**Luce County EDC**

**Business Assistance**

**and Financing**

Prepared for

New and Existing Luce County Businesses

By

Luce County Economic Development Corporation

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**Introduction**

The following information is provided as a general guide to financing the start up, expansion or restructuring of a business.

The Luce County EDC provides one-on-one business counseling assistance services to all types of businesses. The EDC provides a number of different resources including information on business planning, legal requirements, financial management and available land and buildings.

For additional questions or to set up a business counseling appointment, contact:

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**Goals and Objectives**

The Luce County economic development program’s primary goals and objectives are to alleviate and prevent conditions of unemployment in Luce County and to create an environment conducive to economic development activities.

In order to meet these goals and objectives it is necessary to:

1. Assist and retain local forestry, agricultural, industrial, tourism and commercial enterprises to strengthen and revitalize the economy.
2. Provide the necessary environment and infrastructure to stimulate private investment
3. Provide the administration to undertake, coordinate and implement the overall economic development program

**The Financing Process**

Business financing assistance through the Luce County EDC works as follows:

* **Initial Business Counseling Appointment.** At this appointment, a prospective business venture is discussed including, but not limited to, where the prospect is in the process, ballpark cost of project, estimated equity contribution, experience of the prospect, status of financing, issues and concerns and resources needed. The prospect is provided with business planning material.
* **Follow Up Consultation.** If the prospect moves forward in the business planning process, the EDC will set up an appointment for the prospect with an SBTDC business counselor at the EDC office. This appointment will include review of draft business plans, identification of resources and general sounding board consultation. **The EDC does not write the business plan.**
* **Loan Packaging.** Once a prospect has developed a completed business plan, the prospect may approach a financial institution of their choice to discuss the venture. This can take the form of 100% bank/credit union financing or joint EDC/bank or credit union financing. The EDC is not a primary lender and does not lend 100% on a project unless the prospect has been turned down by a bank or credit union and the EDC deems the project an acceptable risk.
* **EDC Revolving Loan Fund Financing.** Upon receipt of a completed loan application with $100 application fee, the EDC will review a loan request. A complete loan package is presented by the EDC Director to the Finance Committee. The Finance Committee decides whether to recommend approval, reject the application or require additional information. If the loan is recommended for approval, a memo outlining the project with the amount of the loan, interest rate, term, security and source of funding is presented to the EDC Board. If the Board approves the loan, the memo may be forwarded to the McMillan Township Board and/or the Luce County Board of Commissioners for final approval, depending on the source of funding for the loan. If the loan is rejected by the Finance Committee, the EDC Director will communicate with the prospect the reasons for the rejection. If the prospect feels he or she can overcome the reasons for rejection, he or she may reapply.

**EDC Revolving Loan Fund Application Checklist**

To process a financial request through the Luce County EDC you may need to provide, along with a business plan and completed loan application, the following information and documentation. The EDC Director will indicate the specific documentation you will need to submit.

**Financial Information**

**\_\_\_** Balance Sheets for past 3 years and year to date

\_\_\_ Profit and Loss Statements for past 3 years and year to date

\_\_\_ Tax Returns for past 3 years (Form 1040 & Schedule C if existing business)

\_\_\_ Personal Financial Statement

\_\_\_ Accounts Receivable and Payable Aging’s (Existing Businesses)

\_\_\_ Cash Flow Projections – Two Years (First Year by Month)

**Other Information**

\_\_\_ Existing Loan Documents

\_\_\_ Description of Property (real estate, machinery, equipment, furniture & fixtures)

\_\_\_ Existing Appraisals

\_\_\_ Survey

\_\_\_ Building and Site Plans

\_\_\_ Phase I Environmental Assessment

\_\_\_ Insurance Policies

\_\_\_ Permits and Licenses

\_\_\_ Other\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Additional Requirements**

As part of a potential EDC loan, you may be required to provide the following prior to or at closing:

* Assignment of life or disability insurance
* First of second mortgages on other property you own that is not part of the project
* Personal guaranty
* Title Insurance
* Discharge of mortgages and release of liens
* Use of a CPA or qualified accountant to prepare financial statements
* Furnish financial statements to the EDC on an annual basis

**RLF Program Guidelines**

The following are the Luce County EDC RLF Standard Loan Conditions:

1. Any loan approved shall contribute to the economic base of Luce County.

2. The loan funds are basically to be used for expansion of existing enterprises and in the development of new industrial or commercial activity. (In instances where a loan could save existing businesses, it might be considered.)

3. The industry or business must be within Luce County.

4. Basic loan criteria will be at least one Full Time Equivalent (FTE) job for each $20,000 loaned. A full time equivalent job is equal to two or more part-time jobs that total at least 35 hours per wk.

5. Applicant must have 10% equity in the business, including the added value provided from loan funds.

6. Applicant may be required to use a CPA or qualified accountant to prepare financial statements. These statements may be required to be furnished to the EDC on a regular basis as determined necessary by the EDC Board.

7. The loan application must include current financial statements including balance sheets, and profit and loss statements. For loans in excess of $100,000 audited statements may be required. Other information as deemed necessary by the EDC Staff may be requested.

8. Life Insurance may be required and assigned to the Luce County Economic Development Program by key corporate officers, partners or sole proprietors.

