

## **Plymouth County Revolving Loan Fund (RLF)**

### **What is the fund?**

The Plymouth County Revolving Loan Fund was formed to provide affordable and flexible loans to businesses in Plymouth County. For the purposes of the Plymouth County Revolving Loan Fund the definition shall follow the intent of Chapter 427B Industrial Property – Special Tax provisions, and include the actual value added to existing and new construction of industrial real estate, research-services facilities, warehouses, distribution centers and the acquisition and improvement to machinery and equipment.

The RLF loan will always be in conjunction with a larger share of private financing or other business investment sources.

### **How is the fund created?**

The Plymouth County Board of Supervisors contributes \$150,000 per year which they receive from Local Option Sales Tax Revenues. These funds are loaned out and the fund replenished by the repayment of these business loans. These repayments will be available for lending to other businesses in Plymouth County.

### **What are the goals of the fund?**

The goal of the fund is to further diversify Plymouth County's economy by providing loans for business start-ups and business expansions.

### **How will this fund reach it's goal?**

The goal will be achieved by providing affordable loan terms which will allow lending institutions to participate in business loans which will assist expanding businesses and business start-ups. This affordable financing allows business and job creation or retention to occur which without the RLF would not happen. In all instances, the RLF will be in conjunction with a larger share of private financing or other business investment sources.

### **Why is the fund needed?**

In order to protect their depositor's asset base, local private lending institutions prefer equity positions which some businesses cannot meet. New business start-ups in particular have a more difficult time in meeting the needed equity requirements.

One of the principal needs that the County Revolving Loan Fund is addressing is providing affordable subordinate financing so private lending institutions are more willing to soften their equity requirements and participate in economically sound business loans that they would not normally participate in were it not for the RLF subordinate financing.

As opposed to charging interest rates of prime plus two or three percentage points that private lending institutions often charge, the RLF will fill a niche by providing more affordable rates that will assist businesses by keeping their financing costs down and free up capital for other needed business investments and human capital needs. Based on the already diverse economy of Plymouth County, increasing global trade opportunities, growth in information technology and bio-sciences, it has been determined that the best niche for this RLF to fill is a niche of versatility and flexibility to meet a wide range of business needs.

Small businesses create the most jobs, but suffer from a shortage of long term financing. Eighty percent of the new jobs in the nation and a great majority of jobs in Plymouth County are created by businesses employing less than 100 people. Ironically those businesses which create the lion's share of new jobs are the least able to obtain reasonable financing. The Plymouth County RLF helps fill that need.

### **What Standards and loan criteria will the fund use?**

- **Loan Sizes** – in the \$5,000 -\$50,000 range are preferred. The maximum loan to a single borrower is \$100,000.
- **Job Creation** – a minimum of one job created or retained for every \$10,000 of RLF financing. The RLF Loan Committee may adjust this if they feel the economic benefits of a proposal loan merit such an adjustment. These jobs will require a minimum salary of \$13.00 per hour plus 75% of single health insurance provided.
- **Loan Ratio** – for purpose and protection of the RLF loan portfolio, \$2 of private financing to every \$1 of RLF financing is required.
- **Participating Lender** – money from this loan fund is always in conjunction with a sponsoring senior lender or other investment capital. To apply for a RLF loan a business must also secure private financing. The sponsoring senior lender will also be invited to appear at the County Loan Committee meeting to answer questions concerning the loan and the servicing of the County RLF loan if it is approved.
- **Equity** – each project will require a minimum of 10% equity
- **Use of Funds** – Real estate, working capital and equipment all are eligible financing uses. Adequate collateral and security requirements will be sought on all RLF loans. The RLF may take a subordinated position behind a senior lender.
- **Loan Terms** – maximum of ten years. Balloon payments and a transition to private financing after an agreed upon timetable are likely to be a part of a loan.
- **Interest Rates** – rates will be based upon enclosed interest rate criteria. Rates may be as low as 50% of New York Prime as quoted in the Wall Street Journal at time of closing. The minimum rate will be 3%.
- **Certificate of non-relocation** – will be required

