

Northfield Revolving Loan Fund Program

A financing opportunity from the Northfield Economic Development Authority

Overview

The Northfield Revolving Loan Fund provides assistance for businesses either located in, or relocating to, the city of Northfield. The purpose of this fund is to provide gap financing to supplement conventional bank loans for new and existing business expansion, to retain and/or create jobs, expand the local tax base and encourage new business investment in the community.

Loan Criteria

Use of Funds

The Northfield Revolving Loan Fund Program (RLF) may be used for assistance with financing:

- Land and building purchases
- Building construction
- Building renovation/expansion
- Machinery and Equipment
- Inventory
- Working capital (no more than 25% of loan)

Loan Application Considerations

To qualify for this program, the Business **must** be located in, or relocating to, the City of Northfield, as defined by corporate city limits.

The business must have a completed business plan with financial projections that show reasonable revenue, expenses, and growth potential. Interest rates are determined on an annual basis by the EDA Board based off of current lending rates and the local economy. The EDA reserves the right to change this rate. The rate for 2013 is Prime, as reported in the Wall Street Journal on date of loan closing.

Loan Amounts

Loan amounts range from a minimum of \$5,000 to a maximum of \$50,000. The EDA may approve loan amounts more or less than the amount requested at their discretion.

Fees:

- 1% of loan amount, with a minimum of \$250

Equity and Collateral Requirements:

- The borrower must provide a minimum of 20% of total project costs as equity;
- Personal guarantees for the RLF are required of all persons with ownership in the business;
- The EDA Loan Subcommittee and EDA Board will review and take into consideration loan collateral coverage;
- The EDA prefers to be in first collateral position, but may take a subordinate collateral position to other lenders;
- The RLF can be no more than 25% of total project cost. The percent of EDA funding compared to the entire project may affect the loan amount.

Financial Status/Repayment Ability:

- Applicants must demonstrate adequate historical or feasible projected cash flow that shows repayment capabilities

Other Policies:

- The EDA may include late penalties for loan payments made after their due date;
- The EDA may place restrictions on the disbursement of loan funds.

Procedures

EDA Staff or its agent will accept the completed loan application form and all supporting documents. The EDA will verify all information on the project and on the business. Once all required information has been provided and/or obtained, the EDA staff or its agent will make a report to the EDA Loan Subcommittee. The applicant is strongly encouraged to attend this meeting to provide additional information on the project and to answer any questions the Loan Subcommittee may have. The Subcommittee then will review all information and make a recommendation to the EDA Board to either approve or reject the loan application. The EDA board will meet at its regular scheduled monthly meeting to review all information provided by the Loan Subcommittee, along with the terms of the loan. No loan shall be made prior to authorization of the EDA Board.

Loan Approval and Collateral Recording

Upon final approval by the EDA, a promissory note, personal guarantees, and/or mortgage will be prepared for loan closing. Fees will be due at the loan closing. All mortgages, UCC filings, and personal guarantees will be recorded at loan closing.

Ongoing Monitoring

EDA staff or its agent shall monitor each loan to ensure compliance with loans terms and conditions and to monitor the financial health of the business to ensure continued repayment of the loan. The monitoring shall also ensure that all recordkeeping requirements are met particularly with regard to job creation and the expenditure of matching funds. If requested, documentation shall be provided to EDA Staff or its agent on the use of funds, including but not limited to: invoices, receipts, letters from lenders, final bills of sale, and or canceled checks.

Default

In the event the business is in default on any of the terms and conditions of the loan agreement (including but not limited to moving outside of the City of Northfield), except for failure to make payment, the promissory note, or any other loan document, all sums due and owing to the EDA, including the full unpaid principle balance and all unpaid accrued interest, shall, at the option of the EDA, become immediately due and payable. To exercise this option, the EDA Attorney shall provide a written notice to the business that specifies the following: the loan is in default, the action required to cure the default, and the date, not less than 30 days

from the date of the notice, by which the default shall be cured to avoid foreclosure or other collection action.

Failure to Make Payment: If the borrower fails to make any payment or principle or interest when due, the default continues for 10 days, all sums due and owing to the EDA, including the full unpaid principle balance and all unpaid accrued interest, shall, at the option of the EDA, become due and payable immediately, without notice or demand.

A complete application will include:

- EDA Application;
- Current/Updated Business Plan;
- Current Financial Statements- Income Statement, Balance Sheet, Cash Flow;
- Three (3) Year Projected Financials- (Monthly and Annual basis);
- Personal Financial Statement;
- Commitment Letters from other funding sources;
- Previous two years of business and personal income tax filing;
- Independent Appraisal for real estate;
- Existing or proposed lease(s).

Applicant Agrees to the Following:

- Immediate repayment of the entire outstanding balance (principle plus interest) will be made if the business relocates outside of the corporate limits of the City of Northfield
- Annual Income and Balance Sheet will be submitted for review by the EDA or its agent.

Authorized Signature/Title

Date