

Lyon County Economic Development Consortium

Revolving Loan Fund Application Package



Lyon County, Iowa

***Committed to providing a source of financing
that enables business to thrive and grow.***

Lyon County Economic Development Consortium
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Table of Contents

Letter to the Applicant 3

Guidelines and Procedures 4

*Application Form 9

*Application Checklist 12

Certification to be Signed by Applicant 14

Right to Financial Privacy Act of 1978 15

Nondiscrimination Statement 16

The LCEDC gratefully acknowledges a \$50,000 matching fund grant to support the revolving loan fund from the Lyon County Riverboat Foundation.

Note: These items plus the submittals required in the Application checklist constitute the complete application. Please deliver your application with cover letter to:

Lyon County Economic Development
315 1st Avenue, Ste 209
Rock Rapids, IA 51246

Thank You!

Lyon County Economic Development Consortium

Revolving Loan Fund Application

Dear Applicant,

Thank you for your commitment to growing your business in Lyon County!

The purpose of the Lyon County Economic Development Consortium (LCEDC) revolving loan fund (RLF) is to ensure that businesses like yours grow and prosper within the county. We are glad you have chosen to seek financial assistance through our RLF. Working together with you and your bank we hope to enable you to accomplish the goals you have set for your business.

This application package asks a series of questions aimed at determining the following:

- Your business activity, products and services
- Your business's viability and potential for growth
- Your financial commitment and commitment to maintaining your company in the County
- The RLF's ability to meet your financial needs
- The level of risk the RLF takes on by assisting your company
- How well your business fits into the economic development plan of the County

We also require a number of submittals to support the information you are giving the LCEDC. We encourage you to use the checklist at the end of the application to ensure that you have supplied all the documents we require to adequately assess and approve your request. We promise to utilize great care in the handling and sharing of your documents (see privacy statement below).

We assume that you are working with your local banker to complete this application. However, if you are new to our County, welcome, and let us help you connect with our local banks so that you can choose a financial institution to assist you to make this application process as easy as possible. Please be advised that the LCEDC requires a \$100 (non-refundable) application fee at the time of the submittal in order to cover the administration of the application and review process. This fee is in addition to any fees that may be charged by your financial partner.

Again, we thank you for doing business in Lyon County, where we take pride in our business-friendly environment. If you have any questions, please don't hesitate to call the Lyon County Economic Development office at 712-472-8546 or send a message with your question to us at econdev@co.lyon.ia.us.

Lyon County Economic Development Office

Statement of Confidentiality. All information submitted to the LCEDC relating to this application is subject to the Freedom of Information Act. Confidentiality cannot be guaranteed; however, every effort will be made to assure that the applicant's information is reviewed only by the applicant's banker and the LCEDC to ascertain the appropriateness of the loan request. The LCEDC Chairman may convene an executive committee session to review the application in its entirety.

Lyon County Economic Development Consortium

Revolving Loan Fund Policies and Procedures

What is the fund?

The Lyon County Economic Development Consortium (LCEDC) was formed to provide affordable and flexible loans to businesses in Lyon County. For the purposes of the LCEDC the definition shall follow the intent of Chapter 427B Industrial Property – Special Tax provisions, and include the actual value added to existing and new construction of industrial real estate, research-services facilities, warehouses, distribution centers and the acquisition and improvement to machinery and equipment.

The revolving loan fund (RLF) loan will almost always be in conjunction with a larger share of private financing or other business investment sources.

How is the fund created?

The LCEDC is created by a 28E agreement among the eight cities and county in Lyon County. The funds are loaned out and the fund replenished by the repayment of these business loans. These repayments will be available for lending to other businesses in Lyon County.

What are the goals of the fund?

The goal of the fund is to further diversify Lyon County's economy by providing loans for business start-ups and business expansions.

How will this fund reach its goal?

The goal will be achieved by providing affordable loan terms which will allow lending institutions to participate in business loans which will assist expanding businesses and business start-ups. This affordable financing allows business and job creation or retention to occur which without the RLF would not happen. In almost all instances, the RLF will be in conjunction with a larger share of private financing or other business investment sources.

