

WINDOM AREA DEVELOPMENT CORPORATION LOAN GUIDELINES

Mission

- The Windom Area Development Corporation (WADC) exists to promote economic, civic and social welfare of the people of Windom and its vicinity.
- The WADC encourages desirable new businesses and industries to locate in the Windom area; and to encourage the development and expansion of existing businesses and industries now located in the Windom area.
- The WADC and local lenders are partners, with the WADC supporting private sector lending and investment through a loan program that provides gap financing for approved projects.

1) Eligible Borrowers

Any business and/or property owners who are located in the City of Windom [Note item 12].

2) Eligible Uses of Funds

WADC funds may be used for the following:

- a) building construction, renovation, building acquisition or improvement
- b) leasehold improvements
- c) purchase of new or used machinery and equipment

Working capital (except for Start-Up Loans referenced in Section 3 of this document), land acquisition, refinancing of existing or private debt, and projects of a speculative nature are ineligible for funding.

3) Maximum Loan Amount

The maximum loan amount or financial participation by the WADC is \$20,000 unless waived by the WADC Board. The WADC loans will be made on a matching basis. Matching funds preferably will be in the form of a bank loan and owner equity. All matching funds shall be financial contributions (cash). Funds spent prior to approval of the WADC loan will not count as a match. A match of 2:1 (that is, bank loan/owner equity to WADC dollars) will generally be required. The 2:1 match may be waived by the WADC Board, but in no case will the match be less than 1:1. The WADC may offer a one-time “Start-Up Loan” for a new business in Windom. The loan amounts would be from \$1,000 to \$4,000, with a 2 to 5-year term. The Start-Up Loan would have minimal requirements in terms of documentation (e.g. letter of request, cash flow and balance sheet documents) and collateral (e.g. personal guarantees).

4) Demonstration of Financial Need

The applicant business and participating lender(s) must demonstrate a financial need for WADC funds. That is, funds are needed to “fill the gap” between the estimated project cost and what lenders are able and willing to lend. The WADC will not do loans involving unsecured debt and/or without personal guarantees.

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5) Interest Rates & Terms

A minimum fixed-rate of 4.0% shall be charged for a WADC loan. The participating lender and the applicant/borrower may negotiate any mutually acceptable loan terms. The maximum loan term is commonly five years.

6) Collateral Requirements

The participating lender shall have the responsibility for determining the applicant's credit risk for their loan and the WADC Board shall make an independent assessment of the applicant's credit risk. If the participating lender requires, and the WADC agrees, the lender shall be entitled to the senior lien or security interest on the collateral given as security. The WADC Board will specify what collateral will be required as security for the WADC loan. Generally the WADC will require personal guaranty(ies) on WADC loans. An applicant must have the ability to repay the loan and be an acceptable credit risk as determined by the WADC and the participating lender.

7) Application Process

The applicant business must first approach a commercial lender (e.g. bank) regarding the proposed project. The participating lender must contact the WADC at least 20 days before the next regularly scheduled WADC Board meeting regarding the proposed project and any potential funding requests. At least 20 days before the WADC Board meeting, the WADC representatives should receive copies of pertinent financial documents including, but not limited to, a borrower request letter, a completed loan application, a lender commitment letter, cash flow and balance sheet documents for the business, credit risk analysis, the most recent tax returns, an appraisal (if applicable), and discussion of the security offered to the WADC. The WADC will endeavor to make a decision regarding loan requests in as timely manner as possible.

8) Loan Reliance

The WADC is not obligated to approve a loan to a Windom business because funds are available, similar types of businesses have been approved in the past, or because the business has received funding from the WADC or the Windom EDA in the past.

9) Loan Disbursements

All loan disbursements and payments shall be made by the authorized representatives of the WADC, and at the time of loan closing by the participating lender.

10) Loan Call Provisions

The WADC Board can call the loan or rescind the financial commitment in the event of:

- a) the transfer of substantially all the borrower's assets to any third party
- b) bankruptcy or insolvency of the borrower
- c) cessation of the conduct of active trade or business by the borrower for any reason.

In the event of a default loan, legal steps will be taken to recover the WADC funds.

11) Required Notice of Default by Lender

The commercial lender that has active financing with a business with an approved WADC loan is required to promptly notify the WADC of any default of payments or performance by the business.

12) The WADC is administered by the Windom Area Chamber of Commerce located at 303 9th Street, Windom, MN 56101. It is the policy of the WADC Board of Directors that loan recipients are members of the Windom Chamber. Prospective loan recipients must be members on or before the date of the WADC loan closing. Furthermore, loan recipients are expected to be members in good standing of the Windom Chamber for the life of the loan or pledge security.