

WHY IS THERE A NEED FOR THIS PROGRAM?

- Goal of Natural Resources RLF is to conserve and wisely use natural resources together with the need to create jobs and stimulate the economy.
- It is important to find sources of low interest loan money so that a financial package for a start-up could be put together. There are few resources available for the small natural resource related business that we intend to serve.
- A source of low interest gap financing is needed to serve such businesses interests to fill the gap between conventional commercial sources of financing and the total funding needs of start-up business.

WHAT IS A REVOLVING LOAN FUND?

- A revolving loan fund is a source of money from which loans are made. The fund is capitalized with dollars which are repaid. A loan is made and as repayments are made, funds become available for new loans.

REVOLVING LOAN FUND?

- A revolving loan fund is not the primary source of financing-gap financing instrument
- Combination of public and private financing that –lessens the risk for the private lender
- Decreases lenders exposure and yields an overall lower cost of money for the borrower.
- RLD demonstrates pro-business attitude, important in developing partnerships between public and private sectors. Businesses are encouraged by programs which are flexible and one with local control.

ADVANTAGES OF THE NATURAL RESOURCES REVOLVING LOAN FUND?

- The natural resources revolving loan fund will not compete or replace any capacity of the local lending institutions.
- Will provide the minimum gap financing or the portion of the project financing required to compliment the conventional financing resources.
- Effect of blended interest rates and terms for repayment make for an attractive package for a project that might be other wise infeasible.

EXAMPLES OF BUSINESSES TO BE FINANCED?

wood producers
manufacturing
well drilling
landscaping/nursery
aquaculture
golf courses
recycling
charter boat firms
commercial campgrounds

WHAT CAN THE FUNDS BE USED FOR?

- fixed asset loans for the acquisition and/or improvement of land, buildings, machinery and equipment
- working capital loans for the start-up of new businesses or conduct of current business.
- Working capital loans will be limited to 20 percent of the Natural Resources RLF portfolio.

PROJECT PRIORITIES

- Businesses that promote environmentally friendly products
- Business enterprises that will employ 50 or fewer new employees
- Businesses that have less than \$1 million in projected gross revenues and will utilize technological innovations
- Commercialization of new products that can be produced in rural areas using new processes.

FUNDING AND ADMINISTRATION?

- Potential sources of funding include Rural Development's RBEG program and local financial institutions.
- Administration can be a part of many entities, that include KDI, Grace College, Ivy Tech
- Technical assistance can be provided by various entities, to include: Grace College, KDI, SBA, Ivy Tech

WHY IS IT NECESSARY FOR A PROGRAM SUCH AS THE NATURAL RESOURCES REVOLVING LOAN FUND?

- Provides an opportunity to create permanent private sector job opportunities
- Stimulates private sector capital formation
- Stabilizes and diversify the economy by providing employers with necessary capital for start-up and expansion
- Assists with small business development.

NATURAL RESOURCES REVOLVING LOAN FUND PROGRAM



Purpose

The purpose of the Natural Resources Revolving Loan Fund (RLF) is intended to support and facilitate the development of small and emerging private business enterprises that are based on natural resources either directly or through the use of a revolving loan fund.

Eligible Applicants

Eligible applicants must be residents of the targeted area and be a for profit business. All funds for a project must be located in the targeted area.

Eligible Activities

The Revolving Loan Fund reserves the right to require immediate recapture of some or all of the loan funds or to raise the interest rate on the loan funds upon transfer of project assets to an entity other than the approved recipient or sub-recipient (unless specifically approved by the Revolving Loan Fund Board) or upon any event that violates state law, the public purpose of the loan program, any of the loan conditions, or any intergovernmental contract provision. All recaptured funds must be returned to the Revolving Loan Fund.

Use of Funds

Construction of buildings, machinery, equipment, start-up and operating costs. The funds can be used jointly with funds furnished by the grantee or from other sources.

Fund Availability, Fund Match, Interest Rate and Upfront Costs

Loan funds available to the Revolving Loan Fund program will in turn be made available for application throughout the fiscal year and will be reviewed based upon the criteria provided.

A match of 25 percent is required for the total amount of the loan to be lent (i.e. if the total project is \$4,000, a match of \$1,000 would be required from the applicant.

