

TABLE OF CONTENTS

A. GENERAL INFORMATION

I. Introduction	2
II. Purpose of NCEDA Financing	2
III. Eligible Costs	3
IV. Ineligible Costs	3
V. NCEDA Participation Criteria	3
VI. NCEDA Participation Ceilings	3
VII. Loan Fees	4
VIII. Interest Rates	4
IX. Term of Loan	4
X. Collateral Requirements	5
XI. Confidentiality	5
XII. Need Criterion	5
XIII. Time Limits for Funds	6
XIV. Loan Servicing	6
XV. Delinquency Procedure	6
XVI. Davis-Bacon Wage Rates Definition	7
XVII. Application Checklist	8

B. APPLICATION FORMS

C. EDA EMPLOYER FORMS

- EDA Form 503
- Employers Certificate of Non-relocation
- EDA Form 612
- Personal Financial Statement

INTRODUCTION

The North Central Economic Development Association, Inc. (NCEDA), was set up as a non-profit corporation by the Region Five Development Commission to run a regional revolving loan fund for business development and to provide related services. NCEDA's fund includes federal and local dollars, and is designed to offer fixed-asset and/or working capital financing primarily to private manufacturing projects on a long-term basis. Projects must be located within Cass, Crow Wing, Morrison, Todd, and Wadena counties.

The NCEDA Corporation members include three representatives from each county. These representatives include, one city representative, one county representative, and one economic development representative residing in the county. The NCEDA Loan Committee makes the decisions on all applications.

PURPOSE OF NCEDA FINANCING

The four main purposes of NCEDA financial assistance are:

1. To create or retain permanent, private sector, full-time jobs in the region, preferably for the underemployed and unemployed.
2. To provide capital for business development and expansion within the region, especially for businesses unable to obtain adequate, affordable capital from the private capital market;
3. To leverage other public and private investment in order to achieve the maximum number of jobs per NCEDA dollar.
4. To bolster the tax bases of local units of government.

Furthermore, stated goals of the NCEDA Fund include:

- Increase ownership/entrepreneurship opportunities for small-business persons in the region, especially women and minority persons.
- Increase manufacturing activity in the region through capital formation.
- Support innovative products and processes, especially in agriculture.
- Create or retain one job for every \$10,000 of NCEDA funds lent.

A clear objective of the Fund is to participate in projects which attract "new" private capital. It is **not** the intent of the Fund to reduce **existing** private exposure in a borrower's liability structure, i.e., NCEDA will not merely re-finance debt.

ELIGIBLE COSTS

Project costs that NCEDA may finance include:

- acquisition and/or improvement of land, buildings, plant and equipment;
- new construction (Federal Davis Bacon Regulations apply) or renovation of existing facilities;
- demolition and site preparation;
- machinery purchase;
- working capital: inventory and accounts receivable.

INELIGIBLE COSTS

- professional fees;
- acquisition/improvement of real property for subsequent lease.

NCEDA PARTICIPATION CRITERIA

NCEDA retains some flexibility in the types of projects it may participate in; in general, projects must meet the following criteria:

1. The community must be willing to put up the local match funds. (One-fourth of the NCEDA total);
2. One job should be created or saved for every \$10,000 in NCEDA funds;
3. The project should leverage new investment by the local bank (can be waived by NCEDA);
4. The project should include a borrower's equity contribution of a minimum 10% of the total project cost.

NCEDA PARTICIPATION CEILINGS

- NCEDA may finance no more than 50% of a borrower's working capital needs;
- NCEDA may finance no more than 33% of the cost of the project that does **not** include bank financing;
- NCEDA may finance no more than one-half the cost of a project that **does** include local bank participation.

LOAN FEES

Loan Origination Fees - A loan origination fee shall be charged at the time the loan committee authorizes the submittal of a formal loan application. A minimum fee of \$350 is nonrefundable. In addition, fifty (50) percent of any fee above the minimum fee is nonrefundable. Fees will be charged according to the following formula:

$$\text{Loan Fee} = \frac{\text{Loan Amount}}{90} + \$300$$

All origination fees will be used only for the administration of the fund.

