



Wright County Enterprise Loan Fund Policies and Procedures

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Revised December 1998
Revised December 2002
Revised in 2004
Revised in July 2006
Revised in March 2007
Revised in July 2014 (logo change)
& approved by commissioners March 2007*

I. OVERVIEW

The purpose of the Wright County Enterprise Loan Fund is to encourage industrial and commercial development that contributes meaningfully to Wright County's business environment and tax base. Through this program, administered by the Economic Development Partnership of Wright County and participating lending institutions, loans are made to help businesses meet a portion of their financing needs. It is the responsibility of the Economic Development Partnership of Wright County to assure that all loans comply with Wright County Enterprise Loan Fund policies as defined in this document.

To serve a public purpose, the loan fund shall meet the following three criteria by funding only projects that:

- Retain and / or create new, livable wage jobs as defined in Section III.B; and
- Assist in the expansion of existing operations or the commencement of new operations; and
- Require additional equity to receive conventional financing, or other loans or grants.

II. ADMINISTRATION OF THE FUND

- A. **Administration** - The Wright County Enterprise Loan Fund is administered by the Economic Development Partnership of Wright County.
- B. **Origin of the Fund** - The dollars in the Fund were generated by a loan made to Standard Iron in Monticello by the Department of Trade and Economic Development in 1993. One hundred thousand dollars was then paid to the county for use in other economic development projects. The \$100,000 plus interest in the fund belong to Wright County as required by the State, and are monitored by the Wright County Auditor/Treasurer's office.
- C. **Financial Review** - The Finance Committee, made up of two board members of the Economic Development Partnership of Wright County's Board of Directors and an additional 3 to 5 members at large, shall review loan applications, update loan policy, and oversee the utilization of the dollars in the Enterprise Fund.
- D. **Equal Opportunity** - The Wright County Enterprise Fund is operated as an equal opportunity program. All applicants shall have equal access to the Wright County Enterprise Loan Fund regardless of race, sex, religion, age, marital status, or other personal characteristics.
- E. **Conflict of Interest** – Any member of the Board of Directors of the Economic Development Partnership of Wright County, Finance Committee member, county commissioner, or staff with any direct or indirect personal or financial involvement with any application made to the Wright County Enterprise Loan Fund is required to make known such involvement to the Board of Directors and/or the Finance Committee so that a determination can be as to the existence of a conflict of interest and if an exclusion from voting is warranted.

- F. **Confidentiality** – Certain conversations and materials received regarding pending and existing loans and projects are considered confidential. Decisions regarding what is confidential information will be made using the guidelines as covered in the Minnesota Statutes.
- G. **Disclosure Statement** – All applicants will sign a disclosure statement allowing the Partnership staff to see all reports that participating banks gather about them.

III. TERMS AND CONDITIONS

A. Business Eligibility – Eligible businesses include new and existing, credit worthy industrial and commercial enterprises, located or locating within Wright County. Ineligible businesses include retail business, conventional agricultural production, and real estate development. Additionally, no loan will be made for political, religious, or pornographic enterprises.

B. Wage Requirement - The average wage of the jobs created or retained with Enterprise Loan Fund dollars should meet or exceed a weighted average of \$12 per hour, plus reasonable benefits.

C. Loan Amount –

- **\$20,000** per each job created or retained that meets the wages requirements stated in section III-B.
- Loan amount minimum and maximum: \$5000 and **\$50,000** respectively. The Board of Directors may consider exceeding the maximum dollar amount in special circumstances, provided it does not exceed the minimum established by the MN Business subsidy law, which would trigger using the state’s subsidy requirements.
- Loan amount shall not exceed 50% of fund balance.
- Loan shall not exceed 33% of total debt financing.