The interest rate would be set at three-quarters of prime on the date of signing.

An upfront charge of \$100 is due for administrative costs (i.e. credit checks, filings, etc.).

Review of Loan Applications

All applications received from applicants will be reviewed to determine the merit of the applications and of the proposed uses of funds. In determining whether an applicant shall receive a loan, the following criteria will be considered:

Each application will be reviewed based upon an analysis of the proposed project's potential enhancement of downtown development opportunities, creditworthiness, overall project feasibility, project impact, and soundness of the proposed strategy.

Awarding of Loan Funds

The loan limit will be no more than \$15,000 per project. At its discretion, the Revolving Loan Fund Committee may decide to loan an amount less than the amount requested in the application.

The standard general conditions and special conditions (if any) shall be incorporated into any loan agreement and/or intergovernmental contract that may be executed and used to implement a transaction between the Revolving Loan Fund Committee and the applicant or the applicant and its implementing agency or sub-recipient(s).

General Project Information

Synopsis of Project-Indicate: *who* will be the primary borrower(s) of the RLF financing and *who* will develop the project; *what* the RLF proceeds will be used for and the amount of financing needed to implement the total project; *where* the project will take place; *when* the project will be implemented; and *how* the RLF financing will be passed through any public intermediaries and combined with other financing instruments. The synopsis should also provide a description of how this project will impact the community.

REVOLVING LOAN FUND PROGRAM GUIDELINES

The RLF is a loan program and applications will be subjected to an analysis that ensure's the applicants' ability to repay the loans in accordance with their specific terms and conditions.

A RLF committee comprised of the Revolving Loan Fund Committee Chairperson will determine the projects to be funded, including loan terms and conditions.

Terms and conditions of loan repayment will vary on a project by project basis, depending on the proposed use(s) of the RLF loan proceeds. These terms and conditions will be incorporated in the loan agreement.

Program income are funds recaptured from a sub-recipient that was generated from the use of RLF funds and will continue to be relent.

For more information, contact:

Administrator
Street
State, City, Zip Code
Telephone Number

NATURAL RESOURCES REVOLVING LOAN FUND PROGRAM

LOAN PROGRAM DESCRIPTION

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Purpose

The purpose of the Natural Resources Revolving Loan Fund (RLF) is intended to support and facilitate the development of small and emerging private business enterprises that are based on natural resources either directly or through the use of a revolving loan fund.

Eligible Applicants

Eligible applicants must be residents of the targeted area and be a for profit business. All funds for a project must be located in the targeted area.

Eligible Activities

The Revolving Loan Fund reserves the right to require immediate recapture of some or all of the loan funds or to raise the interest rate on the loan funds upon transfer of project assets to an entity other than the approved recipient or sub-recipient (unless specifically approved by the Revolving Loan Fund Board) or upon any event that violates state law, the public purpose of the loan program, any of the loan conditions, or any intergovernmental contract provision. All recaptured funds must be returned to the Revolving Loan Fund.

Use of Funds

Construction of buildings, machinery, equipment, start-up and operating costs. The funds can be used jointly with funds furnished by the grantee or from other sources.

Fund Availability, Fund Match, Interest Rate and Upfront Costs

- Loan funds available to the Revolving Loan Fund program will in turn be made available for application throughout the fiscal year and will be reviewed based upon the criteria provided.
- A match of 25 percent is required for the total amount of the loan to be lent (i.e. if the total project is \$4,000, a match of \$1,000 would be required from the applicant.
- The interest rate would be set at three-quarters of prime on the date of signing.
- An upfront charge of \$100 is due for administrative costs (i.e. credit checks, filings, etc.).

Review of Loan Applications

All applications received from applicants will be reviewed to determine the merit of the applications and of the proposed uses of funds. In determining whether an applicant shall receive a loan, the following criteria will be considered:

- Each application will be reviewed based upon an analysis of the proposed project's potential enhancement of downtown development opportunities, creditworthiness, overall project feasibility, project impact, and soundness of the proposed strategy. The analysis will include, but is not limited to, such factors as: impact on the community's tax base; degree of local commitment; consistency with local development plans, goals and objectives; project readiness; project feasibility; reasonableness of cost estimates; elimination of blighting influences; total private capital investment; number of jobs created and/or retained and historic preservation.
- The criteria listed in this rule are designed to assist the Revolving Loan Fund Committee in making its decision and provide prospective applicants with guidance as to the factors that their applications need to address in order to be competitive. Additional factors may be considered depending on the nature of particular projects, their relative merit compared to competing proposals, and the availability of funding at the time of application.