If the bank is unable to provide NCEDA a participation agreement, the applicant will be responsible for other closing costs associated with the NCEDA financial portion of the project. Attorney related closing costs normally are \$350 - \$400 depending on the responsibilities.

INTEREST RATES

NCEDA views interest rates charged on its loan as one means of providing financing to businesses that can not otherwise obtain adequate, affordable capital. Interest rates, however, are not the only mechanism at NCEDA's disposal. NCEDA may extend term, defer principal and/or interest payment, or take a subordinate security position.

NCEDA will view a successful application as one that takes all the components of the loan package into account, and not merely a single variable. Within Federal limits, these components are negotiated by the borrower and NCEDA.

The minimum interest rate NCEDA can charge is four (4) percentage points below the current U.S. Treasury rate for issues of similar maturity, or the maximum rate allowed under Minnesota law, whichever is lower.

NCEDA will include in the loan agreement the relevant newspaper quotation on current Treasury rates as of the Board's loan approval date.

NCEDA may evaluate and re-set the interest rate on a loan periodically. Such evaluations may take place annually.

TERM OF LOAN

The term will match the useful life of the assets except for working capital, which shall have a maximum term of three (3) years. Fixed assets shall have a maximum term of fifteen (15) years, using a weighted average of total useful life and present value for land and buildings.

COLLATERAL REQUIREMENTS

The Loan Committee shall make no unsecured loans. Working capital shall be collateralized by any assets and any possible security positions deemed appropriate by the Loan Committee. For example, it may accept unconventional forms of security such as personal guarantees, assignments of contracts for deed, or other creditor's interest in property, and subordinate positions to other private financing.

CONFIDENTIALITY

The members of NCEDA, Inc. and its support staff are **not** authorized to discuss loan applications or other business contacts related to the RLF with any persons other than loan officers of involved financial institutions and representatives of public business finance programs. Files belonging to NCEDA are **not** open for public inspection; nor may the Region Five Development Commission inspect files on an individual firm without the consent of the firm.

NCEDA is, however, required to inform any local unit of government of projects being considered in its jurisdiction. Such information will **not** include financial statements of the firm.

NCEDA considers it proper for NCEDA to check the credit history of the applicant.

NEED CRITERION

It is the policy and purpose of NCEDA to provide gap financing to business projects that offer job creation and private investment gains to the regional economy.

This means that NCEDA will make up the difference in a loan package between public and private financing available to a firm and the total needed for its project.

To determine whether the firm needs NCEDA participation, NCEDA will assess the commitment of other sources of financing. NCEDA is required to participate only in projects that include a local bank. **Documentation will be required, such as bank rejection letters or other appropriate documentation to verify that the Revolving Loan Fund will not be substituting for private financing.**

It may occur that firms with a low debt-to-asset ratio are unable to obtain adequate financing from the local bank. In any case NCEDA will compare when possible the applicant's debt ratios to industry averages. The possibility is not ruled out that NCEDA might judge a firm to have such financing capacity as not to require NCEDA assistance.

In general NCEDA **will not** participate in loans where the applicant is a large corporation (assets over \$10 million) based outside the region.

TIME LIMITS

The NCEDA has the right to review project funding at any time after approval. To guarantee the most appropriate use of our funds, the NCEDA has established a 60 day time limit to use our funds for working capital, inventory, equipment, and machinery. A 90 day time limit has been established for construction/remodeling projects.

A waiver must be granted at the time of approval if the project is going to carry over the time limits. If no waiver is granted, the NCEDA must review the application before funding is appropriated.

LOAN SERVICING

Borrowers shall provide NCEDA a copy of the businesses annual tax statement. They will provide proof of hazard and workers compensation insurance for the loan files. An NCEDA loan officer will make an annual site visit to review the loan file and update the paperwork, when necessary. The NCEDA may make additional visits, when necessary.

