

**GUIDELINES FOR THE  
ARROWHEAD REGIONAL DEVELOPMENT COMMISSION  
REVOLVING LOAN FUND PROGRAM  
ARDC/RLF**

**I. PURPOSE**

The purpose of the ARDC/RLF is to support business activities for which credit is not otherwise available on terms and conditions which would permit completion and/or the successful operation or accomplishment of the project in the following eligible areas: Aitkin County, Cook County, Carlton County, Itasca County, Koochiching County, Lake County and St. Louis County (including the City of Duluth). The lender reserves the right to recall the loan if these requirements are not met.

The primary objective of the program is the stimulation of private investment in order to create and maintain productive, permanent employment through the establishment of new businesses or the expansion of existing businesses.

Financing provided in conjunction with this program is intended to compliment, not compete with private lending institutions. As such, securing private sector involvement is a critical factor in qualifying for this program. Loans will generally be subordinated to the interests of private sector lenders in order to encourage their involvement.

**II. GEOGRAPHIC AREA OF PROGRAM**

The ARDC/RLF exists for businesses located, or to be located within the counties of Aitkin, Carlton, Cook, Itasca, Koochiching, Lake and St. Louis (including the City of Duluth).

**III. ELIGIBLE BUSINESSES**

Priority economic sectors that are eligible for assistance through this program include:

**Aviation/Aerospace**

Aircraft parts manufacturing (fiberglass, control surfaces, tube bending, engine) Aircraft maintenance and manufacturing

**Manufacturing**

Suppliers/Large Scale Projects, plastics (injection, blow, extrusion, pultrusion), light manufacturing (electronics, medical devices, processing equipment), value-added wood products, heavy industrial manufacturing, metal fabrication (plating) and non-ferrous mining

**Renewable Resources**

Timber, wood products, peat and other industries which encourage full utilization of renewable resources which are currently underutilized

**Technology**

Back office, data storage & co-location, information technology (hardware manufacturing, software development), systems management and online training

**Energy**

Wind turbine, solar, cellulose ethanol, biomass and petroleum

**Other**

Industries within the region that provide long term, higher paying jobs.

**IV. LEVERAGING REQUIREMENTS**

A. Jobs

1. Applicants must demonstrate that they will create or retain a minimum of one job per \$10,000 in ARDC/RLF assistance.

B. Private Sector Investment

1. Applicants must demonstrate that they will leverage a minimum ratio of two private sector dollars to one ARDC/RLF dollar (2 to 1).
2. Applicants must also demonstrate the minimum leveraging ration, exclusive of owner's equity investment is one private sector dollar to one ARDC/RLF dollar (1 to 1).

**V. FINANCING POLICIES**

A. Allowable Use of Proceeds

1. Minimum loan size           \$10,000  
Maximum loan size           \$250,000
2. Fixed assets, including land and building purchases, building construction, leasehold improvements, and renovations; and/or
3. Acquisition, renovation or moving machinery and equipment; and/or
4. Working capital (term loans only).

B. Term of Loan

The length of any loan made by the ARDC/RLF will be based on the assets being financed. The term of any loan shall not exceed the following:

1. For a loan described in part (2) of paragraph A. above, ten (10) years;
2. For a loan described in part (3) of paragraph A. above, ten (10) years;
3. For a loan described in part (4) of paragraph A. above, five (5) years.

C. Interest Rate

1. Interest rates will be based on the current money center bank prime rate as quoted in the Wall Street Journal, minus four (4) percentage points, rounded up to the nearest ¼ percentage point. Minimum interest rate of four (4) percent.

2. Interest rates will be set on the 1st business day of each month. The loan interest rate applicable to individual loans will be the formula rate in effect on the date of the application approved by the ARDC Board of Directors.
3. Interest rate will be fixed throughout the term of the loan.

D. Fees and Charges

1. Origination Fee:

A 1 ½ % loan origination fee will be charged to all borrowers participating in the ARDC/RLF. Such fee is to be paid only for approved loans, but must be paid at or prior to closing with the applicant's own resources.

2. Loan Servicing Fee:

1% per year, based on outstanding principle balance.