The decisions made by the Revolving Loan Fund Committee shall be final and conclusive.

Awarding of Loan Funds

- The loan limit will be no more than \$15,000 per project. At its discretion, the Revolving Loan Fund Committee may decide to loan an amount less than the amount requested in the application.
- Once selected for funding, applicants will be notified by the Revolving Loan Fund Committee Chairperson incorporating by reference standard general conditions and

any special conditions that the Revolving Loan Fund Committee deems to be necessary or appropriate and any loan agreement(s) and/or intergovernmental contract(s) that may be used to implement the proposed project.

- The standard general conditions and special conditions (if any) shall be incorporated into any loan agreement and/or intergovernmental contract that may be executed and used to implement a transaction between the Revolving Loan Fund Committee and the applicant or the applicant and its implementing agency or sub-recipient(s).
- The applicant must obtain the Revolving Loan Fund Committee Chairperson's prior approval for any subordinate intergovernmental agreements, loan agreements, leases, or any other instrument that may be used to implement an activity financed in whole or part by funds authorized under this regulation.
- Applicants will have up to thirty (30) days from the date of the commitment letter to accept the loan. If the applicant fails to accept the loan and all attached conditions within the required period, the Revolving Loan Fund Committee Chairperson may unilaterally withdraw its commitment.
- Administrative Drawdown Requirements will consist of the following:

For each item to be funded, an itemized invoice must be submitted to the Revolving Loan Fund's office. Project activities must be completed within six (6) months of the contract period. All work and materials outlined in the project application must be completed on the project site. Failure to adhere to this requirement, is a breach of contract. Any contract not completed within this six (6) month period must have a letter from the Revolving Loan Fund Committee Chairperson that allows for the extension to these funds.

General Project Information

- **Synopsis of Project**-Indicate: *who* will be the primary borrower(s) of the RLF financing and *who* will develop the project; *what* the RLF proceeds will be used for and the amount of financing needed to implement the total project; *where* the project will take place; *when* the project will be implemented; and *how* the RLF financing will be passed through any public intermediaries and combined with other financing instruments. The synopsis should also provide a description of how this project will impact the community.
- **Source and Use Statement – If needed** for further explanation of the RLF Budget Form, include on a single sheet the individual sources of financing and the specific uses of a particular financing source. This statement should reconcile to the RLF Budget Form.

Financial and Company Information

- **Personal financial statement**-current within 60 days for each proprietor, partner or stockholder with 20% or more ownership of the project. **Personal tax returns** for the previous two years for each proprietor, partner or stockholder with 20% or more ownership of the project.
- A **schedule of debts** which includes the original date and amount, monthly payment, interest rate, present balance owed, maturity, to whom payable, and collateral securing any short-term and long-term loans that the project business or the developer(s) currently have outstanding or have planned for the next 12 months. Please indicate whether each loan is current or delinquent.
- A copy of **existing or proposed lease agreement(s)**.
- **Corporate tax returns for the previous three years** for the existing business that is the underlying RLF borrower.
- A **year-end pro-forma balance sheet and income statement for the first two years** of the business that is the RLF borrower with a **written explanation of assumptions**.
- A monthly cash flow analysis for the first 12 months of operation or for three months beyond the breakeven point (whichever is longer) together with a written explanation of assumptions for any new business that is the RLF borrower.

Supporting Cost Documentation, Site Control, etc.