DELINQUENCY PROCEDURE

Loan payments are due every thirty days, unless otherwise negotiated. If a payment is overdue, the borrower will receive a letter stating their balance and any accrued interest. The letter will also be sent to the lending partners in the project. Follow up phone calls will be made to insure that the data is correct and the applicant understands the loan information. Collection will be done in accordance with the U.S. Commercial Code.

Restructuring may be an option. It is an NCEDA requirement that the borrower make their request to the loan board in writing. The Loan Committee will make a recommendation based on history and project needs. The Loan Board may take steps toward foreclosure to maintain its collateral interest.

It is NCEDA's mission to provide assistance to local business development. It is important that businesses in our region succeed, and the loan fund remain available for future applicants. We can provide technical and business planning assistance, as well as funding.

FEDERAL DAVIS-BACON WAGE RATES

The Davis-Bacon Act provides for the payment of prevailing wage rates to laborers and mechanics employed by contractors and subcontractors on federal and federally assisted construction contracts. The act is the prevailing wage law for the construction industry. The concept of prevailing wages supposes that in any given locality, a scale of wages suitable to local conditions and acceptable to local workmen is developed through private agreement between employers and employees.

The Davis-Bacon regulations define "construction" as:

all types of work done on a particular building or work at the site thereof...all work done in the construction or development of the project, including without limitation, altering, remodeling, installation (where appropriate) on the site of the work of items fabricated off-site, painting, and decorating, the transporting of materials and supplies to or from the building or work by the employees of the construction contractor or construction subcontractor, and the manufacturing or furnishing of materials, articles, supplies or equipment on the site of the building or work... in the construction or development of the project by persons employed by the contractor or subcontractor...

(Grants Management Advisory Service)

In general, a construction project is a continuous operation at a geographically contiguous location or in functionally related activities.

ASSISTANCE

Contact the Economic Development Department at Region Five Development Commission for more information or questions concerning NCEDA loans.
Telephone (218) 894-3233.

APPLICATION CHECKLIST

Attach the following to loan application:

- Business plan-1 page narrative
- Personal financial statements of owner(s)
- Resume of owner(s)
- Financial history for three years
Balance Sheet and Profit and Loss Statements for existing business
Tax returns of owner(s) if start-up business
- Cash Flow Projections by month for 2 years
- Purchase or lease agreement (property acquisition)
- Property appraisal, Site survey (if applicable), Legal Description of Property
- Documentation that NCEDA loan is not substituting for bank financing
- Insurance policy or binder
- NCEDA Loan Application with signed EDA Certificates
Certificate of Non-Relocation*
Civil Rights Compliance Form*
Current and Projected Employee Data Form*

*Forms must be completed before application is approved.

Proposed Financing Sources

	Amount	Rate	Term	Committed
Bank				
NCEDA				
Owner Equity				
Total Project Cost				

Bank _____
 Address _____
 Contact Person _____ Phone _____
 Email _____
 Source of Owner Equity _____

 Collateral Available to Secure Loan _____

Proposed Financing Uses

	BANK	EQUITY	NCEDA	OTHER	TOTAL
Property Acquisition					
Site Improvement					
Renovation					
Construction*					
Machinery & Equipment					
Working Capital					
Administration					
Other					
Total Costs					

* Federal Davis-Bacon Wage Rates apply for construction projects

Number of full-time jobs created by this project

End of year one _____
 End of year two _____
 End of year three _____

Credit References

Name	Credit Relationship	Phone Number

Application Certification and Credit Authorization: I authorize NCEDA to contact my credit references and to view my credit report. I authorize NCEDA to contact the bank listed on this application about the project. I certify and affirm by my signature that the information contained in, and otherwise supplied as part of this application, is complete and current to the best of my knowledge. I further understand that intentional misrepresentation of facts may be the basis for a denial of credit.

