

KASSON ECONOMIC DEVELOPMENT AUTHORITY

REGULAR MEETING AGENDA

Kasson City Hall
Tuesday, December 3rd, 2019
12:00 noon

- I. Call Meeting to Order**
- II. Approve Minutes of the Previous Meeting**
- III. Coordinator's Report**
- IV. Business Façade Improvement Program**
 - a. Dan Gadiant/Daniels Restaurant Application**
- V. Revolving Loan Fund**
- VI. Kasson Konnections**
- VII. Other Business**
- VIII. Items for January EDA Meeting**
- IX. Adjourn**

Next meeting will be held on Tuesday January 7th, 2019

KASSON ECONOMIC DEVELOPMENT AUTHORITY MEETING

Tuesday, November 5th, 2019

12:00PM

MINUTES

Pursuant to due call and notice thereof, a regular meeting of the Kasson Economic Development Authority (EDA) was held at City Hall this 5th day of November 2019 at 12:00PM.

The following board members were present: Chris McKern, Liza Larsen, Michael Peterson, and Tom Monson.

Absent: Dan Egger, Richard Wegner, and Janice Borgstrom-Durst.

The following staff members were present: Nicholas Ouellette, EDA Coordinator

- I. Call Meeting to Order. Peterson called the meeting to order at 12:00PM.
- II. Approve Minutes of the Previous Meeting. Monson motioned to approve the minutes of the previous meeting as submitted. McKern seconded.

Ayes (4), Nays (0). Motion carried.
- III. Quarterly Financial Report. McKern had a question regarding the status of the Dollar Video loan. Ouellette responded he would inquire with the Finance Department and report back to the Board. Monson motioned to approve the Quarterly Financial Report. Larsen seconded.

Ayes (4), Nays (0). Motion carried.
- IV. Coordinator Report.
 - a. Business Retention and Meetings. Ouellette discussed his meeting with Karen Ducharme regarding the process and timeline for the Small Cities Development Program, which has been accepting applications. Ouellette notified the board his inquiries for compatible properties for a Cabin Coffee has no yielded no viable results; should an appropriate property become available Ouellette will pass along such information to Cabin Coffee. Ouellette noted he was in attendance at the October 2nd 1 Million Cups and a panel discussion regarding communities using energy as an economic driver.
 - b. Community Roadside Landscape Partnership Program. Ouellette reported the City of Kasson received their reimbursement from MNDOT for the roadside landscaping project.
 - c. Business Façade Improvement Grant. Ouellette noted Trail Creek Coffee had completed their sign project but had yet to submit a request for reimbursement. Ouellette also noted two project applications were ready for board review
 - d. Revolving Loan Fund. Ouellette updated the board on his progress with new Revolving Loan Fund Guidelines and Policies.

- e. Quarterly Financial Report. Ouellette noted the quarterly financial report presented in this meeting was dated October 1st.

Discussion continued on the type of property Cabin Coffee is looking for in Kasson, an “AM-traffic side” parcel with space for a drive through. Ouellette also noted Kwik Trip is arranging plans for long haul truck parking at their old gas station site.

- V. Business Facade Improvement Program. Ouellette informed the EDA Board he had received two new applications for the board to review.
 - a. Erdman’s County Market. Ouellette discussed the project application for Erdman’s County Market to replace their canopy and install new LED lighting underneath the canopy. Ouellette noted the matching grant request was for a total of \$2,000 dollars.
 - b. Janice Borgstrom-Durst. No discussion was held on this item.

McKern motioned to approve both project applications. Monson seconded.

Ayes (4), Nays (0). Motion carried.

- VI. Revolving Loan Fund Update. Ouellette discussed the new Revolving Loan Fund Guidelines and Policies Draft, prepared for the EDA Board to review. Ouellette noted the highlighted areas in the packet were policies and guidelines the Board should discuss. The Board provided Ouellette with directions to prepare the final version of the Revolving Loan Fund Guidelines and Policies for the EDA Board to adopt at the next EDA meeting.
- VII. Kasson Konnections. Ouellette and the Board discussed ways to improve business outreach for 2020, which could involve regular attendance at Kasson Chamber meetings.
- VIII. Other Business. None.
- IX. Items for the December EDA Meeting. Revolving Loan Fund Guidelines and Policies.
- X. Adjourn. Monson motioned to adjourn the meeting. McKern seconded.

Ayes (4), Nays (0). Motion carried and meeting adjourned.

The next meeting will be held at 12:00PM on December 3rd, 2019.

Minutes Submitted by: _____
Nicholas Ouellette, EDA Coordinator

Dan Egger, EDA President



TREE
CITY
USA

CITY OF
KASSON

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KASSON, MINNESOTA 55944-2204
PHONE: (507) 634-7071
FAX: (507) 634-4737

MEMO

To: Economic Development Authority Board

From: Nicholas Ouellette

Date: December 3rd, 2019

Re: Business Façade Improvement Program

One new application has been received for the program.

- Daniels Restaurant/Dan Gadiant:
 - Project to update landscaping and plant materials in Daniels Restaurants parking lot.
 - Project total: \$2,970.00
 - Total request: \$1,485.00

Action Requested

I recommend the EDA Board approve Dan Gadiant's Business Façade Improvement Program Application.

Business Facade Improvement Program – Application
Kasson Economic Development Authority

Name: DAN GADIENT Date: 11-21-19
Business: DANIELS PLAZA LLC
Email: MADGADIENT@GMAIL.COM Phone: 507 259 2808
Mailing Address: 65654 250 AVE
City/State/ZIP: KASSON, MN 55944
Project Address: 504 SO MANORVILLE AVE KASSON MN
Project Summary: UPDATE, NEW PLANTINGS - LANDSCAPING

Total Project Cost: 2,970⁰⁰

Total Amount Requested: 1,485⁰⁰

Application Certification

We, the undersigned certify that the information submitted is true and accurate to the best of our knowledge, that we have read, understand, and will comply with the program guidelines. We understand that this application will be reviewed based on the information provided herein and that if the final project does not meet minimum program guidelines, the City reserves the right to deny payment. We confirm that if approved, the City may use the approved company's name and information in promotional/publicity materials, events, etc.

But for the assistance provided through this program by the Kasson Economic Development Authority, we would not have the resources to complete this project to the extent that we will with assistance.