Why is the fund needed?

In order to protect their depositor's asset base, local private lending institutions prefer equity positions which some businesses cannot meet. New business start-ups in particular have a more difficult time in meeting the needed equity requirements.

One of the principal needs that the LCEDC revolving loan fund is addressing is providing affordable subordinate financing so private lending institutions are more willing to soften their equity requirements and participate in economically sound business loans

that they would not normally participate in were it not for the RLF subordinate financing. The LCEDC may participate in this type of loan, however, they may require first position on some portion or asset related to the loan request.

As opposed to charging interest rates of prime plus two or three percentage points that private lending institutions often charge, the RLF will fill a niche by providing more affordable rates that will assist businesses in keeping their financing costs down and free up capital for other needed business investments and human capital needs. Based on the already diverse economy of Lyon County, increasing global trade opportunities, growth in information technology and bio-sciences, it has been determined that the best niche for this RLF to fill is a niche of versatility and flexibility to meet a wide range of business needs.

Small businesses create the most jobs, but suffer from a shortage of long-term financing. Eighty percent of the new jobs in the nation and a great majority of jobs in Lyon County are created by businesses employing less than 100 people. Ironically, those businesses which create the lion's share of new jobs are the least able to obtain reasonable financing. The Lyon County RLF helps fill that need.

What standards and loan criteria will the fund use?

- **Loan Sizes** – in the \$5,000 to \$50,000 range are preferred. The maximum loan to a single borrower is \$100,000.
- **Job Creation** – a minimum of one job created or retained for every \$10,000 of RLF financing. The LCEDC may adjust this if they feel the economic benefits of a proposed loan merit such an adjustment.
- **Loan Ratio** – for purpose and protection of the RLF loan portfolio, \$2 of private financing for every \$1 of RLF financing is recommended.
- **Participating Lender** – money from this loan fund is almost always in conjunction with a sponsoring senior lender or other investment capital. To apply for a RLF loan a business may also secure private financing. The sponsoring senior lender will also be invited to appear at the LCEDC loan review meeting to answer questions concerning the loan and the servicing of the LCEDC loan if it is approved.
- **Equity** – each project will require a minimum of 10% equity.
- **Use of Funds** – Real estate, working capital and equipment are all eligible financing uses. Adequate collateral and security requirements will be sought on all RLF loans. The RLF may take a subordinated position behind a senior lender.
- **Loan Terms** – maximum of ten years. Balloon payments and a transition to private financing after an agreed-upon timetable are likely to be a part of a loan.
- **Interest Rates** – rates will be based upon enclosed interest rate criteria. Rates may be as low as 50% of New York Prime as quoted in the Wall Street Journal at time of closing. The minimum rate will be 3% at Board discretion.
- **Certificate of non-relocation** – will be required.

- **ACH loan payment** – All loan payments will be required to have an Automatic Clearing House (ACH) electronic transfer payment.

Financing Alternatives

- **Revolving Loan Fund** – This would be a direct loan to a company according to the above guidelines. We anticipate this loan to be made down to 3% interest. Term of the loan would be up to 10 years, depending on the individual circumstances. Individuals may obtain at least 67% of the project funding before seeking LCEDC participation.
- **Interest Rate Buy-Down** – LCEDC would buy-down the interest rate on a loan according to the above guidelines. The buy-down cannot be lower than one-half of the commercial loan rate available to the applicant. This option can be used on its own, or in conjunction with the Loan Guarantee. Terms of the buy-down can be up to 10 years. Individuals must obtain other funding commitments prior to seeking LCEDC participation.

How is the fund managed?

The LCEDC revolving loan fund board of directors will serve as the loan committee and are responsible for administering and providing compliance review services for the fund.

How is the application submitted?

Prior to completing a loan application, contact Lyon County Economic Development (LCED) at 712-472-8546 to see about the amount of loan funding available. Lyon County Economic Development works with the LCED Consortium Treasurer who is the RLF loan administrator and review agent.

