

**CITY OF MADISON LAKE
REVOLVING LOAN PROGRAM GUIDELINES**

I. PURPOSE

The goal of the Revolving Loan Program is to stimulate Madison Lake's economy by providing low interest loans to businesses. This goal will be accomplished by providing loans for businesses to create or retain jobs; alleviate economic distress; address other urgent community development needs; leverage private investment and provide debt financing to projects that otherwise may not occur; leverage financing for development of redevelopment resulting in the prevention or elimination of slum and blight; and to stimulate development for the purpose of job creation with specific emphasis on benefits to low and moderate income individuals.

II. ELIGIBLE LOAN ACTIVITIES

1. Loans may be used for acquisition of land and/or buildings, rehabilitation of buildings, new construction, purchase of manufacturing equipment in connection with starting a new or expanding an existing business, installation of utilities or infrastructure or such additional purposes which advance the stated purpose of the Revolving Loan Program.
2. Loans may not be used for refinancing existing indebtedness or projects begun prior to the loan application.
3. Land and buildings must be privately owned, taxable, and proposed for manufacturing and/or commercial activities.
4. If buildings are being purchased or rehabilitated with funds from the Revolving Loan Fund such buildings must comply with all Madison Lake building codes.
5. Borrower must be in compliance with all zoning requirements prior to making application for the Revolving Loan Program.

III. LOAN TERMS AND CONDITIONS

Financial assistance for the Revolving Loan Program is designed to make projects economically feasible. The Revolving Loan Program is intended to be flexible and customized to the meet the particular needs of individual projects. Loan terms and conditions are determined by the information submitted in the loan application and according to business terms as determined by the Madison Lake Economic Development Authority ("EDA") and the City Council.

All loans from the Revolving Loan Program shall meet the following terms and conditions:

1. Interest Rate. Interest rate shall be set at a fixed rate of 4 points below prime rate on the day of loan closing, but no less than 3% or more than the maximum interest rate allowed under state law.

2. Loan Term. Loan terms should be as follows:
 - a) Finance for the acquisition of improvements to land and buildings will not exceed 20-years.
 - b) Loans for the acquisition or improvements to all other assets will be for a term not to exceed 10-years.
 - c) The term of the loan shall not exceed the estimated useful life of the asset being financed.
3. Loan Limits. Loans shall not exceed any of the following:
 - a) \$5,000 per permanent full-time job created or retained.
 - b) Available funds in the Revolving Loan Program or the fund from which the loan proceeds are obtained.
4. Personal Guarantee. In the event the borrower is not a private individual, any individual owning 5% or more the borrower will be required to provide a personal guarantee for the full amount of the loan in addition to other collateral as required by the City.
5. Time Limitations for Loan Proceeds. All loan funds must be expended within six (6) months from the date of the loan approval. The Borrower may request one six (6) month extension which will be approved or denied at the discretion of the city council.
6. Loan Fees: Loans may be prepaid without penalty or additional charge. A processing fee of 1.5% of the total loan may be charged at the time of closing.

IV. MINNESOTA INVESTMENT FUND

Projects requesting funding from the Madison Lake Minnesota Investment Fund must meet the following eligibility requirements:

- a) The loan will not exceed 50% of the total project cost.
- b) The loan must meet the requirement as set forth in Minnesota Statute 116J.8731 as currently in effect or as amended.

V. FEDERAL INVESTMENT FUND

Projects requesting funding from the City of Madison Lake's Federal Fund must meet the following eligibility requirements:

- a) Each applicant must supply a minimum of 10% of the total project cost being financed.
- b) No more than one-third of the project may be financed from the Revolving Loan Funds.
- c) All loans must meet the eligibility requirements set forth in Department of Housing and Urban Development's Federal Objectives as now in effect or as amended.

VI. COORDINATION OF LOANS

Provided a project meets the lending requirements, as set out in this program, guideline loans maybe requested from the Minnesota Investment Fund and the Federal Fund for the same project.

VII. APPLICATION LOAN PROCESS

1. All borrowers shall be required to complete the loan application attached hereto as exhibit A which the City reserves the right to amend. All applications shall include but not be limited to the following information:
 - a) Statement describing the nature or business and proposed plans.
 - b) Project description, purpose of loan and expected benefits and itemization and detailed cost estimate for building improvements and/or equipment.
 - c) Completed profits and loss statement for the past two (2) years (if applicable).
 - d) Five year cash flow projection.
 - e) Personal financial statement of all guarantors.
 - f) Any other pertinent data as required by the City.
2. The Madison Lake EDA staff will review all applications and report to the EDA Board which shall provide a recommendation to the City Council. If the loan is approved by the City Council, the Madison Lake EDA staff will prepare a development plan and any other necessary documents, the execution of which by the City and Borrower will be required prior to the approval of any loan from the City of Madison Lake Revolving Loan Program.
3. Prior to loan advances Borrower shall provide EDA staff a verified statement of expenditures and construction of equipment invoices for completed work and materials on site with actual loan advances by the City to be made not more than monthly.