DANIEL GADIENT/OWNER
Name/Title (printed)

Name/Title (printed)

[Signature]
Signature

11-21-19
Date

Signature

Date

NO WORK MAY BEGIN PRIOR TO EDA APPROVAL



5225 Co. Rd. S, Byron, MN 55920 | (507) 365-8891

Dan Gadiant
Daniel's Restaurant Plaza
Kasson, MN 55944

Nov. 19, 2019

Landscape estimate:

Plant material:	<u>\$ 920.00</u>
(48) Nepeta	\$ 520.00
(2) Shade Trees	\$ 400.00
Other material/costs:	<u>\$ 130.00</u>
Soil	\$ 50.00
Brush Removal	\$ 80.00
Labor for area prep and plant install:	<u>\$1920.00</u>
Amount of Estimate:	\$2970.00
Deposit due before project begins:	<u>\$ 750.00</u>
Balance due upon the completion of work:	\$2,220.00

I've reviewed the design and authorize Garten Marketplatz Perennial Farms to go ahead with the work as we've discussed. Any changes requested by me during the installation of this design will affect the final amount due.

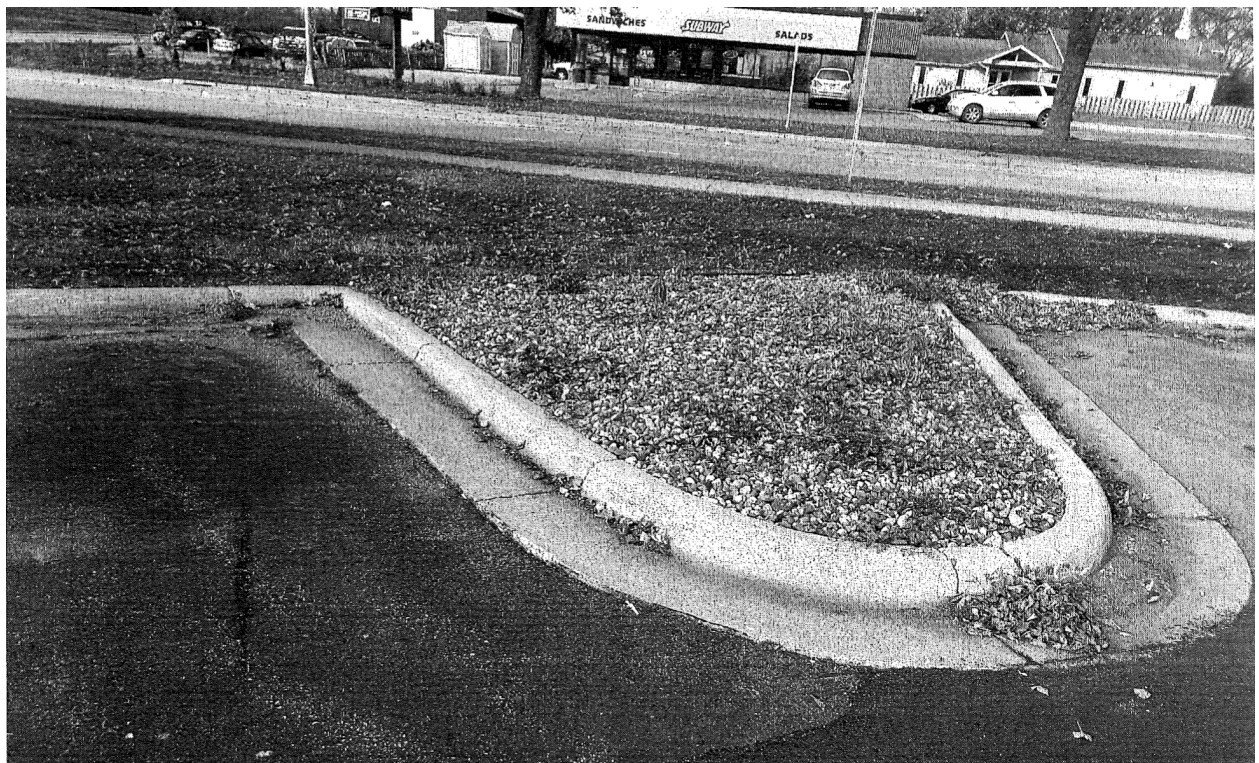
Signature

Date

Please sign and date the form, and return it, along with the deposit, to us at the above address. Upon receipt, we'll get you on the schedule.

Thank you. We look forward to working with you on this project!





Revolving Loan Fund Documents Guide

Guidelines and Principles	p. 8 - 18
Pre-Application	p. 19 - 20
Full Application	p. 21 - 25
Loan Agreement	p. 26 - 30
Promissory Note	p. 31
Business Subsidy/Dev. Agreement	p. 32

REVOLVING LOAN FUND GUIDELINES AND POLICIES

City of Kasson Economic Development Authority

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 Kasson 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 City of Kasson EDA maintains a RLF to assist in retaining and expanding existing businesses, assist new start-up companies, assist companies relocating to Kasson, and promote job creation or retention.

The initial capitalization for the RLF will be funded by the City of Kasson EDA. The RLF will be used primarily to provide fixed asset financing to businesses in the City of Kasson. 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 the goal of Kasson's RLF 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.

The Revolving Loan Fund Program is a "gap financing" tool used to assist in the financing of business projects, in combination with local private sector financing (banks), which would otherwise lack the required funding. Non-Profits may apply for RLF assistance if certain requirements are met. Applicants must first explore opportunities to obtain funds for their projects from commercial lenders or other private sources before consideration for a RLF loan.

The Revolving Loan Fund Program is administered by the seven-member City of Kasson Economic Development Authority, subject to final approval by Kasson City Council. The following is an overview of the RLF program, general guidelines for eligibility, application guidelines, and the criteria and process for evaluation of applications.

RLF – II. GENERAL GUIDELINES

- A. Applicant/Project Eligibility, Private/Equity Participation, and RLF repayment terms shall follow the City of Kasson EDA Business Subsidy Criteria Policy.
- B. Applicants may be individual owners, partnerships, corporations, tenant operators, or contract for deed purchasers of any legitimate business whose primary place of business is located in Kasson (or within 2,000 feet of City boundaries). Loans are limited to one per year to any Borrower/Applicant. Lending institutions, real estate brokers, and media

businesses are ineligible. While the RLF is intended to service the private sector, non-profit applicants may be considered if their project is considered beneficial to the Kasson economy, has a firm source of revenue for repayment, and other requirements are met.

