

If you are seeking working capital loans between \$10,000 and \$75,000 please use our Urgent Loan Application at ardc.org/rlf.

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

**ARDC funds cannot be used to
refinance existing debt.**

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.

Amendment: Existing businesses impacted by the 2020 Pandemic can seek loan funds from ARDC without the participation of private institutions.

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:

Pandemic impacted tourism, retail, hospitality and non-profit business

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

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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 \$25,000 in ARDC/RLF assistance.

B. Private Sector Investment

1. Pandemic impacted applicants will not be required to have private sector (bank) participation.
2. Non-Pandemic impacted applicants should demonstrate that they will leverage a minimum ratio of two private sector dollars to one ARDC/RLF dollar (2 to 1).
3. Non-Pandemic impacted 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

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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;

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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 (10) 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 $\frac{1}{4}$ percentage point.
2. Existing businesses that are/were significantly impacted by the 2020 Pandemic can seek working capital loan funds, up to \$75,000, from ARDC at rate that is 75 percent of the prime rate listed in the Wall Street Journal. On August 27, 2020 that calculation resulted in a rate of 2.44%. **Businesses seeking these working capital loans under \$75,000 should go to ardc.org/rlf and use the application for an “Urgent Loan.”**
3. COVID related business expansions, construction, and equipment purchases may be given a 4% interest rate depending on each situation.
4. Non Pandemic impacted businesses will likely have a 6% interest rate.
5. 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 Administration.
6. Interest rate will be fixed throughout the term of the loan.

D. Fees and Charges

1. Origination Fee:

Pandemic related loans will not have an origination fee.

Non-Pandemic related loans will have A 1 $\frac{1}{2}$ % loan origination fee charged 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. Legal Costs:

Pandemic related loan closing legal costs, within reason, will be funded by ARDC.

Non-Pandemic impacted 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. All loans must be adequately secured and personally guaranteed to the satisfaction of the Loan Administration Board of Arrowhead Regional Development Commission.

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2. All loans shall be subject to whatever agreements and documents are reasonably necessary to protect the interests of Arrowhead Regional Development Commission and to ensure that the purpose and intent of this program are met.
3. 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.
4. All applicants receiving financing assistance must demonstrate an acceptable level of job creation or retention.
5. All loans shall be subject to the provisions of the Davis-Beacon Act with respect to prevailing wage rates.
6. 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. *Applicants will need to provide documentation that other lending institutions have turned them down or not fully funded the loan request.*

VI. APPLICATION PROCESS

A. Pre-Application

1. Pre-applications are available from ARDC.
2. Read and thoroughly understand program guidelines.
3. Prepare pre-application and obtain bank signature (if there is bank participation).
4. Submit to the following email address:

alandgren@ardc.org

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 alandgren@ardc.org.
3. Completed full applications received no later than the 15th day of each month will be acted upon during the following month.
4. Technical Advisory Committee review application and make recommendation to the ARDC's Administration Team.

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5. Administration Team reviews and make final decision on application, then reviews its decisions monthly with the ARDC Board.

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

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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 Working Capital

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: _____

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V. COVID-19 Pandemic Impact

Has your business been impacted by the 2020 Pandemic?
Please explain:

Submit to: alandgren@ardc.org

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

Participating Lender (if known): _____

Contact Person: _____ Telephone No.: _____

Participating Lender (if known): _____

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