### **Financing Alternatives**

- **Revolving Loan Fund** – This would be a direct loan to a company according to the above guidelines. We anticipate this loan to be made down to 3% interest. Term of the loan would be up to 10 years, depending on the individual circumstances. Individuals must obtain 70% of the project funding before seeking county participation.
- **Interest Rate Buy-Down** – County would buy-down the interest rate on a loan according to the above guidelines. The buy-down cannot be lower than one-half of the commercial loan rate available to the applicant. This option can be used on its own, or in conjunction with the Loan Guarantee. Terms of the buy-down can be up to 10 years. Individuals must obtain other funding commitments prior to seeking county participation.
- **Loan Guarantee** – County would guarantee up to 30% of a project according to the above guidelines. Applicant would be responsible to obtain all fund financing from approved commercial lenders. This option could be combined with the Interest Rate Buy-Down provision if necessary. Terms of the guarantee could be up to 10 years. Individual must obtain their funding commitments before seeking county participation.

### **How is the fund managed?**

The Plymouth County RLF loan committee is created by the Plymouth County Board of Supervisors. They will serve as the loan committee and are responsible for administering and providing compliance review services for the fund.

**How is the application submitted?**

Prior to completing a loan application, contact the Plymouth County Treasurer at 712-546-7056 to see about the amount of loan funds available. The Plymouth County Treasurer is the RLF loan administration and review agent.

**Loan application administration and compliance review fees**

An original application and seven copies shall be submitted to the RLF administrator (Plymouth County Treasurer). A \$100 non-refundable processing fee shall be paid with the submission of each RLF application. The applicant will also be responsible for all filing fees and any other hard costs associated with the loan. The request will be reviewed by the loan administrator, who will be ex-officio on the board, and a loan committee consisting of 7 members from various backgrounds such as banking, business owners, entrepreneurs, and also one non-voting member from the Board of Supervisors. A response to the loan request will be made within 14 working days; however an additional 30 days may be required for loan documentation and the release of funds.

## INTEREST RATE DETERMINING CRITERIA

### PLYMOUTH COUNTY REVOLVING LOAN FUND

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#### A. Length of Loan

0-2 Years	50% of New York Prime
3-4 Years	60% of New York Prime
5-6 Years	70% of New York Prime
7-8 Years	80% of New York Prime
9-10 Years	90% of New York Prime

#### B. Job Created Credit Ratio

- Available Recapture of Interest Paid (a Max. of 2%)

\$5,000 per job created	0%
\$4,000 per job created	½%
\$3,000 per job created	1%
\$2,000 per job created	1½%
\$1,000 per job created	2%

#### C. Needs Credit

- A 1% "Needs Credit" is available to qualifying businesses applying

**For further information on this program contact:**

Plymouth County Treasurer (RLF Administrator)  
Plymouth County Courthouse  
215 4<sup>th</sup> Ave. SE  
Le Mars, Iowa 51031  
Telephone (712) 546-7056

Plymouth County Revolving Loan Fund						
Financing Arrangement Example						
Source of Funds	Use of Funds	Amount of Funds	Interest Rate	Term	Security Position	Job Commitment
RLF	Real Estate	\$10,000	4%	5 years	Second	1
RLF	Equipment	\$35,000	4%	3 years	First	3.5
Bank	Real Estate	\$100,000	7.50%	15 years	First	0
Owner Equity	Working Capital	\$30,000				0
		\$175,000				4.5

The above RLF financing arrangement of \$45,000 leverages \$130,000 in private financing (a public to private dollar ratio of 1:2.9), creates 4.5 new jobs, and adds \$110,000 to the real property tax base of Plymouth County.

*After each year company profit and loss statements, balance sheets, and other financial information will be analyzed for favorable performance.*

**PLYMOUTH COUNTY REVOLVING LOAN FUND APPLICATION - PAGE 1**

Name of Business \_\_\_\_\_

Business Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Phone \_\_\_\_\_

Contact Person: \_\_\_\_\_ Phone \_\_\_\_\_

Type of Business: \_\_\_\_\_ Sole Proprietorship \_\_\_\_\_ Partnership \_\_\_\_\_ Corporation

Date Established: \_\_\_\_\_ SIC Code: \_\_\_\_\_

Employer's Federal Identification Number: \_\_\_\_\_

Employer's State Identification Number: \_\_\_\_\_

Name of Owner #1 \_\_\_\_\_ Name of Owner #2 \_\_\_\_\_

\_\_\_\_\_

Percentage Owned: \_\_\_\_\_ % Percentage Owned: \_\_\_\_\_ %

Home Address : \_\_\_\_\_ Home Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_ City, State, Zip: \_\_\_\_\_