- C. At least sixty percent (60%) of the total project cost shall be funded privately or through a private lender, with no less than ten percent (10%) of the project provided by the businessowner/applicant in cash or owner equity. **The remaining forty percent (40%), recognized as the financing gap, may be provided by the Kasson Revolving Loan Fund.**

If denied for conventional financing, the applicant may increase the gap financing request no greater than sixty percent (60%) the total project costs, up to \$20,000.

- D. All loans shall be secured by collateral adequate to safeguard the lenders. If the Kasson EDA is the sole lender, it will take a first security interest in the assets financed.
- E. Following the funding of a project, periodic financial reporting, record keeping, and other similar requirements are necessary. Failure to abide by City requirements and approved plans will result in the recall of a loan at the City's request.
 - A. Each loan must document job creation or retention, which is the purpose of the RLF program. The expected number of jobs to be created or retained will be contingent on the size and purpose of the loan.
- F. Construction of a project shall not commence until the appropriate City approvals have been given to the application for financing.
- G. Applicants for RLF funds shall complete an application form and supply all additional information requested by the EDA.
- H. At all times, procedures and policies related to the proposed or actual approval of the City's financial assistance will comply with the laws of the State.
- I. Applicants should not make any legally binding commitments to third parties based on the assumptions that an EDA RLF loan will be approved or issued by a specific date. The EDA will not accept responsibility for premature commitments inappropriately made by applicants.
- J. All applications and supporting materials and documents shall become the property of the City and, as such, are public records. Classification of the data shall be governed by the Minnesota Data Practices Act, M.S. 13.01 et seq., and other Minnesota Statutes as appropriate.

RLF – III. ELIGIBILITY, LIMITATIONS, INTEREST AND TERM

- A. Interest Rate & Term policy for Revolving Loan Fund loans are as follows:

1. For loans of less than \$10,000: an interest rate of the U.S. prime rate minus 2% (no lower than 3%) for a term of five years or less;
2. For loans of \$10,000 to \$30,000: an interest rate of the U.S. prime rate minus 1% (no lower than 4%) for a term of 5-10 years;
3. For loans of \$30,000 or greater and/or a term longer than 10 years: an interest rate equal to the U.S. prime rate (no lower than 5%).

U.S. prime rate will be determined by the rate published in the Wall Street Journal one business day prior to the loan closing date.

B. The terms of the loan shall be determined by the Kasson Economic Development Authority's Loan Review Committee as informed by the following details. Eligible uses and length of term shall be based on the useful life of assets, and the following guide:

- | | |
|---|--------------------------------------|
| 1. Land acquisition | - Limited to 20-year financing terms |
| 2. Building acquisition | - Limited to 20-year financing terms |
| 3. New construction* | - Limited to 20-year financing terms |
| 4. Building renovation* | - Limited to 15-year financing terms |
| 5. Site improvements* | - Limited to 15-year financing terms |
| 6. Machinery, equipment, and fixtures** | - Limited to 7-year financing terms |
| 7. Working capital/Inventory*** | - Limited to 1-year financing terms |

* Owners or contractors are required to pay prevailing wages to any employees involved in construction, renovation, or site improvement work.

** The remaining effective life on equipment, machinery, and/or fixtures must be equal to, or exceed, the life of the loan, determined through IRS Publication 946.

*** Working capital loans are limited to the value for two (2) months of operating costs for the business. Inventory loans are limited to \$5,000.

C. Use of RLF funds to guarantee a conventional bank loan are subject to certain limitations. The RLF may be used to guarantee up to fifty percent (50%) of outstanding principal balance for a conventional bank loan, with the amount not to exceed \$10,000.

The EDA's criteria for underwriting loans resemble those used by lending institutions in business loan evaluation. The EDA has a focus on economic and community development, as such, the underwriting criteria will include considerations regarding economic impact and community benefit.

D. Ineligible uses and businesses:

- | | |
|---|---------------------------------------|
| 1. Refinance debt | 6. Residential real estate investment |
| 2. Pay delinquent taxes | 7. Gambling |
| 3. Professional offices | 8. Media businesses |
| 4. Product development costs | 9. Agricultural businesses |
| 5. Organizational costs for start-up businesses | 10. Speculative investments |
| | 11. Owner distribution |

RLF – IV. APPLICATION PROCEDURE

A. Prior to any consideration, the pre-application procedure must be completed as follows:

1. The applicant must deliver the following documents to the EDA:
 - a. Completed Revolving Loan Fund Preliminary Application.
 - b. Release Authorization(s).
 - c. The EDA does not charge any application processing or loan servicing fees. However, fees may be required from applicants if the EDA incurs any third part charges for document filing, credit checks, appraisals, or loans that require a consultant. *

*The fact that the City accepts an applicants' fees is not to be construed as a guarantee that the City will authorize the project under consideration.

2. The EDA Loan Review Committee and EDA Staff, as an ex-officio member of the committee, will review the pre-application and provide a recommendation to the Authority and Council whether a full application should be considered, based on consideration of the proposed project in accordance with the EDA's Business Subsidy Criteria.

B. Full Application. The Applicant must provide all supplementary information and attachments as required for the RLF funds being requested, and:

1. A "but for" letter documenting the need as set forth in the *Business Subsidy Criteria Policy* section of the City of Kasson Economic Development Authority Policy and Procedures Manual.
2. The following may be requested from the Applicant, where applicable:
 - a. Letter of commitment for bank/private financing;
 - b. Retail or office market analysis;
 - c. Property appraisal for the proposed project;
 - d. Pro forma analysis; and/or,
 - e. A credit check.