D. Financing Methods –

- The loan shall be a direct loan to the business and will be dispersed once construction has been completed or the business is operating. All such loans may be subordinated to the primary lender(s) if requested by the primary lender(s). Enterprise Fund loan is leveraged and the lower interest rate of the fund lowers the effective interest rate on the entire project.
- Participation Loan. A loan is made to the borrower and the primary lender, who in turn, services the Enterprise Fund loan.

E. Use of Proceeds -

- Real property acquisition and development.
- Real property rehabilitation (expansion or improvements).
- Machinery and equipment.
- Working capital.

- Business buyouts, only in circumstances in which such assistance is deemed by the Board of Directors as essential to retain an existing Wright County company in the area.

F. Leverage - The Enterprise Fund shall leverage no more than 33% of the project.

G. Loan Term – The loan term should not exceed the term of the primary lender. Personal property term should not exceed the life of equipment (generally 7-10 years). Real estate property maximum of 5-year maturity amortized up to 15 years. Balloon payment at 5 years, unless waived or deferred by Economic Development Partnership of Wright County Board of Directors by a majority vote.

H. Interest Rate – Prime to Prime plus 3, with a minimum of 6%.

I. Subsequent Loans - Subsequent loans may be made to previous borrowers provided that the total outstanding balance does not exceed the maximum loan amount of **\$50,000**.

J. Time Limits - Loan must be closed within 180 days of approval. If the time limit is exceeded, a review of current financial statements will be required by the EDPWC finance committee.

K. Repayment - Payments must be made monthly to the Wright County Auditor/Treasurer's Office either directly by the borrower or by the borrower's lending institution.

L. Prepayment Policy - No penalty for prepayment.

M. Deferral of Payments – Payments may be deferred only with the approval of the Economic Development Partnership of Wright County's Board of Directors by a majority vote.

N. Extension of Balloon - The balloon may be extended if the borrower is unable to refinance the remaining balance. Verification letters from two lending institutions will be required. The loan must be in good standing. Approval of the Economic Development Partnership of Wright County's Board of Directors is required.

O. Interest Limitation on Government Guaranteed Loans – Interest may be capped because of guarantee requirements. Subject to security and/ or review by the EDP Board.

P. Equity Contribution – Because the rate of success is greater when the borrower contributes a portion of the total costs to the project, a minimum owner equity contribution of 5% of the total project cost is required.

Q. Collateral - Collateral may include:

- Liens on real property in business, project, or personal property (mortgage deed).
- Machinery and equipment liens (except equipment exempt from bankruptcy).
- Personal and/or corporate guarantees should be backed by liens on assets.
- A recent tax assessment or property appraisal could be used to determine the equity position on property held personally.

R. Personal Guarantee –Each stockholder with an equity interest of 20% or greater will be required to personally guarantee corporate debt. Secured guarantees should be considered in all cases.

S. Collateral Position – The Fund will generally accept a subordinated position to encourage participation from conventional for-profit lenders.

T. Repayment Plan – At the time each loan is made a specific repayment plan is to be agreed upon between the borrower and the lender(s) and the Fund. The plan should be reasonable and possible to achieve under normal circumstances. Sources of repayment should be identified beforehand in the financial statements, business analysis, and amortization schedules.

IV. CREDIT CRITERIA

It is the policy of the Enterprise Fund to use sound and practical credit philosophy and standards in providing loans with the understanding that a calculated level of risk is acceptable. Additionally, the primary lending institution will be relied upon as a financial expert to aid in the decision making process. Credit criteria will include cash flow coverage and debt to tangible net worth.

Wavier of Criteria –In certain cases, it may be economically beneficial to waive any one of the loan criteria, which will be determined on a case by case basis. Such a wavier requires the approval of the Economic Development Partnership of Wright County’s Board of Directors.

V. Monitoring and Collecting – The Partnership will work closely with the primary lender to monitor the repayment of funds. If a loan becomes over 90 days past due the Partnership will make attempts to collect the loan. If the borrower continues to operate, every reasonable effort will be made to keep the business operating. If the business is no longer operating, collateral will then be liquidated.