Home Phone: \_\_\_\_\_ Home Phone: \_\_\_\_\_

**Professional Services/References:**

Name of Bank: \_\_\_\_\_

Bank Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Name of Attorney: \_\_\_\_\_

Attorney Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

Name of Accountant: \_\_\_\_\_

Accountant Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

**PLYMOUTH COUNTY REVOLVING LOAN FUND APPLICATION – PAGE 2**

CURRENT AND PROJECTED EMPLOYMENT						
Type of Employment	Existing Jobs		Employment Projections			
			First Year	Second Year		
Professional/Managerial/Tech	FT	PT	FT	PT	FT	PT
Skilled	FT	PT	FT	PT	FT	PT
Unskilled/Semi-Skilled	FT	PT	FT	PT	FT	PT
<b>TOTALS</b>	FT	PT	FT	PT	FT	PT

SOURCES AND USES OF FUNDS	RIF	RIF	Bank	Equity	Total	Total
Acquire Land	\$	\$	\$	\$	\$	\$
Acquire Building	\$	\$	\$	\$	\$	\$
Purchase Equipment/Machinery	\$	\$	\$	\$	\$	\$
Inventory	\$	\$	\$	\$	\$	\$
Working Capital	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$
<b>TOTALS</b>	\$	\$	\$	\$	\$	\$

PROJECT SUMMARY	RIF	BANK	Total	Total
Loan Amount	\$	\$	\$	\$
Loan Terms (Years)				
Loan Interest Rate	%	%	%	%
Annual Debt Service	\$	\$	\$	\$
Type of Collateral				
Security Position				
Type of Guarantee				

PLYMOUTH COUNTY REVOLVING LOAN FUND APPLICATION - PAGE 3

**Required Attachments:**

- A. Business Plan (See Page 4)
- B. Signed personal financial statements dated as of the date of application for any person who owns 20% or more interest in the business.
- C. Federal tax returns filed by the business for the previous years, if the applicant is a sole proprietorship, partnership, or corporation that does not have audited financial statements.
- D. Any other information, including any key person insurance or property insurance, which may be available or has been obtained to secure the loan
- E. Information concerning any pending or threatened litigation or administrative proceeding, any outstanding administration orders, judgments or injunctions or involvement in any bankruptcy.
- F. Certification of business compliance with all federal, state, county, and municipal laws affecting the conduct of business within Plymouth County.
- G. Statements and reasons from the lending institution(s) that the RLF loan will not be substituting for commercial lending is required.
- H. Statement concerning the source of equity for the project, and how it will be obtained and appraised.
- I. A job creation commitment letter from the business stating its understanding that failure to meet this commitment will result in an interest rate increase on the RLF loan or the complete recall of the RLF loan. And a statement from the business that no person will be discriminated against on the basis of race, color, national origin, religion, age, handicap, or sex when being considered for employment.
- J. Copy of your last commitment letter from your bank indicating your working capital line of credit.
- K. Commitment letter from your bank regarding any financing the bank will provide for this project.
- L. Copy of lending institution(s) loan board report on their portion of the financing.
- M. Statement by lending institution(s) that they understand the RLF reporting requirements and are authorized to enter into a loan servicing contract with the RLF at time of closing (See pages 5-8).
- N. Any environmental questionnaires, reviews, or audits conducted by the applicant, lending institutions, or their agents shall be provided.
- O. A statement from the business certifying that it will not relocate out of Plymouth County during the term of the RLF loan and that in the event of relocation outside of Plymouth County it will immediately prepay the RLF loan. In addition the applicant must sign EDA's certificate of Non-Relocation.

**Signatures:**

I declare that any statement in this application and in its required attachments, or information provided herein, it true and complete in substance and in fact.

