

# NORTHEAST MISSOURI SMALL BUSINESS REVOLVING LOAN FUND

## REVOLVING LOAN FUND (RLF) PROGRAM OBJECTIVES

Missouri Rural Enterprise & Innovation Center (MREIC) will create and manage a revolving loan fund (RLF) with initial funding provided by a USDA RBDG grant.

MREIC assists with small businesses on a regular basis. Although physically located in Kirksville, MO, 16 counties in Northeast Missouri receive assistance from MREIC activities.

MREIC works closely with entrepreneurs at all stages of their business ideas. Through the partnership with SBDC, and relationships with K-REDI and the City of Kirksville, MREIC is poised to assist small businesses throughout the region.

The RLF will be open to entrepreneurs in the following counties of Northeast Missouri:

Putnam	Schuyler	Scotland	Ralls
Clark	Lewis	Knox	Pike
Adair	Sullivan	Linn	Monroe
Macon	Shelby	Marion	Randolph

The Program Goals are:

- Energize rural entrepreneurs and address their unique obstacles faced,
- Provide flexible and affordable capital to entrepreneurs and small businesses that need start up and expansion assistance in the 16-county area of northeast Missouri,
- Provide critical financing when credit access is limited, supporting the development and expansion of local businesses and other special initiatives,
- Assist in the creation of sustainable high-paying, private sector jobs in rural Missouri,
- Build a sustainable community resource for entrepreneurs and small businesses.

The mission of the revolving loan fund program is to increase the local tax base, create and retain permanent private sector jobs and improve economic opportunity and living standards for the citizens of northeast Missouri, by promoting local business development and expansion, by leveraging private sector funds and assisting with the development of new technologies.

## RLF POLICY STATEMENTS

Missouri Rural Enterprise and Innovation Center (MREIC) will accept and consider applications for loans from the RLF for projects that will significantly benefit rural areas in a 16-county area defined above.

The Board of Directors of MREIC is the sole authority for approval or denial of loans from the RLF and is responsible for all decisions and actions of the RLF. The RLF will be operated and maintained solely by MREIC.

There is no set deadline for applications. Amount of funds available will vary. Applications will be considered on a first-come, first-serve basis and loan approval or rejection will be communicated 30 days after application and materials are received. Approved loan funds will be released 30-60 days after approval.

It is the intent of MREIC that funds from the RLF program serve as seed money to generate economic development and will work with local lenders and others to maximize the leverage of the RLF dollars, so the result provides the maximum possible economic development. It is further intended that MREIC uses the RLF program to supplement, but not compete with, capital that may already exist within the communities.

## LENDING PARAMETERS

Revolving Loan Funds may be used to fund 75% of a project cost. Applicant would be responsible for the remaining 25%.

Applicants may apply for amounts up to \$15,000 unless additional funds remain available and then not to exceed USDA cap of \$46,363.

## ELIGIBLE APPLICANTS:

- **Type of entity.** The recipient may be an individual; a public organization; a private organization; or other legal entity. This includes for-profit business ventures, including Corporations, Partnerships, Sole Proprietorships, Cooperatives and LLC's.
  - An entity is ineligible if it derives more than 15 percent of its annual gross revenue (including any lease income from space or machines) from gambling activity, excluding State-authorized lottery proceeds or Tribal-authorized gambling proceeds, as approved by the Agency, conducted for the purpose of raising funds for the approved project.
- **Legal authority.** The recipient must have the legal authority to incur the debt and carry out the purpose of the loan.
- **Citizens.** An individual recipient must be a U.S. citizen or a lawful, permanent U.S. Resident. In the case of an entity recipient, at least 51 percent of the outstanding membership or ownership of the entity must be U.S. citizens.
- **Location.** The recipient project must be located in an eligible rural area within the following 16 counties:

Putnam	Schuyler	Scotland
Clark	Lewis	Knox
Adair	Sullivan	Linn
Macon	Shelby	Marion
Ralls	Monroe	Randolph
Pike		