Loan application administration and compliance review fees

An original application and eleven copies shall be submitted to the Revolving Loan Fund (RLF) administrator (Lyon County Economic Development). A \$100.00 non-refundable processing fee shall be paid with the submission of each RLF application. The applicant will also be responsible for all filing fees and any other hard costs associated with the loan. The request will be reviewed by the loan administrator (LCEDC Treasurer), who will be ex-officio on the board, and the up to nine-member LCEDC board from various backgrounds such as banking, business owners, entrepreneurs each representing one of the communities and the county Board of Supervisors. A response to a completed loan request will be made within 14 working days.

Interest Rate Determining Guidelines

Lyon County Economic Development Consortium Revolving Loan Fund

- A. Length of Loan
- a. 0-2 Years 50% of New York Prime
 - b. 3-4 Years 60% of New York Prime
 - c. 5-6 Years 70% of New York Prime
 - d. 7-8 Years 80% of New York Prime
 - e. 9-10 Years 90% of New York Prime
- B. Job Created Credit Ratio
- Available Recapture of Interest Paid (a Maximum of 2%)
 - \$5,000 per job created 0%
 - \$4,000 per job created ½%
 - \$3,000 per job created 1%
 - \$2,000 per job created 1.5%
 - \$1,000 per job created 2%

For further information on this program contact:

Lyon County Economic Development Consortium
c/o Lyon County Economic Development
315 1st Avenue, Ste 209
Rock Rapids, IA 51246
Phone: 712-472-8546

**Lyon County Revolving Loan Fund
Financing Arrangement Example**

Sources of Funds	Use of Funds	Amount of Funds	Interest Rate	Term	Security Position	Job Commitment
RLF	Real Estate	\$10,000	4%	5 years	Second	1
RLF	Equipment	\$35,000	4%	3 years	First	3.5
Bank	Real Estate	\$100,000	7.5%	15 years	First	0
Owner Equity	Working Capital	\$30,000				0
		\$175,000				4.5

The above RLF financing arrangement of \$45,000 leverages \$130,000 in private financing (a public to private dollar ratio of 1:2.9), creates 4.5 new jobs, and adds \$110,000 to the real property tax base of Lyon County.

After each year company profit and loss statements, balance sheets, and other financial information will be analyzed for favorable performance.

Lyon County Economic Development Consortium

Revolving Loan Fund Application

I. BASIC INFORMATION

Name of business: _____

Address: _____

City: _____ Zip Code: _____

Business contact person: _____ Phone: (____) _____

Fax Number: _____ Alternate Phone No. _____

Federal Tax ID #: _____ (or Social Security # if a sole proprietorship)

D & B DUNS #: _____

Other contact(s)/application assistance providers:

Name	Telephone #
_____	(____) _____
_____	(____) _____
_____	(____) _____

Type of business:
____ Sole Proprietorship ____ Corporation ____ L.L.C. ____ Partnership

Have you ever filed personal or corporate bankruptcy? No___ Yes___ If yes, please explain

II. NATURE OF THE LOAN REQUEST

Amount of loan request \$ _____ Total Project Cost \$ _____

New Business _____ Business Expansion _____

of existing jobs _____ # of jobs created _____ #of jobs retained _____
 Average Wage Per Hour _____

III. FINANCING PURPOSE AND SOURCES

Purposes for which funds are to be used	LCEDC RLF	Bank #1	Bank #2	Other #1 Specify)	State of IA (Specify)	New Equity	TOTAL
Property Acquisition	_____	_____	_____	_____	_____	_____	_____
Site Improvements	_____	_____	_____	_____	_____	_____	_____
Building Renovation	_____	_____	_____	_____	_____	_____	_____
New Construction	_____	_____	_____	_____	_____	_____	_____
Machinery & Equipment	_____	_____	_____	_____	_____	_____	_____
Working Capital	_____	_____	_____	_____	_____	_____	_____
Inventory	_____	_____	_____	_____	_____	_____	_____
Other (Specify)	_____	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____	_____