3. A statement addressing environmental review requirements and evidence of compliance with applicable requirements.
4. Balance of fee deposit incurred for any third part charges for document filing, credit checks, appraisals, or loans that require a consultant.
5. Building and site plans.
6. Property information, including legal description, tax parcel ID number, size of parcel(s), current market value, and estimated market value upon completion (land and improvements), and survey map showing exact boundaries of proposed development (if applicable).
7. Statement of property ownership or control (e.g. purchase agreements and contracts).
8. Historic information on the business, and a copy of the Applicants business plan.
9. Business financial statements including the past three years of profit/loss statements and balance sheets. (See RLF – II. I)
10. Resumes and personal financial statements of all principals with twenty percent (20%) or more ownership of the business. (See RLF – II. I)
11. List any other development projects the Applicant has completed. List the value, debt load, lender(s) of each project, and note whether the Applicant has ever defaulted on any loan commitment, development or redevelopment agreement, or other subsidy for any of the projects listed.
12. Any other information deemed necessary or desirable by the EDA or City Council. Should the EDA or City Council request a background check, the applicant must agree to a background check before one may be conducted.

RLF – V. APPLICATION REVIEW AND PROJECT APPROVAL

A. Preliminary Approval.

The EDA Loan Review Committee and EDA Staff, as an ex-officio member of the committee, and/or a third party will review the full application and provide a recommendation for preliminary approval to the EDA and City Council.

The EDA will make a finding based upon information presented as to whether the proposed project is consistent with the City of Kasson EDA Business Subsidy Criteria Policy and RLF guidelines outlined in this document. If deemed appropriate, the

EDA/City Council may direct staff and/or consultants to prepare the required documents and agreements.

B. Final Approval.

Final approval of a RLF Loan shall occur with the approval and signing of all required documents and agreements including, but not limited to, the following:

1. Business Subsidy/Development Agreement.
2. Loan Agreement.
3. Promissory Note.
4. Collateral adequate to safeguard the RLF Loan, with the understanding that the City interest in the assets financed may be subordinate to the primary lender.
5. Personal Guarantees may be required in any project at the sole discretion of the EDA and/or City Council. Personal Guarantees may be collateralized with personal assets when appropriate.
6. Certificate of Insurance Coverage listing the City as a loss payee each year of the loan.
7. Disclosure of all Federal, State, and Local tax liens and payables from all Principals.

C. Data privacy.

All applications and supporting documents shall become the property of the City, and the classification, retention, destruction, and/or disclosure of data shall be governed by the Minnesota Data Practices Act, M.S. 13.01 et seq., and other Minnesota Statutes as appropriate.

RLF – VI. LOAN SERVICING AND FOLLOW-UP REPORTING REQUIREMENTS

A. Loans may be closed by the EDA President/City of Kasson Finance Director. General closing procedures are as follows:

1. When the loan closing is completed and funds are disbursed, the Economic Development Coordinator will establish a loan servicing file to contain:
 - a. All closing documents;
 - b. A log of all conversations and correspondence relating to the loan; and,
 - c. A master follow-up file to ensure loan monitoring functions are performed on a timely basis.
2. An Amortization Schedule including the calculation of principal and interest, and monthly payment reports will be executed at the time of the loan closing and will be forwarded to the City of Kasson Finance Department for payment collection.

- B. Loan accounting will be a part of the City of Kasson Finance Department's responsibility. The Borrower or Borrowing Entity will be responsible for providing the Finance Department with loan accounting reports. The Finance Department will be responsible for collecting and maintaining evidence of ongoing compliance with any loan requirements. The EDA Coordinator will be responsible for collecting and maintaining evidence of ongoing compliance with respect to job creation and retention, insurance, financial reporting, and any special conditions in the initial agreement. Reports may be requested for individual loans including principal, interest, fee payments, etc.
- C. Delinquency will be handled by the EDA Coordinator in a firm, yet flexible way, with provision for modifying or restructuring consistent with program objectives and responsible money management. Any modifications of loan terms and conditions must be requested in writing by the applicant and approved by the EDA Board.
- D. Defaults will be handled on a case-by-case basis by the EDA Coordinator. In the event the business is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties, shall, at the City of Kasson EDA's option, by acceleration or otherwise, become due and payable. To exercise this option, the City of Kasson Attorney shall prepare a written notice to the business. The notice shall specify the following:
 - 1. The default;
 - 2. Action(s) required to cure the default;
 - 3. A date, not less than thirty (30) days from the date of the notice, by which the default must be secured to avoid foreclosure or other correction action(s); and,
 - 4. Any penalties incurred as a result of the default, inability to create jobs, etc.

The City of Kasson EDA shall use its discretion in terms of when and how to collect and liquidate secured collateral.

- E. Any total or partial sale, assignment, conveyance, lease or transfer with respect to the loan and security interest is not allowed without prior review and written approval by the EDA Board, which approval shall not be unreasonably withheld.
- F. Compliance with Minnesota Business Subsidy Law. Each business receiving assistance with the principal amount over \$75,000 from the Revolving Loan Fund shall be subject to the provisions and requirements set forth by Minnesota Business Subsidy Statute 116J.994 and the City of Kasson EDA Business Subsidy Policy. All Revolving Loan Fund Loans

RLF – VII. USE OF LOAN REPAYMENTS

The Kasson RLF is a self-replenishing fund. Interest and principal payments on previous loans will be used to issue new loans in accordance with the RLF guidelines and policies.

RLF – VIII. COVENANTS

- A. Use of proceeds. The Borrower and/or business will use the proceeds of the Loan in the manner outlined by this document and stipulated in the loan closing documents. Failure to satisfy this covenant may result in Material Adverse Effect.
- B. Compliance with Laws. The Borrower and/or Business will be required to maintain good standing with the States, Counties, and Cities where they exist. Failure of the Borrower and Business to maintain compliance with laws may result in Material Adverse Effect.
- C. Taxes. The Borrower and/or Business are required to pay their obligations with respect to all tax liabilities, assessments, and government charges. The failure to make payment of tax liabilities, assessments, and governmental charges may result in Material Adverse Effect.
- D. Job Creation and Retention. The Borrower and/or Business will be required to create and maintain the number of jobs as decided by the EDA Board and outlined in Loan Closing documents. Failure to comply with this covenant may result in Material Adverse Effect.
- E. Insurance. The Borrower and/or Business will be required to maintain adequate policies for the Business and properties associated with the Business after the Loan Closing date.
- F. Maintaining Records and Reporting. The Borrower and/or Business will be required to maintain and deliver records to the lender for review on an annual basis. Failure to provide adequate records and access to properties may result in Material Adverse Effect. The required documents are as follows:
 - i. Taxes. A statement from a Banking Institution verifying the Borrower and/or Business have filed annual taxes.
 - ii. Job Creation and Retention. The Borrower and/or Business will maintain a record of employment figures.
 - iii. Insurance. The Borrower and/or Business will submit proof of insurance for the Business and properties associated with the Business.
- G. Site Visit. The Borrower and/or Business will be required to allow access to, and inspections of, properties associated with the Loan by an agent of the EDA (i.e. Board Member, Coordinator, etc.). These site visits are to be carried out on an annual basis. Failure by the Borrower and/or Business to allow EDA access to properties associated with the Loan may result in Material Adverse Effect.