- A copy of **key cost documents** such as real estate purchase agreements, contractor cost estimates, vendor quotes for machinery and equipment, etc.
- **Purchase Option, Sales Agreement, or Warranty Deed** for any real estate needed to undertake the project.
- **Financial Commitment Letter(s)** from participating financial institution(s) and public agencies. The letter(s) should indicate the amount, rate, term, and contingencies associated with the financing, and **the reasons for the need of assistance in the financing of the project**.
- **Commitment Letter(s)** from participating business(es) or tenants. The letter(s) should indicate the number of full-time jobs to be created and/or retained and the amounts of any private investment that will occur as a result of the project.
- **List of Available Collateral** with prior liens noted.
- **Proposed-Use Certification** from local government that certifies the project will comply with all applicable land-use, environmental and other applicable local laws as well as any special requirements involving community improvement districts, special tax districts, or redevelopment areas. (Please provide copies of applicable local legislation.)
- **Appraisal** (prepared by an appraiser) with credentials acceptable to the Revolving Loan Fund Committee, if requested, for any real estate to be financed or an **independent appraisal** on an "as completed basis". Appraisals should only be ordered after consultation with the Revolving Loan Fund Committee.
- Environmental analyses will not normally be required and should only be ordered if requested by the Revolving Loan Fund Committee.
- If the business is a franchise, include a copy of the Franchise Agreement and the Franchisor's Disclosure Statements that is required by the Federal Trade Commission.

Standard Forms (For use as needed)

Credit Authorization

In connection with _____'s application to the Natural Resources Revolving Loan Fund for assistance, I authorize the Revolving Loan Fund Committee Chairperson or its agent to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I further authorize the Revolving Loan Fund Committee Chairperson or its agent to receive information, documents, credit reports, summaries, etc. received by other lenders in connection with any additional financial assistance I am pursuing as part of a complete financing package for the applicant business.

Authorized Signature

By:

Name:

(*print or type*)

Title:

Date:

**PERSONAL FINANCIAL STATEMENT
CONFIDENTIAL
IMPORTANT: DIRECTIONS TO APPLICANT**

Are you a defendant in any suits or legal action?

Do you have any legal claims?

Are you in bankruptcy?

If applying for joint credit or for individual credit relying income or assets of a spouse or another person, please identify:

I/we have carefully read and submitted the foregoing information provided to the Lender named above. The information is presented as a true and accurate statement of my/our financial condition on the date indicated. This statement is provided for the purpose of obtaining and maintaining credit with said Lender. I/we agree that if any material change(s) occur(s) in my/our financial condition that I/we will immediately notify said Lender of said change(s) and unless said Lender is so notified it may continue to rely upon this financial statement and the representations made herein as a true and accurate statement of my/our financial condition.

I/we authorize the Lender to make whatever credit inquiries it deems necessary in connection with this financial statement. I/we authorize and instruct any person or consumer reporting agency to furnish to the Lender any information that it may have or obtain in response to such credit inquiries.

I/we also hereby certify that no payment requirements listed herein are delinquent or in default except as follows; if "NONE" so state.

Applicant's _____
Date _____
Social _____
Date of _____
Signature _____

Co-Applicant's _____
Date _____
Social _____
Date of _____
Signature _____
Signed _____

Statement of Conditions

In addition to the specific certifications made by the applicant in accepting the commitment letter and in executing the loan agreement and/or intergovernmental contract, the recipient further certifies or acknowledges that:

- No applicable state laws, rules, regulations, or applicable local ordinances shall be violated in carrying out the project and expending RLF loan proceeds.
- A letter of commitment from each funding source will be included in the application.