VI. APPLICATION PROCESS

1. Applicant shall contact a lending institution to determine if additional equity is needed for a project, and if so, the amount.
2. Applicant or lender shall complete a loan application. The Economic Development Partnership of Wright County staff and the Finance Committee will review applications for consistency with the policies set forth in the Enterprise Loan Fund guidelines. Additionally, the committee shall analyze the company's financial statements to determine if the proposed business and finance plan is viable.
3. Assuming the application is satisfactory, staff will then take the committee's recommendation to the Economic Development Partnership of Wright County's Board of Directors for approval.
4. If the loan is approved by the board, the Staff will then present the loan application to the County Board of Commissioners for final approval.
5. If the County Board of Commissioners approves the loan application, the staff will then send a letter of commitment indicating the terms of the loan to the borrower and all other lenders involved with the project.
6. Once financing for the project is secured, the applicant or primary lending institution shall secure interim or construction financing for the project.
7. Upon or near completion of the project, Staff will send a letter to the County Board of Commissioners requesting a resolution for the release of funds, which will be sent to the Primary Lender or to the applicant by the Wright County Auditor/Treasurer.

Job Creation Fulfillment – The Partnership shall monitor the progress of the business to ensure that job creation and other specified criteria associated with the loan are fulfilled. Staff will contact the borrower annually for 2 years after the date of the loan closing to monitor job creation. A borrower should understand that they are responsible for applying for an extension of time to meet any unmet conditions.

Closing Procedures – Staff shall work with the primary lending institution to ensure that all documentation is signed and that the application check list is complete.

Review of Loan Portfolio - Staff and/or the Finance Committee shall report the status of all loans to the Board of Directors at each board meeting. Furthermore, an annual report of the Wright County Enterprise Loan Fund will be compiled at the end of the calendar year and kept on file for public review.

VI. PRIMARY LENDER ROLE

Participating Lending Institution(s) - Participating lending institutions(s) shall be determined by the applicant and will be required to cooperate with the Economic Development Partnership of Wright County to assist in carrying out the policies of the Wright County Enterprise Loan Fund as approved by the Wright County Board and the Economic Development Partnership Board of Directors.

Level of Participation -Participating lending institutions(s) shall analyze the formal application and indicate to the Economic Development Partnership the level at which the lending institution will participate in the finance package.

Reporting – The primary lender agrees to provide annual updates to the Economic Development Partnership of Wright County as to the status of the loan. Updates shall include:

- Personal financial statements
- Tax return or balance sheet and profit & loss statement
- Lender comments or insights as to the general status of the loan and business
- Simultaneous site visits by the Primary Lender and the Partnership staff, as well as any other lending source staff, are encouraged.

(Note: In signing the Enterprise Loan Fund Application, the borrower has agreed to provide this information to the Economic Development Partnership of Wright County.)

Delinquency - The primary lender should agree to report any delinquent payments to the Economic Development Partnership within 30 days. In the case of foreclosure or bankruptcy, it is understood that accounts will be placed in a nonaccrual status.

Foreclosure - Should it become necessary to foreclose on a loan, the Primary Lender agrees to inform the Partnership of its intentions and procedures prior to the implementation of foreclosure proceedings.

Collection & Repayment -The lender agrees to collect monthly loan payments and disperse the appropriate proportion to the Wright County Auditor/Treasurer's Office c/o the Wright County Enterprise Loan Fund. Alternatively, for direct loans the borrower will send monthly payments directly to the Wright County Auditor/Treasurer's Office c/o the Wright County Enterprise Loan Fund.

VII. MODIFICATIONS TO FUND POLICIES

The polices, procedures, guidelines and application of the Wright County Enterprise Loan Fund shall be reviewed periodically by the Economic Development Partnership of Wright County. Any substantive changes shall be brought before the Wright County Commissioners for final approval.