

HOUSTON COUNTY, MINNESOTA

REVOLVING LOAN FUND POLICY

[Department of Employment and Economic Development) –DEED
MINNESOTA INVESTMENT FUND PROGRAM (MIF)]

RLF-I. INTRODUCTION - SOURCE and PURPOSE of FUNDS

The purpose of this policy is to provide written guidelines for the processing and award of loans under the Houston County Economic Development Authority (EDA) Revolving Loan Fund (RLF) Program. It is intended to be used as the procedure for the EDA to follow in the granting and administration of the RLF program.

The initial capitalization for the RLF is from the State of Minnesota. The RLF will be used primarily to provide fixed asset financing to businesses in Houston County. The RLF may also be used for limited working capital financing. The form of the RLF's involvement in the financing may be as a direct loan to the business or as a guarantor to a conventional bank loan. It is a goal of the RLF program to leverage its funds to the greatest extent possible. It is the intent of the RLF program to primarily use its direct loan program for fixed asset subordinated mortgage financing and its loan guarantee component for working capital loans.

Each loan must document job creation or retention, which is the public purpose of the program. The Houston County Revolving Loan Fund Program is a "gap" financing tool used to assist financing business projects, which would otherwise lack the required funding.

The Revolving Loan Fund Program is administered by the Houston County Economic Development Authority, subject to final approval by the Houston County Board of Commissioners.

RLF II. ELIGIBILITY, GENERAL LIMITATIONS, INTEREST & TERM

A. Applicant / Project Eligibility, Private /Equity Participation and MIF-RLF repayment terms shall follow the Houston County Business Subsidy Criteria Policy.

Interest rates will be considered on a case by case basis by the Houston County EDA Finance Committee and forwarded to the full EDA board and subject to final approval by the Houston County Board of Commissioners. Criteria for determining interest rates for the RLF may include, but are not limited to, job creation, need for the business within the community or county, tax base increases.

The Houston County EDA will consider loans for up to a ten year term on a case by case basis. The following uses are eligible for financing:

1. Acquisition of Land
2. Acquisition of Building
3. New Construction
4. Machinery and Equipment
5. Building Renovation
6. Working Capital (Inventory)

Other Loan Terms

1. Minimum loan amount is \$1,000
2. Maximum loan amount shall not exceed \$30,000.
3. RLF Loan shall not exceed 50% of the total project costs.
4. All construction and renovation must comply with city and county codes and policies; repairs may include mechanical, heating, plumbing, electrical, structural, façade, and energy related improvements.
5. Security and personal guaranty requirements will be determined by the RLF Committee. These requirements shall be consistent with financial industry standards.
6. Applicant must be willing to sign a personal guaranty if required.
7. A project may commence after Houston County has approved the loan. Any costs incurred before the loan application has been approved may not qualify as eligible expenditures.

RLF III. ELIGIBLE BUSINESSES /PROJECTS

A. ELIGIBLE USES: Preference shall be given to fixed assets.

1. Acquisition of Land
2. Acquisition of Building
3. New Construction
4. Machinery and Equipment
5. Building Rehabilitation
6. Working Capital defined as Inventory.

B. INELIGIBLE BUSINESSES/PROJECTS:

1. Media
2. Casinos
3. Sports Facilities
4. Retail
2. Agricultural Production
3. Speculative Real Estate
4. Construction or Maintenance of Utilities

C. INELIGIBLE USES:

1. Refinance Debt
2. Pay Delinquent Taxes
3. Professional Offices
4. Cover Product Development Costs
5. Invest in Residential Real Estate

RLF IV. APPLICATION PROCEDURE, APPROVAL and CLOSING

- A. Application Procedure, Approval Process and Closing shall follow the Houston County Business Subsidy Criteria Policy.
- B. While the EDA will endeavor to secure each loan with adequate collateral, lack of hard collateral, by itself, will not be a reason to decline a loan.