3. Legal Costs:

Borrowers are responsible for legal costs incurred by the ARDC/RLF in the closing of the borrower's particular loan.

E. Other Financing Policies

1. The recipient of an ARDC/RLF loan must be a for-profit business organized in any manner permitted by the laws of the State of Minnesota.
2. All loans must be adequately secured and personally guaranteed to the satisfaction of the Loan Administration Board of Arrowhead Regional Development Commission.
3. All loans shall be subject to whatever agreements and documents are reasonably necessary to protect the interests of Arrowhead Regional Development Commission and to insure that the purpose and intent of this program are met.
4. Loan recipients must demonstrate that they are credit worthy and have the ability to perform under any agreements entered into with Arrowhead Regional Development Commission.
5. All applicants receiving financing assistance must demonstrate an acceptable level of job creation or retention, and private sector investment.
6. All loans shall be subject to the provisions of the Davis-Beacon Act with respect to prevailing wage rates.
7. Applicants for RLF financing must demonstrate that credit is not otherwise available on terms and conditions which would permit completion and/or the successful operation or accomplishment of the project activities to be financed.

## VI. APPLICATION PROCESS

### A. Pre-Application

1. Pre-applications are available from ARDC and can be received through contact with RLF administration personnel.
2. Read and thoroughly understand program guidelines.
3. Prepare pre-application and obtain bank signature.
4. Submit to the following address:

Arrowhead Regional Development Commission  
221 W. First St.  
Duluth, MN 55802

5. ARDC will notify applicant of project eligibility.

### B. Full Application

Note: Do not prepare full application prior to notification by ARDC.

1. ARDC staff will discuss full details of application preparation with applicant.
2. Prepare full application, with all applicable and required exhibits and submit to ARDC.
3. Completed full applications received no later than the 15<sup>th</sup> day of each month will be acted upon during the following month.
4. Technical Advisory Committee review application and make recommendation to the Loan Review Board.
5. Loan Review Board reviews and make final decision on application.

**NOTE: AT ANY POINT IN THE REVIEW PROCESS, THE APPLICATION MAY BE DENIED OR SENT BACK FOR FURTHER INFORMATION.**

**ARROWHEAD REGIONAL DEVELOPMENT COMMISSION  
REVOLVING LOAN FUND PROGRAM  
PRELIMINARY APPLICATION**

I. Basic Information

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

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

City/State/Zip: \_\_\_\_\_

Telephone: \_\_\_\_\_

Contact Person/Title: \_\_\_\_\_

Social Security No.: \_\_\_\_\_ (If business is sole proprietorship.)

II. Description of project for which financing is requested (attach additional pages if necessary)

New Business                       Expansion

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

III. Type of Business

Sole Proprietorship             Corporation             Partnership

Brief description of the business the applicant is engaged in:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IV. Loan Request

ARDC loan requested:            \$ \_\_\_\_\_

Total cost of project:            \$ \_\_\_\_\_

Result of requested Regional RLF Loan:

Existing Jobs: \_\_\_\_\_      Jobs to be created: \_\_\_\_\_      Retained: \_\_\_\_\_

**Submit to:      Arrowhead Regional Development Commission  
                    221 W. First St.  
                    Duluth, MN 55802**

<b>V. Purpose and Source for Total Project Cost</b>							
<b>Purpose for which funds to be used</b>	<b>ARDC RLF Loan</b>	<b>Bank(s)</b>	<b>Bank(s)</b>	<b>Equity</b>	<b>Other (Specify)</b>	<b>Other (Specify)</b>	<b>Total</b>
Property Acquisition							
Site Improvement							
Building Renovation							
New Construction							
Machinery & Equipment							
Working Capital							
Inventory							
Debt Refinancing							
Other (Specify)							
Other (Specify)							
<b>Total</b>							

Participating Lender: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Telephone No.: \_\_\_\_\_

Participating Lender: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Telephone No.: \_\_\_\_\_

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date

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(for ARDC use only)

ARDC ACTION TAKEN, AND EXPLANATION FOR ACTION:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Authorized Signature

Date