RLF – IX. DEFINITIONS

As used in this document, the following terms shall have the following meanings:

“Amortization Schedule” shall mean a complete table of periodic loan payments, showing the amount of principal and the amount of interest that comprise each payment until the loan is paid off at the end of its term.

“Assignment” shall mean the transfer of property, benefits, interests, liabilities, rights under a contract, by one party to another.

“Borrower” shall mean the approved Applicant for a Revolving Loan Fund loan.

“Business Plan” shall mean a document setting out a business’s future objectives and strategies for achieving them.

“Business Subsidy” shall have the meaning assigned to such term in Minnesota Business Subsidy Law, Minnesota Statutes Section 116J.993 through 116J.995.

“But-for” shall mean the analysis that determines whether a proposed project would not occur, but for the Revolving Loan Fund assistance.

“Certificate of Insurance Coverage” shall mean a certificate issued by an insurance company or broker that verifies the existence of an insurance policy held by the Borrower.

“Collateral” shall mean something pledged as security for repayment of a loan, to be forfeited in the event of a default.

“Default” shall mean the failure to fulfill the obligation to repay the loan.

“Delinquency” shall mean when the Borrower or Business, with a contractual obligation to make loan payments against the debt of the RLF loan, does not make those payments on time or in a regular, timely manner.

“Development Agreement” shall mean a voluntary contract between a local jurisdiction and a person who owns or controls property within the jurisdiction, detailing the obligations of both parties and specifying the standards and conditions that will govern development of the property.

“Economic Development Authority” shall refer to the City of Kasson Economic Development Authority (EDA), a professional and confidential agency whose goal is to help develop and support economic growth within the city of Kasson.

“Environmental Review” shall refer to the assessment of the environmental consequences of a plan or project prior to the decision to move forward with the proposed action.

“Ex-Officio” shall refer to the Economic Development Coordinator, who is part of the EDA by virtue of their position as an employee of the EDA.

“Financial Statement” shall refer to the formal record of the financial activities of the Borrower or Business.

“Fixed Assets” refers to assets which are purchased for long-term use and are not likely to be converted quickly into cash, such as land, buildings, and equipment.

“Gap Financing” shall refer to the sum of money lent by the City of Kasson EDA to cover the difference between secured financing and the financing needed to carry out a project.

“Guarantor” shall mean the City of Kasson EDA, which is providing the RLF Loan.

“Interest” shall mean:

- a. the fee rate for the use of RLF funds, determined by the amount and length of the loan.
- b. the amount of ownership a stakeholder has in a company.

“Legal Description” shall mean a geographical description of a property which identifies location, boundaries, and any existing easements on the property.

“Letter of Feasibility” shall refer to a letter which includes the background of the project and provides an assessment of the practicality of the proposed project.

“Material Adverse Effect” shall mean a material adverse change to the business, operations, property, or financial condition of the Borrower and/or Business, taken as a whole, the validity or enforceability. The Lender, or EDA, is allowed to cancel the transaction if a material adverse change occurs.

“Partnership” shall refer to a business or firm owned and run by two or more partners.

“Personal Guarantee” shall mean a promise made by an individual or entity to accept responsibility for some

“Prime Rate” shall mean the rate of interest last quoted by The Wall Street Journal as the “Prime Rate” in the U.S. or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board.

“Principal” shall, in the context of borrowing, refer to the initial size of the loan, and/or the subsequent remaining balance.

“Principal Owner” shall mean any person or entity who, now or hereafter, directly or indirectly owns a twenty percent (20%) or greater interest in the business.

“Promissory Note” shall mean a signed document containing a written promise to pay a stated sum to a specified person or the bearer at a specified date.

“Pro Forma” shall mean an analytical projection of the potential financial position of a company based on a review of historical information, operating metrics, and potential costs associated with anticipated changes.

“Resume” shall mean a brief account of a person’s education, qualifications, and previous experience.

“Revolving Loan Fund” shall mean a gap financing measure primarily used for development and expansion of small businesses. It is a self-replenishing fund, utilizing interest and principal payments on previous loans to issue new ones.

“Security Interest” refers to an enforceable legal claim or lien on collateral that has been pledged to obtain a loan.

“Subordinate Financing” is debt financing that is ranked behind that held by secured lenders in terms of the order of which the debt is repaid.

“Tax Parcel ID” shall refer to the identification number assigned by Dodge County to a certain plot of property.

“Term” refers to the length of time a borrower has to make payments on a loan.

“Underwriting” shall refer to the criteria and process of the City of Kasson EDA used to determine whether a borrower’s loan application is an acceptable risk.

“Working Capital” shall mean the capital of a business which is used in its day-to-day operations.

RLF – X. PROVISION FOR AMENDMENTS

The City of Kasson Revolving Loan Fund Policies may be amended by the Kasson City Council after a public hearing on such amendment(s) and, in accordance with Minnesota Business Subsidy Law, Minnesota Statutes Section 116J.993 through 116J.995, upon recommendation by the Kasson Economic Development Authority.

REVOLVING LOAN FUND PRE-APPLICATION
City of Kasson
Economic Development Authority

In accordance with Revolving Loan Fund Guidelines and Policies section RLF-IV. A., the following form must be submitted for review by the EDA Loan Review Committee.