Signature _____ Date ____/____/____

Name _____ Title _____

Form ED-503
(11-84)

**U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION**

Project:
City and State:
Project No.:

ASSURANCE OF COMPLIANCE WITH DEPARTMENT OF COMMERCE AND THE ECONOMIC DEVELOPMENT ADMINISTRATION REGULATIONS UNDER TITLE VI OF THE CIVIL RIGHTS ACT OF 1964, PUBLIC LAW 92-65 (as amended), SECTION 504 OF THE REHABILITATION ACT OF 1973, and THE AGE DISCRIMINATION ACT OF 1975. This form applies to: A. Financial assistance from the Economic Development Administration (EDA) including: 1. applicants; 2. recipients of Federal financial assistance received from another recipient; 3. sub-grantees; 4. lessees of or operators for a recipient; 5. successors, assignees or transferees, but not ultimate beneficiaries; and B. Other Parties, who are inclusive of any governmental, public or private agency, institution, organization or other entity, or any project receiving Federal financial assistance from EDA, such as contractors, subcontractors, providers of employment, or users of the facilities or services. The obligations incurred under this form apply only to the facility or property receiving EDA assistance.

Name of Recipient or Other Party

(hereinafter called the "Recipient or Other Party") assures that, as a Recipient or Other Party, it will comply with Title VI of the Civil Rights Act of 1964, as amended (42 USC 2000d-2000d 4), the requirements imposed by or pursuant to Regulations, issued for the Department of Commerce and designated as 15 CFR Subtitle A Part 8, and any amendments thereto.

The Recipient or Other Party agrees to comply with the provisions of Section 112 of Public Law 92-65 (42 USC 3123), the requirements imposed by or pursuant to the Regulation of the Economic Development Administration promulgated in 13 CFR Part 311 (as amended by April 1979 EDA Civil Rights Guidelines), and any amendments thereto. The Recipient or Other Party further agrees to comply with Section 504 of the Rehabilitation Act of 1973 (26 USC 794), and Recipient or Other Party agrees to secure the compliance or to cooperate actively with EDA to secure the compliance by others with the acts and the regulations.

Such requirements hold that no person in the United States shall on the ground of race, color, national origin, sex, handicap, or age be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which Federal financial assistance has been extended.

In accordance with these assurances and without limiting the above, the recipient or Other Party agrees that these assurance shall be binding upon them, their grantees; assignees, transferees, lessees, and successors, in interest. These assurances shall also be binding through every modification or amendment to this project.

The Recipient or Other Party acknowledges that it has received and read the Department of Commerce and EDA regulation, and that it is aware that if there appears to be a failure or threatened failure to comply with this part, and if the noncompliance or threatened noncompliance cannot be corrected by informal means, compliance with this part may be effected by the suspension or termination or refusal to grant or to continue Federal financial assistance or by any other means authorized by law.

Total number of present employees _____

Total number of Minorities _____

Women _____

This assurance is made and accepted this _____ day of 20_____, for (Recipient or Other Party)

By _____
Name

Address

Title

Telephone Number

Signature

I, _____, as Loan Developer of North Central Economic Development Association, Inc. (NCEDA) a non-profit corporation organized and existing by virtue of the laws of the State of Minnesota; do hereby certify that the foregoing officer who executed this assurance has full authority to bind the Recipient or Other Party. In witness whereof I set my hand and affix the corporate, state, or municipal seal this _____ day of 20_____.

Loan Developer or Other Official

U.S. DEPARTMENT OF COMMERCE
Economic Development Administration
EMPLOYER'S CERTIFICATE OF NONRELOCATION

To be executed by employers within project boundaries of projects for construction grant assistance under Titles I, IV, IX, and section 301 (f) of Title III of the Public Works and Economic Development Act of 1965, as amended (PWEDA).