IV. FINANCING TERMS AND CONDITIONS

	RLF	Bank #1	Other #1 Bank #2	Other #2 (Specify)	State of IA (Specify)	Equity	TOTAL
Amount	_____	_____	_____	_____	_____	_____	_____
% of	_____	_____	_____	_____	_____	_____	_____
Project Costs	_____	_____	_____	_____	_____	_____	_____
Term (years)	_____	_____	_____	_____	_____	_____	_____
Interest Rates	_____	_____	_____	_____	_____	_____	_____
Debt Service	_____	_____	_____	_____	_____	_____	_____
Collateral Offered:							
Asset	_____	_____	_____	_____	_____	_____	_____
Lien Position	_____	_____	_____	_____	_____	_____	_____
Collateral Offered:							
Asset	_____	_____	_____	_____	_____	_____	_____
Lien Position	_____	_____	_____	_____	_____	_____	_____

Participating Bank #1: _____

Contact Person: _____

Phone #: (_____) _____ Email Address _____

Other Lender #1: _____

Contact Person: _____

Phone #: (_____) _____ Email Address _____

Other Lender #2: _____

Contact Person: _____

Phone #: (_____) _____ Email Address _____

V. QUESTIONS

- A. Will you agree to make a conscientious effort to hire your employees from this area when possible, paying particular attention to displaced farm families, the underemployed and the unemployed in county? _____ Yes _____ No

- B. Will any current employees lose their jobs if this project is not approved? _____ Yes _____ No

- C. Explain why our assistance is needed and why it is not feasible to obtain assistance elsewhere (i.e. specific reasons why the project could not be or would not be accomplished without our assistance).

- D. Is this company willing to give preference in hiring to low and moderate income persons? _____ Yes _____ No

- E. Are you related to any current or former Director of the Lyon County Economic Development Consortium Board?
_____ Yes _____ No

VI. BUSINESS PLAN OUTLINE

A. Executive Summary of the Company and the Project

B. Brief History of Business

1. Describe the past operation of the business and/or the events leading to its creation
2. Current or proposed ownership
3. Number of employees; average wage; benefit and training package

C. Market Analysis and Strategy

1. Description of current buyers and target markets (provide verification of purchase orders, contracts, etc., which relate to reasons for the loan request)
2. Competition
3. Pricing
4. Distribution
5. Advertising
6. Sales Promotion

D. Products

1. Description of product line
2. Proprietary position of patents, copyrights, legal and technical considerations
3. Comparison to competition

E. Manufacturing Process

1. Materials
2. Production Methods

F. Describe the Project

1. Describe the project to be undertaken & Timeline
2. Has the project started? If yes, please explain
3. Breakdown the number of new employees to be hired within next 24 months including average wage
4. Include construction blueprints and/or a list of equipment to be purchased as part of the project. If contractor, architect, or equipment vendor have been selected, please include information on that business.

G. Financial Statements

1. Sources/Uses Statement for the project
2. Monthly Cash Flow Analysis for Next 12 Months
3. Profit and Loss Statement: last three years and current quarter, plus two-year projection.
4. Balance Sheet: last three years and current quarter, plus two-year projection.
5. Schedule of Existing Business Debt including outstanding balance, interest rate, term, maturity date, and collateral on all existing debt.

H. Statement of Proposed Collateral

A detailed list of all collateral offered, its value, and security position by funding source.

- I. Resumes and Personal Financial Statements**
Include resumes of all principals as well as current, dated, and signed personal financial statements on all principals with a significant financial interest in this business.
- J. Commitment Letters**
Include Commitment letters from banks or others which state the terms and conditions of their participation.
- K. Affiliates**
Description of any affiliates or subsidiaries of business or principals requesting assistance, as well as balance sheets and income statements for past two fiscal years on such affiliates or subsidiaries.
- L. Appraisals/Proposed Lease/Purchase Options or Agreements**
An independent appraisal will 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 leases(s), purchase options or agreements, or any other financial arrangements.
- M. Partnership Certificate of Authorization or Corporate Certificate of Authority and Incumbency**; include minutes of the corporate meeting adopting this certification, where Applicable.
- N. Other Required Documents**
1. Copy of last year's submitted business income tax return including all schedules
 2. Copy of last year's submitted personal income tax statement including all schedules (Verification of personal income sources may be required)
 3. Articles of Incorporation (or Organization if L.L.C.)
 4. Bylaws
 5. Written verification from primary lender that project could not be funded from commercial sources—either due to underwriting guidelines, rates, and/or term.
 6. Evidence of payment of last quarters payroll tax
 7. Evidence of Worker's Compensation insurance coverage
 8. Copy of recent credit report