Name of Business: \_\_\_\_\_

By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

**PLYMOUTH COUNTY REVOLVING LOAN FUND APPLICATION – PAGE 4**  
**BUSINESS PLAN**

- I. Executive Summary**
  - A. Name and Location of Business
  - B. Brief discussion of product, market, and competition
  - C. Expertise of management team
  - D. Summary of financial projections
  - E. Amount of financial assistance requested and proposed purpose
  - F. Business goals and reasons for undertaking the project
  
- II. Description of the Company**
  - A. Date and state of incorporation or formation
  - B. History of the company
  - C. Background of the principals and their roles
  
- III. Market Analysis**
  - A. Description of current industry and industry trends
  - B. Description of the total market and its participants
  - C. Discussion of the target market and the competition
  
- IV. Description of the Product and Service**
  - A. List of patents, copyrights, licenses, or proprietary interests
  - B. Discussion of technical and legal considerations
  - C. Comparisons to competitors' products or services
  - D. Description of current and future research and development
  
- V. Marketing Strategy**
  - A. Overall strategy
  - B. Pricing policy and sale terms
  - C. Method of selling, distributing, and servicing
  - D. Current and estimated sales and market share
  - E. Advertising, public relations, and promotion
  
- VI. Management Plan**
  - A. Form of business organization
  - B. Composition of board of directors
  - C. Officers organization chart and responsibilities
  - D. Resumes of key personnel and listing of key advisors
  
- VII. Operating Plan**
  - A. Schedule of upcoming work and key completion dates for the next two years
  - B. Planned facilities or capital improvements for the next three years
  - C. Staffing Plan
  
- VIII. Financial Data**
  - A. Funding request indicating the desired financing, capitalization, use of funds, and future financing
  - B. Year-end financial statements (balance sheet, income statement, and cash flow statement, for the past three years.
  - C. Current interim financial statements
  - D. Pro Forma cash flow projections, including the proposed financing, for two years
  - E. Projected balance sheets, income statement, and statement of changes in financial position, including the proposed financing, for two years
  - F. Description of all assumptions behind the financial projections

**Revolving Loan Fund  
Loan Servicing Agreement  
By and Between  
Plymouth County Revolving Loan Fund  
and**

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(Name of Primary Lender)

The purpose of this agreement is to identify the duties and responsibilities of the primary lender from hereon referred to as primary lender and the Plymouth County Revolving Loan Fund, from hereon referred to as RLF in administering and servicing the loan from the RLF to \_\_\_\_\_ from hereon referred to as borrower. (Name of Business)

**Background Information**

The Plymouth County RLF Committee has been formed to provide affordable financing to business for the purpose of fostering economic development in Plymouth County. The committee consisting of seven members and the administrator has been formed for this purpose. The loan committee will administer the Plymouth County Revolving Loan Fund, with oversight provided by the Plymouth County Board of Supervisors.

**Loan Servicing Agreement Purpose, Terms, and Conditions**

The Revolving Loan Fund's purpose is to provide subordinate and affordable gap financing that will allow a business financing deal to succeed that under normal lending conditions would not. As a result of the RLF taking a less secured position and providing affordable financing terms it is not only benefiting the borrower but also the primary lender and the economy of the community. In return for these benefits, the RLF is requiring the primary lender to assist in preparing the loan closing documents on behalf of the RLF as well as agreeing to the following terms and conditions.

The primary lender agrees to:

1. Inform the borrower that the primary lender for coordination purposes is to serve as the borrower's initial contact in regards to credit needs and problems and that contact with the RLF is encouraged to be through the primary lender.
2. Inform the borrower that they are to make their RLF loan payments payable to the primary lender by the date specified on the RLF note(s) and the primary lender will then immediately forward the RLF loan payment from the borrower to the RLF at:

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*(Continued on next page)*

3. Report in writing to the RLF Administrator (Plymouth County Treasurer) at 215 4<sup>th</sup> Ave. SE, Le Mars, Iowa 51031 whenever a borrower is delinquent on a RLF loan payment by more than 30 days.
4. Collect and keep records on the RLF loan in order for it to prepare an annual Loan Status Report (see *attached*). This report shall be submitted to the RLF Administrator at 215 4<sup>th</sup> Ave. SE, Le Mars, Iowa 51031 no later than 90 days after January 1 or the business's fiscal year. The report may be the same Loan Presentation prepared for the primary lender's loan committee.
5. The Plymouth County RLF Administrator is responsible for collecting the Annual Loan Status report and other information and from that prepare a master report and forward it to the Board of Supervisors for compliance review.

The primary lender understands and agrees that if they do not abide by the terms and conditions of this agreement the RLF may take actions that would preclude further participation by the primary lender with the RLF as well as take other necessary actions approved by the RLF committee.

The primary lender by signing below agrees to the terms and conditions as specified above.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_