1. General information:

Contact Person: _____
Telephone #: _____ Fax #: _____
Business Name: _____
Business Address: _____
Telephone #: _____ Fax #: _____
Business Form: _____ Corporation _____ Partnership _____ Sole Proprietorship
State of Incorporation or Organization: _____
Years in Operation: _____ Years in Operation in Kasson: _____

2. Brief description of the business:

3. Description of proposed project:

4. Statement of necessity for the use of RLF assistance for the project:

5. Project completion schedule:

Estimated project start date: _____ Estimated project completion date: _____

If the project is not expected to be completed within one year, what percentage of the project is estimated to be completed within one year of loan approval? _____%

6. Proposed Project Site

Address: _____

Applicant: ☐ Owns ☐ Rents the business property

Owners name: _____

Owners Address: _____

Terms of Lease: _____ (Attach copy of lease)

7. Estimated Costs, Sources, and Use of Funds

		SOURCE OF FUNDS				
		RLF	Bank	Equity	Other	TOTAL
USE OF FUNDS	Land Acquisition	\$	\$	\$	\$	\$
	Building Acquisition	\$	\$	\$	\$	\$
	New Construction	\$	\$	\$	\$	\$
	Building Renovation	\$	\$	\$	\$	\$
	Site Improvements	\$	\$	\$	\$	\$
	Machinery/Equipment	\$	\$	\$	\$	\$
	Working Capital/Inventory	\$	\$	\$	\$	\$
	Other:	\$	\$	\$	\$	\$
	Other:	\$	\$	\$	\$	\$
TOTAL		\$	\$	\$	\$	\$

8. Current and Projected Employment

				Employment Projections			
Type of Employment	Wage Rate	Existing Jobs		First Year		Second Year	
		Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Professional/Management	\$						
Skilled/Technical	\$						
Semi-Skilled/Unskilled	\$						
TOTAL							

9. Signature

I declare that any statement or information provided herein is true and complete in substance and in fact. Also, I authorize this information to be released to the appropriate agencies that may be able to assist in this request.

Name of Applicant: _____ Title: _____

Signature: _____ Date: _____

REVOLVING LOAN FUND APPLICATION

City of Kasson Economic Development Authority

In accordance with Revolving Loan Fund Guidelines and Policies section RLF-IV. B. “Full Application”, the following form must be submitted for review by the EDA Loan Review Committee. The City of Kasson EDA Revolving Loan Fund Application package must include the following items:

- Completed Revolving Loan Fund Application.
- “But for” letter documenting the need for RLF assistance.
- Business Plan including the description of the project, business history, scope of business, product offered, etc.
- Financial Information:
 - Signed personal financial statements dated as of the date of application for any principal owners of the business (those owning 20% or more of the business).
 - Federal tax returns filed by the business for the previous two years or audited financial statements.
 - Profit and loss statement for the last three years; current statement (less than 90 days) and two-year projections.
 - Statement of any other outstanding debt.
- Any other information, including key person insurance, which may be available to secure the loan.
- Information concerning any pending or threatened litigation or administrative proceeding, and outstanding administration orders, judgements or injunctions, or involvement in any bankruptcy.
- Certification of business compliance with all State laws affecting the conduct of the business within the state, including:
 - Evidence of payment of last quarters payroll tax.
 - Evidence of workers compensation insurance coverage.
- Letter from:
 - the County Recorder verifying there are no outstanding judgements against the business or business owners.
 - the County Recorder verifying there are no outstanding State or Federal Tax Liens against the business or business owners.
 - the County Finance Director verifying there are no past due real estate taxes owed by the business or business owners.
- Statement concerning the source of equity for the project, and how it will be obtained and appraised.
- Statement concerning how the project will benefit the community and impact the local tax base.
- Copy of the last Commitment letters from the bank:
 - indicating the working capital line of credit.
 - regarding the financing the bank will provide this project.

1. Applicant Information.

Legal Name of Borrower and Title:

Address: _____
Telephone #: _____ Fax #: _____

2. Business Information.

Business Name: _____
Telephone #: _____ Fax #: _____
Business Form: _____ Corporation _____ Partnership _____ Sole Proprietorship
State of Incorporation or Organization: _____
Years in Operation: _____ Years in Operation in Kasson: _____
Federal EIN: _____ State EIN: _____ SIC Code: _____

Principal Owner(s):
Name Address Telephone #
1. _____
2. _____
3. _____
4. _____

3. Professional Services/References. Fill in where applicable.

Architectural Firm/Contact: _____
Address: _____
Telephone #: _____ Fax #: _____

Engineering Firm/Contact: _____
Address: _____
Telephone #: _____ Fax #: _____

General Contractor/Contact: _____
Address: _____
Telephone #: _____ Fax #: _____

Attorney Firm/Contact: _____
Address: _____
Telephone #: _____ Fax #: _____

Accounting Firm/Contact: _____
Address: _____
Telephone #: _____ Fax #: _____

4. Project Description.

Describe the nature, purpose, and details of the project, including what is to be financed in part, or in whole, with Revolving Loan Funds:

5. Sources and Uses of Funds.

		SOURCE OF FUNDS				
		RLF	Bank	Equity	Other	TOTAL
USE OF FUNDS	Land Acquisition	\$	\$	\$	\$	\$
	Building Acquisition	\$	\$	\$	\$	\$
	New Construction	\$	\$	\$	\$	\$
	Building Renovation	\$	\$	\$	\$	\$
	Site Improvements	\$	\$	\$	\$	\$
	Machinery/Equipment	\$	\$	\$	\$	\$
	Working Capital/Inventory	\$	\$	\$	\$	\$
	Other:	\$	\$	\$	\$	\$
	Other:	\$	\$	\$	\$	\$
TOTAL:		\$	\$	\$	\$	\$

6. Project Funding Summary.

	RLF	BANK	Other: _____	Other: _____
Loan Amount	\$	\$	\$	\$
Loan Term (Years)				
Loan Interest Rate	%	%	%	%
Annual Debt Service	\$	\$	\$	\$
Type of Collateral				
Security Position				
Type of Guarantee				

7. Loan Activity Details. Please complete as applicable to project.

Property acquisition, renovation, construction, and/or improvements:

Address: _____ Telephone #: _____

Applicant: ☐ Owns ☐ Rents the business property

If leased, Owners name: _____

Owners Address: _____

Terms of Lease: _____ (Attach copy of lease)

Property Size: _____ (ft²/acreage)

Total ft² occupied: _____

Proposed expansion/construction: _____ ft²

Assessed valuation of property: _____

Machinery and/or equipment:

Item Description _____ Estimated Cost \$ _____

Item Description _____ Estimated Cost \$ _____

Item Description _____ Estimated Cost \$ _____

Working capital expenditures (inventory, operating expenses, etc.):