NOTE - EDA's regulations at 13 CFR 309.3 prohibit EDA from making construction grants under Titles I, IV, IX, and section 301 (f) of Title III which will have the effect of assisting an employer in moving jobs from one commuting area to another commuting area. An expansion of an existing business to a new location may be assisted if such an expansion will not cause unemployment in other areas where the business conducts operations.

Items 1 - 2 are to be completed by Grant Applicants **before** this form is executed by employers.

1. Grant Applicant Name:
2. City, State:
3. Short Project Description:

Employers are to complete items 3 - 4 and read and understand item 5.

4. This form is being executed by an employer who satisfies one or more of the following conditions:

(Check at least one)

- a. It is an employer located or locating, or a non-applicant owner or operator of an industrial Park or site within the Project Boundaries.
- b. In the case of construction grants to fund area-wide utility systems it is an employer which uses or is projected to use greater than ten percent (10%) of the total capacity of the utility system as improved by the EDA grant.
- c. It is an affiliate, subsidiary, or other entity under direct, indirect, or common control of the foregoing entities.
- d. It is an assignee, transferee, lessee, or successor in interest of the foregoing entities.

5. Employer Certificate and Assurance of Compliance with EDA's Non-relocation Regulations.

Name of Employer

Address

City, State, Zip

Phone Number

(hereinafter called the "Employer") certifies and assures that, as an Employer on a project involving EDA financial assistance, it will comply with EDA's non-relocation regulations at 13

CFR 309.3.

EMPLOYERS CERTIFICATE OF NONRELOCATION

The Employer certifies and assures that it is not its intention to transfer one or more jobs from one commuting area to another by either (1) closing an operation in one commuting area and opening a new operation in the Project Area, which is in a new commuting area, or (2) curtailing its operations in another location and increasing the number of jobs of the existing operations located in the Project Area, for a period of forty-eight (48) months from the date of approval by EDA of financial grant assistance.

The Employer certifies and assures that it has not located and that it will not locate in the Project Area prior to the date of EDA's approval of the proposed financial assistance, for the purpose of avoiding the restrictions of this non-relocation rule.

The Employer understands that EDA financial assistance is not prohibited for the expansion of an Employer through the creation of a new branch, affiliate, or subsidiary which will not result in a decrease in jobs in any area where the Employer conducts business operations, and that retail stores which open new outlets in EDA funded facilities are exempt from this requirement provided: (1) the retail store is not a direct recipient of EDA financial assistance; (2) the retail store is not engaged in a pattern of operations which would result in relocation a substantial portion of its operations from one multi-state region to another; and (3) the new outlet opening will not result in a significant reduction of employment in the retail store's entire operation.

The undersigned is authorized to make the foregoing certification and assurances and to execute this Certificate on behalf of the Employer.

Executed this _____ day of _____, 20__.

By _____
Type or Print Name Title of Officer

Signature of Officer

6. WARNING

Note - Section 710(a) of the Public Works and Economic Development Act of 1965, as amended, provides that: "Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any financial assistance under section 101, 201, 202, or 403 or any extension thereof by renewal, deferent, or action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Secretary, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both." EDA'S NONRELOCATION REQUIREMENTS AT 13 CFR 309.3(m) PROVIDE THAT: "WHEN EDA DETERMINES THAT THESE REQUIREMENTS HAVE BEEN VIOLATED, EDA WILL TERMINATE FOR CAUSE THE FINANCIAL ASSISTANCE MADE AVAILABLE BY EDA. THE RECIPIENT WILL BE OBLIGATED TO REPAY TO EDA THE FULL AMOUNT OF THAT FINANCIAL ASSISTANCE, PLUS INTEREST, FROM THE DATE DETERMINED BY EDA UPON WHICH THE VIOLATION OCCURRED, AT THE NEW YORK BANK PRIME RATE AS REPORTED IN THE WALL STREET JOURNAL ON THE DATE OF TERMINATION."