- **Other financing unavailable.** The recipient must be unable to finance the entirety of the proposed project from its own resources, or through commercial credit or from other Federal, State, or local programs at reasonable rates and terms.
- **Legal or financial influence.**
  - MREIC and its principals (including immediate families) must hold no legal or financial interest or influence in or with the recipient, as this is considered a conflict of interest.
  - The recipient must, along with its principals (including their immediate families), hold no legal or financial interest or influence in or with MREIC per [§ 4274.321\(b\)\(4\)](#), as this is considered a conflict of interest.
- **Delinquent debt.** A recipient is ineligible to receive a loan if the recipient or any of its principals has any federal delinquent debt or is debarred from engaging in business with the Federal government. Loan funds may not be used to satisfy any Federal delinquent debt
- **Fund usage.** Recipients must demonstrate, to the MREIC's satisfaction, that loan funds will remain in the United States and the facility being financed will primarily create new or save existing jobs for rural U.S. residents.

Governmental Units, including Local Townships, Municipals or Boroughs, County Government, Regional Authorities are not eligible to apply.

Nonprofit Entities are not eligible to apply. This includes all charitable institutions and fraternal organizations that would not have revenue from sales, fees, or stable revenue source to support their operation and repay the loan.

#### TYPES OF PROJECTS ELIGIBLE FOR RLF FUNDING:

Projects must create or retain employment or provide needed equipment or services such as:

- Small Business Expansion or Startup
- Equipment
- Tourism
- Gap financing

#### TYPES OF PROJECTS/ACTIVITIES INELIGIBLE FOR RLF FUNDING:

- Refinancing of existing debt, or payment to business owners or partners;
- Activities determined to be for investment purposes;
- General improvement loans related to normal replacement needs of a business and unrelated to business expansion/job creation;
- Working capital
- Vehicles used for general purposes or that may be considered for personal use;
- Projects that are primarily working capital with limited security;
- Construction projects of an individual residential nature;
- Illegal activities and legalized activities (e.g. gambling casinos) that in the opinion of the Board of Directors adversely affect RLF interests;
- Projects in which any director, officer, general manager, or supervisory employee of MREIC, or close relative thereof, has a financial interest; projects in which any subsidiary or affiliated organization of MREIC has a financial interest; or projects which, based on the judgment of the Board, would create a conflict of interest, potential for conflict of interest, or any appearance of a conflict of interest.

Grant funds may also not be used towards any of the uses identified in this section.

- Duplicate current services or substitute support previously provided. If the current service is inadequate, however, grant funds may be used to expand the level of effort or services beyond what is currently being provided.
- Costs of preparing the application package for funding under this program or any other program.
- Costs for any expenses incurred prior to receipt of a full application, except for those permitted under departmental regulations.
- Fund political activities.
- Assistance to any private business enterprise which does not create and/or support jobs in the United States.
- Payment for any judgment or debt owed to the United States.
- Fund Agriculture Production either directly or through horizontally integrated livestock operations except for commercial nurseries, timber operations or limited Agricultural Production related to Technical Assistance Projects.

The following are not considered Agriculture Production:

- Aquaculture, including conservation, development, and utilization of water for aquaculture;
- Commercial fishing;
- Commercial nurseries engaged in the production of ornamental plants and trees and other nursery products such as bulbs, flowers, shrubbery, flower and vegetable seeds, sod, and the growing of plants from seed to the transplant stage;
- Forestry, which includes businesses primarily engaged in the operation of timber tracts, tree farms, and forest nurseries and related activities such as reforestation; or