Activity Description _____ Estimated Cost \$ _____

Activity Description _____ Estimated Cost \$ _____

Activity Description _____ Estimated Cost \$ _____

8. Current and Projected Employment.

Type of Employment	Wage Rate	Employment Projections					
		Existing Jobs		First Year		Second Year	
		FT	PT	FT	PT	FT	PT
Professional/Management	\$						
Skilled/Technical	\$						
Semi-Skilled/Unskilled	\$						
TOTAL							

9. Project Timeline.

Estimated target date to:

Begin project: _____

Complete project: _____

10. Signature.

Agreement: The undersigned applied for the loan indicated in this application is to be used in connection with the project described herein. All statements made in this application are true and are made for the purpose of obtaining the loan. Verification may be obtained from any source named in this application. The applicant agrees to abide by all City of Kasson Economic Development Authority requirements. The applicant agrees to furnish any additional information to the City of Kasson Economic Development Authority as needed to review and consider this loan request.

Name of Applicant: _____ Title: _____

Signature: _____ Date: _____

DRAFT

**CITY OF KASSON
ECONOMIC DEVELOPMENT REVOLVING LOAN FUND
LOAN AGREEMENT**

THIS LOAN AGREEMENT (this “Agreement”) is made and entered to into as of this day of <<MONTH, YYYY>> (the “Effective Date”), by and between <<RECIPIENT NAME>>, (the “Recipient”), residing at _____, <<ADDRESS>>, and the Kasson Economic Development Authority, an economic development authority created pursuant to Minnesota Statute §469, located at 401 Fifth Street SE, Kasson, MN 55944 (the “EDA”).

WITNESSETH:

WHEREAS, the EDA administers a Revolving Loan Fund (the “Loan Program”), for the purpose of assisting the retention and expansion of existing businesses, assist new start-up companies, assist companies relocating to Kasson, and promote job creation or retention.

WHEREAS, Recipient agrees to make certain <<PURPOSE OF LOAN>>, with the funds provided by the EDA.

WHEREAS, the EDA has determined that the Recipient’s loan application is consistent with the intent of its Loan Program and has agreed to make a loan in the principal amount of <<LOAN AMOUNT>> in accordance with the terms and conditions provided herein.

NOW, THEREFORE, for good and valuable consideration, the parties agree as follows:

1. AMOUNT AND TERMS OF THE LOAN

- a. Loan. Subject to, and upon the terms and conditions herein set forth, the EDA agrees to make a loan to Recipient in the principal amount of <<LOAN AMOUNT (\$\$)>>, which shall accrue interest at a rate of <<INTEREST RATE>>.
- b. Length of Loan. The length of the loan shall be for a period of <<YEARS(#)>> with a maturity date of <<DATE>>, when the entire unpaid balance shall be due and payable.
- c. Repayment Terms. Recipient shall repay the loan pursuant to the amortization schedule attached hereto and incorporated herein by references as “Attachment A”.
- d. Promissory Note. Recipient shall execute a Promissory Note in the amount of <<LOAN AMOUNT(\$\$)>> upon the same terms and conditions set forth herein.

2. REPRESENTATIONS OF RECIPIENT. Recipient warrants that the following statements are true:

- a. The statements and representations made in Recipient's request for the Loan were at the time of the request and are as of the date hereof true and correct.
- b. Recipient is in good standing with all public entities having any authority or jurisdiction over Recipient, and Recipient is in compliance with and shall at all times remain in compliance with all federal, state, and local laws, rules and regulations which apply to Recipient.
- c. Recipient shall use the Loan funds for, and only for, the purposes stated in Recipient's request or as otherwise approved by the EDA in the award of the Loan, specifically to provide <<PURPOSE OF LOAN>> at <<LOCATION OF LOAN USE>>.
3. DISCLOSURE BY RECIPIENT. Recipient shall provide to the EDA, upon request, any and all business and financial records as may be necessary to confirm to the EDA that Loan funds have been used in compliance with the approved purposes of the Loan.
4. REPAYMENT OF LOAN FUNDS. Recipient shall repay the Loan as set forth in Section 1.c. above. Recipient may prepay the Loan at any time without penalty. Principal and interest shall be payable in lawful money of the United State at EDA's office located at 401 Fifth Street SE, Kasson, MN, 55944.
5. EVENTS OF DEFAULT OF RECIPIENT. Each of the following shall constitute an event of default "Event of Default") under this Agreement:
 - a. Recipient fails to pay when due (whether by acceleration or otherwise) principal or interest under this Agreement, and such default unless otherwise cured has continued for a period of thirty calendar days after Recipient receives notice thereof from the EDA;
 - b. Any representation or warrant made by or on behalf of Recipient in this Agreement, in any other Loan Document or in any statement or certificate given in writing pursuant thereto or in connection therewith if false, misleading, or incomplete in any material respect when made (or deemed to have been made);
 - c. Recipient fails or neglects to perform, keep, or observe any covenant set forth in this Agreement and the same has not been cured within thirty calendar days after Recipient receives notice thereof from the EDA;
 - d. Recipient commences a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to themselves or their debts under any bankruptcy, insolvency, or other similar law now hereafter in effect, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against them, or makes a general assignment for the benefit of creditors, or fails generally to pay their debts as they become due;

