to fill a “gap” in conventional financing of a new business activity, interest rates and repayment terms may be adjusted to meet the needs of a particular new business activity. The interest rate will be no less than the market rate charged by lending institutions for comparable projects. Amortization of the loan will be tailored to the needs of the new business activity, including deferral of principal or interest payments for up to two years if necessity is shown, but there must be at least some amortization; i.e., repayment should be over the term of the loan rather than a single payment at the end of the term, although balloon payment loans may be allowed. The term of a loan to an entity operating leased facilities will be no longer than the lease. Finally, a loan pertaining to real estate should be no longer than seven years, for machinery and equipment seven years, and in the case of a loan for working capital, the term should be no longer than three years.

VII. SECURITY

Security in the form of verifiable collateral must be provided for repayment of the loan. The security should be valued at least as great as the sum of the RLF loan and all superior loans. Subordinate security positions will be taken to the extent necessary to meet the needs of a particular new business activity, but only upon a showing of absolute necessity. The borrower must at the time of closing provide casualty and hazard insurance on any facility financed or used as security for a loan and must also provide a lender's policy of title insurance at the time of closing.

If the borrower is a corporation, personal guarantees for the principals shall be required.

VIII. ADMINISTRATIVE COSTS

Interest earned on loans or interest earned on the RLF itself may be applied by the Iron County Board of Commissioners to the EDC, in an amount not greater than twenty percent of the income earned on RLF monies, whether loaned or unloaned, per calendar year, which may only cover administrative costs that include but not limited to loan documentation, legal and other administrative fees. These sums are payable directly to the EDC.

IX. ENFORCEMENT

The Iron County Treasurer and the EDC are jointly charged with the obligation of monitoring repayment of the security for outstanding loans. In the event of a delinquency or if security for repayment is jeopardized, the EDC Board of Directors shall promptly meet and recommend a course of action to the Iron County Board of Commissioners. The Iron County Board of Commissioners will be responsible for enforcing payment, modifying the terms of loans, or taking

legal action in the case of default. All proceeds of loans, principal, and interest, or from the sale of loans, shall be returned to the RLF and will be made available for reuse pursuant to this policy.

LOAN APPLICATION FORM

IRON COUNTY ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

I. Identification of Loan Applicant

Organization Name _____

Trade Name (d/b/a) _____

Street/P.O. Box _____

City _____ State _____ Zip Code _____

Contact Person _____

(Name and Telephone Number)

II. Project Location

City _____ County _____

III. Sources and Uses of Funds

RLF Loan Other Debt Equity Total

<u>Land Acquisition</u>				
<u>New Construction</u>				
<u>Purchasing/Remodel</u>				
<u>Existing Building</u>				
<u>Machinery & Equipment</u>				
<u>Working Capital</u>				
<u>Other</u>				
<u>Totals</u>				

IV. Application Exhibits

Note: All Exhibits A-P must be adequately addressed. Incomplete loan applications will not be accepted for review.

Additional information may be requested during review and evaluation of the proposed new business activity.

Exhibit A

A narrative description of the loan new business activity, including the following elements:

1. A brief history and description of your company's business.
2. The location of the new business activity.
3. The detailed plan of action for which the loan is requested.
4. The expected benefits which the company will receive from the loan.
5. The proposed loan terms; including the terms of repayment, interest rate, collateral, and security position, and names of any co-signers or guarantors of the loan.
Should the proposed interest rate fall below current market rates and/or a deferral of interest or principal is proposed, the necessity for such concessions must be documented.
6. A proposed amortization schedule for the loan.
7. The proposed collateral for the loan.

Label this Exhibit A.

Exhibit B

An independent appraisal report of real property to be purchased with loan proceeds or offered as collateral on the loan. In addition to the market value, the report should also address the condition of the title, identify the title holder and any liens or encumbrances. Label this Exhibit B. If not applicable, check here _____.

Exhibit C

Cost estimates by machinery and equipment suppliers and installers. Label this Exhibit C. If not applicable, check here _____.

Exhibit D

Aging of accounts payable and receivable, dated within ninety days of the date of this application. Label this Exhibit D.