- The recipient or sub-recipients are authorized under the laws of the Revolving Loan Fund to carry out the project and activities that are the subject of this financing and the proposed expenditure of funds are in accordance with all applicable legal requirements.
- No real or apparent conflict of interest shall be engaged in by any official, employee or agent of the recipient and sub-recipient(s) and any member of their immediate family, their partners and any organization which employs, or is about to employ any of the above. This prohibition prohibits both the solicitation and acceptance of gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to sub-agreements. In addition, none of the persons listed above who exercise or have exercised any functions or responsibilities with respect to the activities supported by the RLF or are in a position to participate in a decision making process or gain inside information may have a financial interest or benefit from the RLF supported activities, either for themselves or for those with whom they have family or business ties, during their tenure or for one year thereafter. It is the responsibility of the recipient to disclose to the Revolving Loan Fund Committee Chairperson any relationship that might create a real or apparent conflict of interest as soon as the recipient becomes aware of it and to request guidance and mitigation procedures from the Revolving Loan Fund Committee Chairperson. If a conflict of interest exists, the Revolving Loan Fund Committee Chairperson may make an exception to this requirement provided state law has not been violated and provided that the recipient or sub-recipient follows the Revolving Loan Fund Committee Chairperson's mitigation procedures. Some conflicts of interest may not be able to be mitigated depending on project status, state law, and the Revolving Loan Fund Committee Chairperson's judgment concerning the seriousness of the conflict. Because conflicts can occur at any phase of a project, including the application phase, recipients and sub-recipients are encouraged to discuss possible conflicts with the Revolving Loan Fund Committee Chairperson as early as possible in the application process.
- The recipient's accounting records of the RLF loan funds shall be maintained in a manner consistent with generally accepted government accounting standards.
- Loan funds shall be disbursed by the Revolving Loan Fund Committee Chairperson in accordance with the provisions of the loan agreement and/or intergovernmental contract. Those provisions may vary depending on each project's particular circumstances. In general, the Revolving Loan Fund Committee Chairperson will seek to match disbursements with actual need for funds.
- The Revolving Loan Fund Committee Chairperson may make reviews and audits of the project including on-site reviews as may be necessary or appropriate to implement the program and insure the requirements contained in regulation, loan agreement and/or intergovernmental contract are met. In the case of noncompliance and at its sole discretion, the Revolving Loan Fund Committee Chairperson shall take such actions as it deems appropriate to prevent a continuance of the deficiency, mitigate any adverse effects or consequences and prevent a recurrence. The Revolving

Loan Fund Committee Chairperson shall establish specific sanctions and remedies for borrower's and/or contractor's noncompliance on a case-by-case basis.

- The recipient may be required to submit annual progress reports to the Revolving Loan Fund Committee Chairperson in a format prescribed by the Revolving Loan Fund Committee Chairperson. Failure to submit timely and acceptable reports may result in a request for immediate repayment of all RLF funds from the recipient by the Revolving Loan Fund Committee Chairperson.
- Loan payments shall be due in accordance with the terms and provisions of the loan agreement and/or intergovernmental contract and must be sent to the Revolving Loan Fund Committee Chairperson.

REVOLVING LOAN FUND PROGRAM GUIDELINES

The RLF is a loan program and applications will be subjected to an analysis that ensure's the applicants' ability to repay the loans in accordance with their specific terms and conditions.

A RLF committee comprised of the Revolving Loan Fund Committee Chairperson will determine the projects to be funded, including loan terms and conditions.

Terms and conditions of loan repayment will vary on a project by project basis, depending on the proposed use(s) of the RLF loan proceeds. These terms and conditions will be incorporated in the loan agreement;

Program income are funds recaptured from a sub-recipient that was generated from the use of RLF funds and will continue to be relent. Program income includes, but is not limited to, the following:

- Payments of principle and interest on loans, lease payments, and late fees;
- Proceeds from the disposition of equipment; and
- Interest earned on funds held in a Revolving Loan Fund Account.

All the steps listed in the Application Instructions should be carefully followed and the required forms (RLF) must be completely filled out. If a particular item does not apply to your project, please enter N/A.

The budget form seeks to identify both sources and uses of funds. **It is extremely important that all sources and uses are clearly identified and documented.** Please note that if your loan application is approved and the project implemented, documentation evidencing how RLF funds and other funds have been spent will be needed either prior to disbursement of funds (if the RLF loan proceeds replaced interim financing) or upon monitoring or audit. This documentation could include evidence of ownership of project assets, invoices or other documents such as appraisals.

To the extent possible, applications should contain supporting documentation in order to enhance their competitiveness The Revolving Loan Fund reserves the right to request any and all additional information it deems necessary to the proper evaluation of proposed projects.):

- whenever funding other than RLF will be involved in a project, documentation demonstrating the willingness and ability of the sources of other funding (i.e. letters of commitment from banks and/or developers, award documents, city council resolutions, etc.);
- copies of all engineering plans, renderings and designs and specifications;
- appraisal reports or other documentation establishing fair market value whenever property is to be leased; and
- any other documentation, as appropriate to your specific project.

