

**ECONOMIC DEVELOPMENT
EQUIPMENT REVOLVING LOAN FUND
APPLICATION**

Return Application To:

**Hutchinson Economic Development Authority
111 Hassan Street SE
Hutchinson MN 55350**

Email: mseppelt@ci.hutchinson.mn.us

Overview

The Hutchinson EDA Economic Development Equipment Revolving Loan Fund is a quick-response, low documentation loan program for businesses either located in, or relocating to, the City of Hutchinson. Funds are available for machinery & equipment only. The Loan Criteria provided on the following page of this application detail the general terms of the Economic Development Revolving Loan Fund.

The purpose of the fund is to provide quick and easy equipment financing for Hutchinson businesses.

Application Procedure

The Hutchinson Economic Development Director serves as the loan officer for the Economic Development Revolving Loan Fund. The EDA Director will gather all necessary information on the project from the interested business or individual and verify that the proposed project is eligible for consideration of a loan from the Economic Development Equipment Revolving Loan Fund.

Once all the required information has been obtained, the EDA Director will make a report and presentation to the Hutchinson EDA Finance Team at their regularly scheduled monthly meeting. The Finance team will then review all information provided and make a recommendation to the EDA Board to either approve or reject the loan application.

At its regularly scheduled monthly meeting, the EDA Board will then review all information provided along with the recommendation of the Finance Team prior to considering final approval of the loan. No loan shall be made prior to authorization of the EDA Board.

Approval Considerations

The EDA Finance Team will evaluate all submitted information, specifically looking at the strengths & weaknesses of the business, its potential for success, its overall credit worthiness and how well the project supports the economic development goals of the community.

Generally, the following criteria will be used in reviewing loan applications:

- > Collateral coverage
- > Credit worthiness of applicant
- > Leveraging of other funds
- > Economic impact
- > Equity or cash commitment

Application Requirements

The following items must be provided before the Finance Team can proceed with their review:

1. Completed Economic Development Equipment Loan Application
2. Copies of the applicants' financial statements – most recent and for the past three years – along with all applicable attachments. (Please contact the EDA Director to verify which particular exhibits are required)

Loan Approval

Upon final approval by the EDA, a promissory note, personal guarantees, and / or mortgage will be prepared for loan closing. All fees related to document preparation, along with any legal and recording fees are the responsibility of the borrower.

LOAN CRITERIA

Eligible Businesses

- Businesses must be located, or willing to relocate, within the corporate boundaries of the City of Hutchinson.
- Manufacturing, assembly, warehousing, research & development facilities, call centers & administrative processing centers are eligible.

Ineligible Businesses

- Retail & service businesses are not eligible under this program.

Eligible Uses of Funds

- Machinery & equipment

Ineligible Uses of Funds

- Purchase of equity positions in business enterprises
- Refinancing of other existing debt

Loan Amounts

- Up to \$40,000 is available
- The EDA reserves the right to approve loan amounts less than the amount requested.

Loan Terms Available

- Up to 7-year terms are available
- Each loan term will be determined on a case-by-case basis.
- Equipment loans will generally not exceed 5-7 years and will not go beyond the depreciated life of the asset being financed.

Interest Rates

- Anywhere from a rate of 2% to Prime Interest Rate + 3%
- Interest rates will be fixed.
- Interest rates are determined on a case-by-case basis as recommended by the EDA Finance Team & EDA Board.

Job Creation & Wage Requirements

- NONE.

Fees

- Approved borrowers are responsible for all legal fees, document preparation costs, recording & filing fees.
- No origination or application fees apply.

Equity Requirements

- The borrower must provide a minimum of 10% of total project costs as equity.

Personal Guarantees

- Personal guarantees are required of all persons having 20% or more ownership of the business.

Collateral Requirements

- The EDA Finance Team and EDA Board will review and take into consideration loan collateral coverage.
- The EDA may take a subordinate collateral position to other lenders.

Management Experience

- It is required that the project have capable, skilled management through experience or expertise in the applicant's industry, either through previous successful business ownership or through appropriate managerial support services.

Repayment Ability

- Applicants must demonstrate adequate historical and / or pro-forma cash flow for the proposed new debt.

Late Penalties

- The EDA may include late penalties for loan payments made after their due date.

Loan Disbursement Policy

- The EDA will place restrictions on the disbursement of loan funds.

Considerations in setting Interest Rates

- Size of loan
- Length of loan
- Use of loan
- Inflationary expectations
- Interest rate expectations
- Perceived risk of project
- Amount of owner equity
- Presence / absence of other funding sources
- Financial strength of ownership
- General economic conditions & expectations
- Type & size of building
- Number of jobs created
- Wages paid

Considering all these factors, loan interest rates are set at the sole discretion of the Hutchinson EDA.

APPLICANT INFORMATION

Business Name & Address

Phone Number

Fax Number

Email Address _____

Business Internet Address _____

Federal Tax ID # _____

Name & Address of Business Owner(s)

1. _____

Title _____
% of Ownership _____
SSN _____

2. _____

Title _____
% of Ownership _____
SSN _____

3. _____

Title _____
% of Ownership _____
SSN _____

Please attach a separate page if there are more than three owners.

Name & Address of Bank

Contact _____

Phone _____

Name & Address of Accountant

Contact _____

Phone _____

STRUCTURE OF BUSINESS

____ Sole Proprietorship ____ Partnership ____ S-Corporation ____ C-Corporation

PROJECT SUMMARY

Requested Loan Amount

\$

Briefly Describe Machinery / Equipment to be Purchased: _____

PROJECT COST DETAIL

Machinery & Equipment		Use of EDA Funds	
(Describe in detail on back page)	\$ _____		\$ _____
Other Project Costs			
(Provide detail on back page)	\$ _____		\$ _____
Total Project Cost	\$		
Total EDA Funds	→		\$

FINANCING DETAIL

	Equity	Bank	EDA	Other	Other
Loan Amount	\$	\$	\$	\$	\$
% of Total	%	%	%	%	%
Term of Loan	yrs.	yrs.		yrs.	yrs.
Interest Rate	%	%		%	%
Monthly Pmt.	\$	\$		\$	\$
Lien Position (i.e. 1 st , 2 nd , 3 rd)					
Approved?					

ATTACHMENTS

The following items should be enclosed with this loan application:

A) Business Financial Statements

Provide balance sheets, income statements and statements of cash flow for the past three fiscal years.

B) Personal Resumes & Financial Statements

Provide resumes of all principals as well as current, signed and dated personal financial statements on all principals with a financial interest in the business.

Include notes indicating the basis of value on the assets (market value or acquisition cost) and explanations of other entries (notes payable, receivables, stocks, etc.). Financial statements should be dated within 90 days of filing this application.

Personal financial statements will be returned to the applicant(s) once the loan application has been reviewed and acted upon by the EDA Finance Team and the full EDA Board.

C) Commitment Letters (if applicable)

Include firm commitments from banks and other participating lenders stating the terms and conditions of their financing.

APPLICANT AGREES TO THE FOLLOWING:

1. Immediate repayment of the entire outstanding balance of the loan will be made if the business relocates outside the corporate limits of the City of Hutchinson.
2. Company financial documents will be available for inspection by the Hutchinson Economic Development Authority upon request.

I certify that the firm known as:

_____ agrees to abide by all the requirements of this application and that all information provided to the Hutchinson Economic Development Authority for this project is true and correct.

Authorized Signature / Title

Date