

**BUSINESS SUBSIDIES CRITERIA POLICY**  
Appendix A - LOCAL FUND SOURCE:

**REVOLVING LOAN FUND POLICIES**  
[Department of Trade and Economic Development (DTED) –  
MINNESOTA INVESTMENT FUND PROGRAM (MIF)]

**RLF-I. INTRODUCTION - SOURCE and PURPOSE of FUNDS**

The purpose of this policy is to provide written guidelines for the processing and award of loans under the City of Spring Grove Economic Development Authority (EDA) Revolving Loan Fund (RLF) Program. It is intended to be used as the procedure for the EDA to follow in the granting and administration of the RLF program.

The initial capitalization for the RLF is from the State of Minnesota. The RLF will be used primarily to provide fixed asset financing to businesses in City of Spring Grove. The RLF may also be used for limited working capital financing. The form of the RLF's involvement in the financing may be as a direct loan to the business or as a guarantor to a conventional bank loan. It is a goal of the RLF program to leverage its funds to the greatest extent possible. It is the intent of the RLF program to primarily use its direct loan program for fixed asset subordinated mortgage financing and its loan guarantee component for working capital loans.

Each loan must document job creation or retention, which is the public purpose of the program. The City of Spring Grove Revolving Loan Fund Program is a “gap” financing tool used to assist financing business projects, which would otherwise lack the required funding.

The Revolving Loan Fund Program is administered by the seven member City of Spring Grove Economic Development Authority, subject to final approval by the Spring Grove City Council.

**RLF II. ELIGIBILITY, GENERAL LIMITATIONS, INTEREST & TERM**

- A. Applicant / Project Eligibility, Private /Equity Participation and MIF-RLF repayment terms shall follow the City Spring Grove Business Subsidy Criteria Policy.
- B. Interest Rate & Term policy for Revolving Loan Fund Loans is as follows: (to Exhibit G)
  - 1. For loans of less than \$10,000: a rate of 5% interest for a term of five years or less;
  - 2. For loans of \$10,000 to \$30,000: a rate of 6% interest for a term of 5-10 years;
  - 3. A 7% interest rate for loans of more than \$30,000 and/or a term of more than 10 years.

- C. Eligible Uses and Length of term shall be based on the useful life of assets, limited by the following schedule:
  - 1. Acquisition of Land 20 year financing terms

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|--------------------------------|--------------------------|
| 2. Acquisition of Building     | 20 year financing terms  |
| 3. New Construction            | 20 year financing terms  |
| 4. Machinery and Equipment     | 7 year financing terms   |
| 5. Building Renovation         | 15 year financing terms  |
| 6. Working Capital (Inventory) | 1-5 year financing terms |

**RLF III. ELIGIBLE BUSINESSES/PROJECTS**

A. ELIGIBLE BUSINESSES/PROJECTS: Expansion, relocation or startups, provided that the jobs are permanent (not seasonal) and that 51% of all jobs created per project by this RLF will be made available to low and moderate income persons.

1. Manufacturing/Assembly
2. Retail
3. Tourism Projects
4. Technology, Innovative Projects
5. Agricultural Processing

B. ELIGIBLE USES: Preference shall be given to fixed assets.

1. Acquisition of Land
2. Acquisition of Building
3. New Construction
4. Machinery and Equipment
5. Building Rehabilitation
6. Working Capital defined as Inventory.

C. INELIGIBLE BUSINESSES/PROJECTS:

1. Media
2. Agricultural Production
3. Speculative Real Estate
4. Construction or Maintenance of Utilities

D. INELIGIBLE USES:

1. Refinance Debt
2. Pay Delinquent Taxes
3. Professional Offices
4. Cover Product Development Costs

Business Subsidies Criteria Policy

Appendix A

Page 3

5. Pay Organizational Costs of a Start-up
6. Invest in Residential Real Estate

**RLF IV. APPLICATION PROCEDURE, APPROVAL and CLOSING**

- A. Application Procedure, Approval Process and Closing shall follow the City of Spring Grove Business Subsidy Criteria Policy.
- B. While the EDA will endeavor to secure each loan with adequate collateral, lack of hard collateral, by itself, will not be a reason to decline a loan.