9. Interest rates, payment schedules and dates of payment will be set by the EDC Board. Loan terms are normally for a maximum of 10 to 15 years. Equipment and working capital loan terms are normally 7 years or less. Term, interest rate and repayment may be adjusted to accommodate special business circumstances (example – seasonal tourism based industries may have regular payments due during the season and interest only payments during the off season).

10. Applicants must agree to subordinate all shareholder debt. Salary and dividend restrictions may be imposed by the EDC Board during the term of the loan.

11. All assets will be insured, by the borrower, against fire and natural perils during the term of the loan. Loss payable clauses in favor of the Luce County Economic Development Program will normally be required. The borrower shall also carry liability insurance in an amount satisfactory to the EDC Board.

12. Loan proceeds may be disbursed on a joint signature basis to assure compliance with agreed upon use of proceeds.

13. Applicant must agree not to relocate facilities outside of the approved area during life of the loan. If relocation must occur, the full amount owed becomes due and payable prior to the relocation. Due on sale clause will be included in all Loan Agreements.

14. Funds may be used for any purpose approved by the EDC Board, Luce County Board and McMillan Township Board provided the purpose is a Title I eligible activity and due account is given to the degree of risk.

15. The normal loan limit to any one loan applicant will be $100,000.

16. Security will normally be a first lien position. However, with EDC Board approval, secondary liens may be permitted when a bank or commercial lender is involved.

17. All legal fees, surveys, title searches, document preparation and other costs connected with closing of a loan will be paid by the applicant. These costs will be settled at closing and may be financed by the loan proceeds.

18. Loan applicants must have a minimum credit score of 600 to apply. If he or she does not have a minimum credit score of 600, they are required to have a co-signor with a minimum credit score of 720 and must have an outside source of income and the ability to support their personal debt and the loan payment.

19. A non-refundable fee of $100.00 will be charged on all loan applications and collected at the time the application is submitted to the EDC Office. If the application is approved, this fee will be applied to the origination fee.

**The Business Plan**

One of the most important steps in starting or expanding a business is the development of a business plan. Not only will the plan provide much needed direction to help guide the business owner, it will also serve as an essential introduction to the business for financial investors and others who must be informed about its operation and convinced of its prospects. A business plan should always be tailored to the specific circumstances of the business, emphasizing the strengths of the venture and addressing the problems. PLEASE PROVIDE A WRITTEN NARRATIVE ADDRESSING THE FOLLOWING ITEMS AS THEY APPLY TO YOUR BUSINESS.

**Cover Sheet**

1. Name of business
2. Date
3. Address and telephone number
4. Name or names of principal owners

**Executive Summary**

This is a summary of the business to create an interest in the business for possible investors. You should try to keep it not much more than a page long and not go into extreme depth. It should at least contain the following information:

1. Business concept: the basic idea behind the business and what the business does.
2. A brief summary of the product or service you will offer.
3. Current stage of business: start up, developing or existing.

**Table of Contents**

**The Business**

1. Description of Business:
2. What will you make or what service will you provide?
3. How will it be produced or delivered?
4. Capacities: what physical facilities, suppliers, patents, labor or technology will you use?
5. Equipment: what type and amount of machinery or equipment will you need to operate your business?
6. Supplies: where and how will you obtain your components and day to day supplies and services?
7. Historical development of business: when was your business formed (if an existing business), what is or will be the structure (sole proprietor, partnership, S or C Corp., LLC), who owns the business and how much does each person own?
8. Location: where is the business located and why is your location the best choice?
9. Marketing: what will you do to market your goods or services?
10. Market Segment: who will buy your product or service?
11. Competition: describe your competition and how you compare. Why will people do business with you over other businesses? Consider factors such as price, quality, convenience, etc.

**Management**

This section highlights those skills which are necessary to successfully run your business. You should include a brief personal and work history of the owners and key management (if other than the owners), the salaries, skills, duties, and responsibilities of the key personnel. You should also include a write-up of your outside financial management advisors such as your accountant, legal counsel, banker, insurance agent and financial advisor.

**Finance**

1. Project Costs: Description of what financing will be spent on and how much goes to each expenditure. This should include all costs/expenditures being incurred or brought to the project by the owner (i.e. equipment, buildings, inventory, etc.) for

the proposed project. See the example below.

EDC Bar & Grill

Project Costs

Site $ 12,000

Building Construction $100,000

Paving & Parking $ 20,000

Landscaping $ 12,000

Equipment $ 35,000

Restaurant Supplies $ 23,000

3 mths Operating Expenses $ 17,000

Miscellaneous $ 1,000

Total $220,000

1. Project Funding: what/who are your proposed sources of financing and the value of your (the owner’s) capital investment. See the example below.

EDC Bar & Grill

Sources of Funding

Owner Cash $ 65,000

Owner Equipment $ 35,000 <owners existing equipment

Bank or Credit Union $ 80,000

EDC RLF Loan $ 40,000

Total $220,000

1. Cash Flow Projections: Prepare a two year cash flow projection by month. See attached cash flow projection worksheets.
2. Other Financial Documents: Include at least two years of personal tax returns and a personal financial statement (form is attached). If this is an existing business, please provide at least 2 to 3 years of profit & loss statements and balance sheets.

**Supporting Documents**

Include personal resumes, letters of reference, job descriptions, letters of intent, copies of leases, contracts, and other legal documents that you believe are relevant to the project.