PERSONAL FINANCIAL STATEMENT

U.S. SMALL BUSINESS ADMINISTRATION

As of _____, _____

Complete this form for: (1) each proprietor, or (2) each limited partner who owns 20% or more interest and each general partner, or (3) each stockholder owning 20% or more of voting stock, or (4) any person or entity providing a guaranty on the loan.

Name _____ Business Phone _____

Residence Address _____ Residence Phone _____

City, State, & Zip Code _____

Business Name of Applicant/Borrower _____

ASSETS		(Omit Cents)	LIABILITIES		(Omit Cents)
Cash on hand & in Banks	\$	_____	Accounts Payable	\$	_____
Savings Accounts	\$	_____	Notes Payable to Banks and Others	\$	_____
IRA or Other Retirement Account	\$	_____	(Describe in Section 2)		
Accounts & Notes Receivable	\$	_____	Installment Account (Auto)	\$	_____
Life Insurance-Cash Surrender Value Only	\$	_____	Mo. Payments \$ _____		
(Complete Section 8)			Installment Account (Other)	\$	_____
Stocks and Bonds	\$	_____	Mo. Payments \$ _____		
(Describe in Section 3)			Loan on Life Insurance	\$	_____
Real Estate	\$	_____	Mortgages on Real Estate	\$	_____
(Describe in Section 4)			(Describe in Section 4)		
Automobile-Present Value	\$	_____	Unpaid Taxes	\$	_____
Other Personal Property	\$	_____	(Describe in Section 6)		
(Describe in Section 5)			Other Liabilities	\$	_____
Other Assets	\$	_____	(Describe in Section 7)		
(Describe in Section 5)			Total Liabilities	\$	_____
Total	\$	_____	Net Worth	\$	_____
			Total	\$	_____

Section 1. Source of Income	Contingent Liabilities
Salary	As Endorser or Co-Maker
Net Investment Income	Legal Claims & Judgments
Real Estate Income	Provision for Federal Income Tax
Other Income (Describe below)*	Other Special Debt

Description of Other Income in Section 1.

*Alimony or child support payments need not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.

Section 2. Notes Payable to Banks and Others. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

Name and Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc.)	How Secured or Endorsed Type of Collateral

Section 3. Stocks and Bonds. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed).

Number of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value

Section 4. Real Estate Owned. (List each parcel separately. Use attachment if necessary. Each attachment must be identified as a part of this statement and signed.)

	Property A	Property B	Property C
Type of Property			
Address			
Date Purchased			
Original Cost			
Present Market Value			
Name & Address of Mortgage Holder			
Mortgage Account Number			
Mortgage Balance			
Amount of Payment per Month/Year			
Status of Mortgage			

Section 5. Other Personal Property and Other Assets. (Describe, and if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment and if delinquent, describe delinquency)

Section 6. Unpaid Taxes. (Describe in detail, as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches.)

Section 7. Other Liabilities. (Describe in detail.)

Section 8. Life Insurance Held. (Give face amount and cash surrender value of policies - name of insurance company and beneficiaries)

I authorize SBA/Lender to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I certify the above and the statements contained in the attachments are true and accurate as of the stated date(s). These statements are made for the purpose of either obtaining a loan or guaranteeing a loan. I understand FALSE statements may result in forfeiture of benefits and possible prosecution by the U.S. Attorney General (Reference 18 U.S.C. 1001).

Signature: _____ Date: _____ Social Security Number: _____

Signature: _____ Date: _____ Social Security Number: _____

PLEASE NOTE: The estimated average burden hours for the completion of this form is 1.5 hours per response. If you have questions or comments concerning this estimate or any other aspect of this information, please contact Chief, Administrative Branch, U.S. Small Business Administration, Washington, D.C. 20416, and Clearance Officer, Paper Reduction Project (3245-0188), Office of Management and Budget, Washington, D.C. 20503. **PLEASE DO NOT SEND FORMS TO OMB.**