Eligible activities are listed in the RLF Regulations and are intended to be both flexible and varied. Nevertheless, please contact the Revolving Loan Fund Committee Chairperson for guidance if at all unsure about a proposed activity's eligibility;

Usually, other funds should be used on an interim basis to finance a project while RLF funds will be used to fund the project on a permanent basis. All applications must contain information about any interim financing to allow the Revolving Loan Fund Committee Chairperson to determine the eligibility of the proposed interim financing arrangements. If approved, however, all RLF requirements will have to be met with respect to those activities carried out with interim financing. **The initiation of project activities using interim financing prior to loan approval *may* endanger RLF funding. Please check with the Revolving Loan Fund Committee Chairperson as soon as it appears that such a situation may occur;**

As specified in the attached RLF Program Regulations, all approved RLF loans will include a set of conditions that will be incorporated into the loan agreement. In addition, special conditions may be added to the loan agreement depending on the specific circumstances surrounding each project.

The conflict of interest provisions specified in the RLF regulations are strong and intentionally broad. It is imperative that the Revolving Loan Fund Committee Chairperson be informed of any possibility for a conflict of interest, whether real or apparent, as soon as the applicant/recipient becomes aware of it in order to determine if it can be waived or mitigated for cause.

When a private sub-recipient or private ultimate user (such as a commercial business) owns the project assets funded by the RLF, no bid procedures shall apply unless otherwise required by Revolving Loan Fund Committee Chairperson. If other funding sources are involved which have stricter requirements or if applicable law or ordinance require stricter requirements, these stricter requirements shall govern.

NATURAL RESOURCES REVOLVING LOAN FUND (RLF) APPLICATION INSTRUCTIONS

1. On application form RLF, insert the **name** and **mailing address** of the Individual that is the **legal applicant** and to whom funds would be provided to carry out the proposed project.
2. On application form RLF, provide the **name** and the **telephone number** of the person **with the applicant** that can be contacted for additional information about the project.
3. Provide the exact address where the project will take place.
4. Provide the name of the corporate entity that will be ultimate borrower of the RLF funds.
5. Provide the **name** and the **telephone number** of **the borrower** that the Revolving Loan Fund Committee Chairperson can contact for additional information about the project.
6. On application form RLF, please provide the **total project** cost plus the following information in the spaces provided:
 - a. Indicate **amount of RLF funds** the application is requesting.

- b. Indicate the **amount of other state funds** the project will receive.
- c. Indicate the **amount of federal funds** the project will receive.
- d. Indicate the **amount of local public funds** that will be contributed towards the proposed project.
- e. Indicate the **amount of private funds** that will be contributed towards the proposed project.

Supplement this summary by including separately a detailed statement outlining all anticipated revenue sources and their uses. Sources should be specifically identified and the statement should be supported to the extent possible by clear evidence of commitment for the funds.

7. On application form RLF, provide a **short project description** which summarizes the significant aspects of the proposed project. It should describe in a few very specific sentences what the proposed activity consists of and what the short term and long term results of the activity will be. (For example: acquisition and rehabilitation of dilapidated vacant commercial building. Once restored, the building will be leased to a business for use as a restaurant. This project will eliminate a blighting influence on downtown, preserve and restore a building over 85 years old, help create five full-time jobs and provide a restaurant needed to serve the downtown lunch trade). All relevant **supporting documentation** available (plans, studies, engineering reports, appraisals, etc.) should also be attached.

8. The applicant certification should be read and **signed** by the Owner (applicant) or by a person who has been duly authorized by the applicant's governing body to sign on its behalf.

NATURAL RESOURCES REVOLVING LOAN FUND (RLF) APPLICATION

1. Name of Applicant _____

Address _____

City _____ State _____ Zip
Code _____

2. Applicant Contact Person _____ Telephone
Number _____

3. Project location
address _____

4. Name of borrower/business _____

5. Borrower Contact person _____

Telephone Number _____

6. Total project cost \$ _____ RLF funds requested \$ _____

Other funds

Federal funds \$ _____

State funds \$ _____

Local public funds \$ _____

Private funds \$ _____

7. Short project description _____

8. **Applicant Certification** I, the undersigned authorized representative of the applicant, certify to the best of my knowledge that the information contained in this application is true and correct, and this application has been duly authorized for submission by the governing body of the applicant.

Authorized

Signature _____ Date _____

Name (printed) _____ Title (printed) _____

9. Submit **one original copy** to