- The growing of mushrooms or hydroponics.
- To finance comprehensive area-wide type planning. This does not preclude the use of grant funds for planning for a given project.
- To make loans when the rates, terms, and charges for those loans are not reasonable or would be for purposes not eligible under [7 CFR part 4274, subpart D](#).
- For programs operated by cable television systems.
- To fund a part of a project that is dependent on other funding, unless there is a firm commitment of the other funding to ensure completion of the project.
- To pay for Technical Assistance that duplicates assistance provided to implement an action plan funded by the Forest Service (FS) under the National Forest-Dependent Rural Communities Economic Diversification Act for 5 continuous years from the date of grant approval by the FS. To avoid duplicate assistance, the grantee shall coordinate with FS and the Agency to ascertain if a grant has been made in a substantially similar geographical or defined local area in a State for Technical Assistance under the FS program. The grantee will provide documentation to FS and the Agency regarding the contact with each agency.
- Pass through grants. Pass through grants are for, but not limited to:
  - The purchase, refurbishing, or remodeling of real estate for use as a business incubator without charging a fair market rental;
  - The purchase of equipment for use by an ultimate recipient without charging a fair market rental; and
  - The making of a Revolving Loan Fund (RLF) loan without taking appropriate security to reasonably assure repayment of the loan.
- For a Project that would result in the transfer of existing employment or business activity more than 25 miles from its existing location.
- Assistance in excess of what is needed to accomplish the purpose of the recipient's project.
- Distribution, payment, or loans to the owner, partners, shareholders, or beneficiaries of the ultimate recipient or members of their families when such persons will retain any portion of their equity, or control, in the ultimate recipient. This is not intended to prevent the sale of a business among immediate family members as long as the selling immediate family member does not retain an ownership interest and the price paid is deemed to be reasonable. This type of transaction is not an arm's length transaction and reasonableness of the price paid will be based upon an appraisal acceptable to MREIC.
- Assistance to Federal government employees, active-duty military personnel, employees of MREIC, or any organization for which such persons are directors or officers or have 20 percent or more ownership.
- A loan to a recipient that has an application pending with or a loan outstanding from another intermediary involving an IRP revolving loan fund if the total Agency IRP loans would exceed the limits established in [§ 4274.331\(c\)](#).
- Agricultural production. For the purposes of this program, Agricultural production does not include those activities specifically listed as eligible uses of IRP revolving loan fund loans in [§ 4274.320\(b\)\(15\)](#) through [\(19\)](#).
- The transfer of ownership unless the loan will keep the business from closing, prevent the loss of employment opportunities in the area, or provide expanded job opportunities.
- Community antenna television services or facilities.
- Any illegal activity.
- Any project that is in violation of either a Federal, State, or local environmental protection law or regulation or an enforceable land use restriction unless the assistance given will result in curing or removing the violation.
- Loans to lending and investment institutions and insurance companies.
- Golf courses, racetracks, or gambling facilities.

## TYPES OF FINANCING AVAILABLE:

Fixed Asset Financing including:

- Land, buildings, manufacturing equipment, office and work equipment.
- Infrastructure improvements.

## LOAN TERMS AND CONDITIONS

### AMOUNT

There is no project cost maximum. The Revolving Loan Fund can finance up to 75% of the project, with the applicant matching 25% at minimum. The maximum amount of a single loan may not exceed \$15,000 unless additional funds remain available and then not to exceed the USDA cap of \$46,363. The minimum RLF loan amount is \$1,000.

### INTEREST RATES

The minimum interest rate will be 1/3 of prime rate as published in the Wall Street Journal on the date of loan closing.

### REPAYMENT TERMS

Repayment terms will not exceed 3 years (36 months). The following maturities will be used as a general guideline:

- Building - 3 years when used as gap financing (down payment assistance)
- Real Estate - 3 years when used as gap financing (down payment assistance)
- Equipment - 1 to 3 years

The loan committee will provide a recommendation on term options and loan repayment schedules (annual, quarterly, monthly) on a project-by-project basis.

There is no prepayment penalty. Monthly payment amounts due will remain constant. There will be no adjustments in interest rate or monthly payment due if payments are overpaid.

Loan payments will be due on the 1<sup>st</sup> of the month. Late payments will incur a 5% late fee, which will be added to the principal of the loan and due in full in the last payment of the loan.

### SECURITY

MREIC will work with the potential borrower to obtain security that is adequate for the term of the loan. The nature of the collateral pledged shall be determined by the loan committee on a project-by-project basis. Generally, security will consist of a first lien position on real property. If the same collateral is used in joint financing, the RLF will require a parity position with other lenders. Other types of security may include:

- Deed of Trust (for real estate)
- Personal Guarantee
- Promissory Note
- Letter of Credit

The loan recipient will be required to maintain all insurances including fire insurance, and flood insurance, if necessary, on secured assets. MREIC will need to be added to the property insurance policy, credit life or key man insurance as loss payee.

Personal guarantees from partners or majority stockholders may be required for all corporate or partnership borrowings where the equity requirement is not met by cash.

## APPLICATION PROCESS:

All applicants for RLF funding will be required to complete an application form, providing verifiable data which demonstrates that their proposed projects are economically feasible, sustainable, and will provide benefits to rural areas, either through job creation or infrastructure improvements.

