

REVOLVING LOAN FUND - PROGRAM SUMMARY

In an effort to promote and encourage economic development within Titonka and the surrounding area, the Titonka Area Economic Development Corporation (TAEDC) has established a Revolving Loan Fund to provide financial assistance to new and expanding businesses.

PURPOSE

The Revolving Loan Fund Program is designed to provide supplemental financing in support of new and expanding businesses located within Titonka and the surrounding area. The revolving loan fund will be used by the Titonka Area Economic Development Corporation to make direct loans or loan guarantees for the following purposes:

1. To increase employment opportunities by increasing the number and type of businesses in the Titonka area.
2. To offer financial assistance that will promote the retention and expansion of existing businesses.
3. To increase the property tax base.
4. To diversify the economic composition of the area by encouraging unique or essential business concerns.

GENERAL GUIDELINES

Type of Assistance: The Loan Fund will provide loans and loan guarantees to new and expanding businesses within the Titonka area. In the case of loans, the interest rate charged and length of the loan will be determined for each project individually based on demonstrated need. Generally, the term of a loan will not exceed ten (10) years and the maximum loan to a single business will not exceed \$50,000.

Eligibility: Applications will be considered from many sectors of the local economy. These include businesses involved in manufacturing, service, or retail activities.

Application Procedure: Applications for the Revolving Loan Fund will be accepted by TAEDC at any time during the year and considered on a continuous basis contingent on the availability of loan funds. Applications may be obtained from and returned to the City Clerk. The TAEDC will take action on complete applications within 60 days of receipt. Action may include funding the application for all or part of the requested amount, denial of the application for funding, or requesting that additional information be supplied prior to making a final decision.

Threshold Criteria: Normally, applicants for the Revolving Loan Fund must satisfy the following minimum requirements to be eligible for assistance:

- A. Generally, a ratio of one full-time job or combination equaling one full-time job

- created or retained for every \$10,000 of loan funds received;
- B. Generally, job creation projections will be realized within a two year period.
 - C. Generally, loan funds shall provide no more than 35% of the financing for any project up to a maximum of \$50,000;
 - D. There must be evidence of private equity injected into the project;
 - E. There must be evidence that the project is feasible and that the business requesting assistance can continue as a "going concern" in the foreseeable future without additional or ongoing assistance;
 - F. There must be evidence that there will be no significant negative impacts on other businesses or employers in the Titonka area;
 - G. There must be evidence that no significant negative land use or environmental impact will occur as a result of the project.

Eligible Area: The location of each Revolving Loan Fund project must be within the Titonka Area. Any Revolving Loan Fund loan must be immediately repaid including outstanding principal and interest, if the project activity is moved outside the eligible area during the life of the loan.

Loans: If a proposal for a loan is approved for funding by the TAEDC, the applicant will sign a loan agreement with the TAEDC. This agreement, at a minimum will establish the following:

- A. The interest rate of the loan, whether it is fixed or variable, and the terms of its variability;
- B. The term of the loan;
- C. The frequency of loan payments;
- D. Penalties for late payment;
- E. Job creation and/or retention schedule, as provided in the application;
- F. Penalties for failure to meet job creation or retention goals.

Interest rates may differ between projects. Rates charged depend upon the needs of each project and the degree to which the proposal is in conformance with the goals and priorities of the Revolving Loan Fund Program.

Loans may be long or short term, not to exceed 10 years depending upon the particular situation. The term may vary from project to project.

Revolving Loan Funds shall be secured by mortgages and/or liens against fixed assets. Such mortgages and/or liens may be subordinated to conventional bank financing. Other security, including personal guarantees, may be required.

Loans may be renegotiated. Re-negotiation proceedings, however, are not the borrower's inherent right.

In general, repayment of loans will be made via equal payments over the term of the loan. Payments will be due and payable monthly, semi-annually, or annually. Alternative schedules may be arranged if deemed appropriate.

The date of the first loan payment will be arranged on a project-by-project basis. Usually the date of first payment will not exceed six months from the date of the loan.

Loans made from the Revolving Loan Fund are not assumable. Loans shall become due and payable if the business is sold or if the original applicant significantly changes the nature of the business.

In the event that the borrower does not achieve the job creation levels specified, or in the event that the total project cost is less than the amount specified in the application, then loan funds received from the TAEDC will be subject to disallowance and immediate repayment. The maximum percentage of loan funds, which may be disallowed due to failure to achieve performance targets within two years, will be equal to the percentage of the performance targets not achieved.

Submission of semi-annual statements and job creation reports shall be required of all borrowers. Copies of such reports will be given to the Chairperson of the Revolving Loan Fund Committee.

All information obtained in the course of processing an application shall be held in strict confidence by the members of the Loan Review Committee and the TAEDC Board of Directors. At no time shall an applicant's information be disclosed to anyone outside of the Loan Review Committee and the TAEDC Board of Directors without the consent of the applicant.