CERTIFICATION TO BE SIGNED BY APPLICANT

The undersigned, duly authorized officers of Applicant, hereby certify that the filing of this application was duly authorized by its Board of Directors (or governing body), proprietor, partner, principal and guarantors that the statements made in the foregoing application and in all exhibits and documents submitted in connection therewith are true and correct to be the best information and belief of the undersigned and are submitted as a basis for the loan. I hereby authorize the Lyon County Economic Development Consortium to investigate my credit and verify any and all information furnished herewith.

Likewise, the undersigned has willfully furnished this confidential information to LCEDC for the purpose of applying for a loan. I understand that this information will be reviewed by RLF staff. I further understand that this information will become available to the Revolving Loan Fund Loan Review Committee. I further authorize RLF staff to be in contact with those individuals and institutions involved in the proposed project.

In addition, the undersigned also acknowledges that the loan applicant will be responsible for all "out of pocket" expenses such as, but not limited to, attorney fees, abstract charges, filing fees, appraisals and environmental reviews.

NAME OF APPLICANT

(Individual, general partner, trade name, corporation, or political subdivision)

By _____ Date _____

Typed Name _____

Title _____

Attest by _____

Typed Name _____

Title _____

Proprietor, Partners, Principals and Guarantors

Date: _____ Signature: _____

Date: _____ Signature: _____

Date: _____ Signature: _____

RIGHT TO FINANCIAL PRIVACY ACT OF 1978

-NOTICE-

This Act is designed to protect your right to financial privacy. This is notice to you, as required by the Right to Financial Privacy Act of 1978, of the LCEDC's access rights to financial records held by financial institutions that are or have been doing business with you or your business, including any financial institution participating in this loan or loan guaranty in connection with your loan application. The law provides that the access rights continue for the term of any approved loan without further notice as long as the LCEDC retains any interest in the loan.

ACKNOWLEDGMENT

I (We) certify that I (we) have read this notice and that I (we) have been given a copy of it.

Business Name: _____

By: _____
(Name and Title)

Date: _____

Proprietor, Partners, Principals and Guarantors

Date: _____

(Signature)

Date: _____

(Signature)

Date: _____

(Signature)

Date: _____

(Signature)

NONDISCRIMINATION STATEMENT

In accordance with Federal Law, this institution is prohibited from discriminating on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.)

IMPORTANT NOTICE

The following information is requested by the Federal Government for certain types of loans and grants, in order to monitor compliance with civil rights laws. You are not required to furnish this information, but are encouraged to do so. The law requires that a program recipient may neither discriminate on the basis of this information nor on whether you choose to furnish it. However, if you choose not to furnish it, under federal regulations, this program representative is required to note race/ethnicity on the basis of visual observation or surname.”

_____ I do not wish to furnish this information.

Ethnicity:

_____ Hispanic or Latino
_____ Not Hispanic or Latino

Gender:

_____ Male
_____ Female

Race: (Mark one or more)

_____ White
_____ Black or African American
_____ American Indian/Alaska Native
_____ Asian
_____ Native Hawaiian or other Pacific Islander

Information provided by:

Borrower _____

Lender _____

Free Resources for Small Business

The Small Business Administration
www.sba.gov

USDA Rural Development Programs
www.rurdev.usda.gov

The Small Business Development Centers in Ia
<http://www.iabusnet.org>

Lyon County Economic Development
712.472.8546/ econdev@co.lyon.ia.us