- e. An involuntary case or other proceeding is commenced against Recipient seeking liquidation, reorganization or other relief with respect to them or their debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect and such involuntary case or other proceeding remains undismissed any unstayed for a period of 60 days; or an order for relief is entered against Recipient under the federal bankruptcy laws as now or hereafter in effect; or
 - f. This Agreement, for any reason (other than the satisfaction in full of all amounts owing in connection to the Loan) ceases to be, or is asserted by Recipient not to be, a legal, valid and binding obligation of Recipient, enforceable in accordance with its terms, and such occurrence has not be cured to the EDA's satisfaction within five (5) calendar days after the Recipient receives notice thereof from the EDA.
6. EDA REMEDIES IN EVENT OF DEFAULT. If an Event of Default shall occur and be continuing, the outstanding principal amount of the Loan and interest accrued thereon shall be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived, interest thereon shall accrue on the total amount of the Loan (principal and interest) outstanding from and after the date of default at the rate of 8.00 percent simple interest per annum and an action therefore shall immediately accrue. After the date of default, payments by Recipient shall be applied first to interest and then to principal. Recipients shall also pay any costs of collection, including but not limited to reasonable attorney's fees and expenses, incurred by the EDA in enforcing this obligation.
7. GENERAL TERMS.
- a. Voluntary and Knowing Action. The parties, by executing this Agreement, state that they have carefully read this Agreement and understand fully the contents thereof; that in executing this Agreement they voluntarily accept all terms described in this Agreement without duress, coercion, undue influence, or otherwise, and that they intend to be legally bound thereby.
 - b. Recitals. The recitals to this Agreement are made part hereof and incorporated herein by reference.
 - c. Assignment. This Agreement may not be assigned by either party without the written consent of the other party.
 - d. Modifications/Amendment. Any alterations, variations, amendments, or waivers of the provisions of this Agreement shall only be valid when they have been reduced to writing and signed by authorized representative of the EDA and Recipient.
 - e. Records – Availability and Retention. Pursuant to Minn. Stat. § 16C.05, subd. 5, Recipient agrees that the EDA, the City of Kasson, the State Auditor, or any of their duly authorized representatives at any time during normal business hours and as often

as they may deem necessary, shall have access to and the right to examine, audit, excerpt, and transcribe any books, documents, papers, records, etc., which are pertinent to the accounting practices and procedures of Recipient and involve transactions relating to this Agreement.

Recipient agrees to maintain these records for a period of six years from the date of termination to this Agreement.

- f. Compliance with Laws. Recipient shall abide by all Federal, State, and local laws, statutes, ordinances, rules and regulations now in effect or hereinafter adopted pertaining to this agreement.
- g. Interest by EDA/EDA Officials. No elected official, officer, or employee of the EDA or the City of Kasson shall, during their tenure or employment and for one year thereafter, have any interest, direct or indirect, in this Agreement or the proceeds thereof.
- h. Governing Law. This Agreement shall be deemed to have been made and accepted in Dodge County, Minnesota, and the laws of the State of Minnesota shall govern any interpretations or constructions of the Agreement without regard to its choice of law or conflict of laws principles.
- i. Data Practices. The parties acknowledge that this Agreement is subject to the requirements of Minnesota's Government Data Practices Act, Minnesota Statutes, Section 13.01 *et seq.*
- j. No Waiver. Any party's failure in any one or more instances to insist upon strict performance of any of the terms and conditions of this Agreement or to exercise any right herein conferred shall not be construed as a waiver or relinquishment of that right or of that party's right to assert or rely upon the terms and conditions of this Agreement. Any express waiver of a term of this Agreement shall not be binding and effective unless made in writing and properly executed by the waiving party.
- k. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision. Any invalid or unenforceable provision shall be deemed severed from this Agreement to the extent of its invalidity or unenforceability, and this Agreement shall be construed and enforced as if the Agreement did not contain that particular provision to the extent of its invalidity or unenforceability.
- l. Headings and Captions. Headings and captions contained in this Agreement are for convenience only and are not intended to alter any provisions of this Agreement and shall not be used for the interpretation of the validity of the Agreement or any provision hereof.

- IN WITNESS WHEREOF the parties have caused these presents to be signed as of the date first above mentioned.

By: _____
 <<EDA PRESIDENT>>

PROMISSORY NOTE

US \$<<LOAN AMOUNT>>

Kasson, Minnesota

<<DATE>>

FOR VALUE RECEIVED, the undersigned ("Borrower") promises to pay the City of Kasson, a Minnesota Municipal Corporation, the principal sum of <<LOAN AMOUNT (\$X)>> with interest on the unpaid principal balance from <<LOAN START DATE>>, at the rate of <<INTEREST RATE (X%)>> per annum. Principal and interest shall be payable at 401 SE 5th Street, Kasson, Minnesota 55944, or at such other place as the Note holder may designate, in consecutive monthly payments of <<MONTHLY PAYMENT VALUE>> on the <<1st PAYMENT DATE>> and <<MONTHLY PAYMENT VALUE>> on the 1st day of each month thereafter until this Note is paid in full on <<LOAN END DATE>>.

If any monthly payment under this Note is not paid when due and remains unpaid after a date specified by a notice to the Borrower, the entire principal amount outstanding and accrued interest thereon shall at once become due and payable at the option of the Note holder. The date specified shall not be less than 30 days from the date such notice is mailed. The Note holder must exercise this option to accelerate during any default by Borrower regardless of any prior forbearance. If suit is brought to collect this Note, the Note holder shall be entitled to collect all reasonable costs and expenses of suit, including, but not limited to, reasonable attorney's fees.

Borrower may prepay the principal amount outstanding in whole or in part. Any partial prepayment shall be applied against the principal amount outstanding and shall not postpone the due date of any subsequent monthly installments or change the amount of such installments, unless the Note holder shall otherwise agree in writing.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof.

Any notice to Borrower provided for in this Note shall be given by mailing such notice by certified mail addressed to the Borrower at the Property Address stated below, or to such other address as Borrower may designate by notice to Note holder. Any notice to the Note holder shall be given by mailing such notice by certified mail, return receipt requested, to the Note holder at the address stated in the first paragraph of this Note, or at such other address as may be designated by notice to Borrower.

Property Address:

<<STREET ADDRESS>>
Kasson, MN 55944

Mailing Address:

<<STREET ADDRESS>>
<<CITY ADDRESS>>

BORROWER:

<<BORROWERS NAME>>

<<BORROWERS NAME>>

Business Subsidy/Development Agreement
City of Kasson
Economic Development Authority

Developer:

<<BUSINESS>>

<<ADDRESS>>

c/o <<NAME>>

Development Site:

<<PARCEL ID #>>

<<ADDRESS>>

The Developer agrees to:

(detail EDA expectations from project)

1. ex. Acquire and development site and...
2. ex. Construct new...
3. ex. Create two new FTE jobs with a wage of...
4. ex. Maintain operation for a period of...
5. ex. Failure to meet goals in #4 and #5 above will require the Developer to repay any assistance plus interest...

The City of Kasson EDA agrees to:

(detail EDA commitments to developer)

1. ex. Provide \$ in RLF assistance...
2. ex. An amortization schedule of... and an interest rate of...

Signatures:

Developer Name

Signature *Date*

EDA President

Signature *Date*