- Applicant must be current on personal, property and business taxes and submit a no tax due certificate from the MO Department of Revenue and the local county official.
- Applicant must show proper licenses and insurances (if applicable) including but not limited to:
  - Worker's Comp
  - Liability
  - Property / Equipment
- Applicant must abide by all local, county and state rules and regulations.
- Applicant must obtain a Unique Entity ID (UEI) at the SAMs website (SAM.gov).
- Applicant must also submit:
  - Cover letter describing
    - Loan purposes,
    - Location, nature and scope of the project being financed,
    - Other funding included in the project,
    - Nature and lien priority of the collateral,
    - Agreement of interest rate and term,
    - Demonstration of Applicant's observance of the 5 C's of Credit
  - Grantee-Intermediary Certification (provided by MREIC)
  - Financial information for 3 years
    - Balance Sheet,
    - Profit/Loss statements or Actuals
    - 3-year Proforma (projections)
    - Full tax returns
  - Any other forms dictated necessary by the USDA

## APPLICATION APPROVAL PROCESS:

Loan applications will be reviewed by the RLF committee of MREIC, consisting of the Executive Director, the small business counselor, and the fiduciary agent of MREIC to determine eligibility. If the loan committee deems the applicant and the project feasible, the application will need to be reviewed by the originator of the funds, the USDA. Final loan approval authority remains with the MREIC Board of Directors.

The revolving loan fund is funded by a USDA grant awarded to MREIC. As such, MREIC is bound to the rules, regulations, and any changes dictated by the USDA. MREIC is also prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity.

## CLOSING AND DISBURSEMENT PROCESS:

Once the application has been approved, a loan agreement will be written up detailing the terms, interest rate, and other disclosures. Loan applicant will be expected to sign a promissory note, and/or deed of trust and USS financing statement (if the loan amount is over \$5,000). Closing will take place at a day and time convenient for recipient and MREIC staff. Disbursement of funds will be made via check and could be made in more than one installment, depending on the terms

of the loan. Recipient will receive a monthly bill via email with repayment information. Payments may be made at City Hall 201 S. Franklin St. during business hours or through the envelope drop; or at the EDA building, 315 S. Franklin St. during business hours.

## LOAN MONITORING:

Loan monitoring will require regular reporting by the loan recipient and includes the following:

### ANNUAL INCOME STATEMENTS AND BALANCE SHEETS.

Depending on the nature of the project and security arrangements, the MREIC reserves the right to require the submission of annual financial reports as audited by a certified public accountant.

### PERIODIC MANAGEMENT INFORMATION REPORTS.

Management reports will be required on a semi-annual basis beginning six months after the advance of RLF funds and continuing semi-annually thereafter for a period of 3 years or until completion of the project, whichever is the later period.

Management reports will include:

- information on the number of jobs created or retained during the reporting period;
- a comparison of accomplishments during the reporting period to the objectives established for the project, and
- a description of any problems, delays, or adverse conditions which will materially affect the attainment of planned project objectives and a statement of action taken or contemplated to resolve the situation.

In some cases, applicant may be asked to show proof of compliance with local, county and/or state rules and regulations.

MREIC reserves the right to require these reports on a more frequent basis if it is determined to be in the best interest of the RLF.

### TELEPHONE CONTACT AND SITE VISITS.

At a minimum, semi-annually, a representative of MREIC will initiate a phone call to the loan recipient to review performance and issues. On-site visits will be conducted annually to verify and evaluate the use of RLF funds.

An annual review and report of the outstanding loans of the RLF, including job creation totals and community benefits, will be compiled by the loan committee for presentation to the entire Board of Directors.

## FILE RETENTION:

All RLF files will be retained for a period of not less than 3 full years after the loan has been paid in full. After 3 years, the files will be destroyed by shredding or incineration. Files will be secured in a locked, safe place and access will be limited to Intermediary staff with RLF responsibilities only. Other security measures will be initiated as needed to protect confidentiality of loan documents.

## AMENDMENTS:

Amendments to revolving loan program will require the approval of MREIC's Board of Directors. No action will be taken to amend this program without the prior written approval of USDA, its successors or assigns.