Exhibit E

Projected financial statements and assumptions made to create such statements, including balance sheets and income statements for the first two years, and monthly cash flow analysis for twelve months after start-up or three months beyond break even, whichever is longer. Projected statements should include proposed debt retirement of all sources of funds. Label this Exhibit E.

Exhibit F

A list of all current debt for your company, including original date and amount, current balance, interest rate, monthly payments required, maturity and security for each. Indicate whether each loan is current or delinquent. Label this Exhibit F. (Include a three year history of company debt.)

Exhibit G

If your company operates a franchise, provide a copy of the franchise agreement. Label this Exhibit G.

Exhibit H

Names and relationships of affiliate, parent, and subsidiary businesses or corporations with a current balance and income statement for each. Label this Exhibit H. If not applicable, check here _____.

Exhibit I

Marketing and Capacity Information. Complete Exhibit I (attached).

Exhibit J

Details of any involvement by your company or any of its officers or guarantors in bankruptcy proceedings or law suits. Include the company's approved reorganization plan, if applicable. Label this Exhibit J. If not applicable, check here _____.

Exhibit K

Personal Financial Statements(s) for all key management personnel, proprietors, partners, officers, directors, and stockholders owning twenty percent or more of outstanding stock (aggregate all ownership interests of immediate family). Include Personal Financial Statement(s) for any co-signers or guarantors for this loan. Label this Exhibit K. Financial statements can be provided on the attached form. All financial statements need to be signed. If requested by applicant, statements can be marked "confidential," for "EDC use only".

Exhibit L

Resumes for all key management personnel, proprietors, partners and directors. Label this Exhibit L.

Exhibit M

Information on any concern or company in which anyone in your company has a significant interest with which your company buys or sells goods or services. Label this Exhibit M. If not applicable, check here _____.

Exhibit N

A resolution by the corporate board authorizing loan application. Label this Exhibit N. If applicant is not a corporation and no resolution is provided, check here _____.

Exhibit O

An explanation of any transfer of employment by your company from another community in this state which will occur in connection with this new business activity, including the numbers and kinds of jobs affected, the communities involved, and the circumstances surrounding the transfer. Label this Exhibit O. If not applicable, check here _____.

Exhibit P

Other information which the applicant wishes to furnish in support of the application or which was specifically requested by the Loan Committee of the Economic Development Corporation. Label these documents Exhibit P. If not applicable, check here _____.

V. Certifications

- A. The Undersigned, as authorized representatives of the loan applicant, certifies the following:
 - 1. That the company will comply with state and federal statutes, regulations, and guidelines associated with the Michigan CDBG Program, including those related to civil rights and equal opportunity, labor standards, environmental protection, and historic preservation as may be applicable to this loan;
 - 2. That the company will provide authorized state and/or local officials with access to all records, personnel, and facilities pertaining to the new business activity in order to make audits, examinations, excerpts, and transcripts;
 - 3. That the information provided in this loan application, exhibits, and attachments is true and complete to the best knowledge and belief of the applicant and the undersigned.

Name and Title

Signature

Date

MARKETING AND CAPACITY INFORMATION

1. Marketing Area – Describe the geographic area in which your product is sold (e.g. local, regional, national) and the portion of the total market which is controlled. If market expansion is to occur, describe how and where the expansion will occur.
2. Competition
 - (a) Describe the major competitors offering the same or similar products in the company's market area and their methods of operation, percentage of the total market, and concentration of effort.
 - (b) Identify by name and location any competitor that ceased operations or withdrew from your market area(s) within the past year and state reasons, if known.
 - (c) Describe by name and location any potential new entry or planned expansions which will be competitive in your market areas, if known.
3. Major Suppliers – List the major sources of suppliers and what they provide
4. Customers – Describe the type, location, and financial strength of customers and potential customers, including the names of the five largest and the percentage of the gross revenue accounted for by these customers.
5. Marketing Organization – Describe how the company is staffed to handle sales.
6. Marketing and Distribution Methods – Describe how the product is marketed (i.e., advertised), sold, and distributed (trade journals, direct to the user, wholesale, technical representatives, etc.)