Sec. 74-151. Revolving loan fund (RLF).

(a) *Statement of purpose.* The Town of Lisbon Revolving Loan Fund (RLF) is established to provide a source of financing, which may not otherwise be available, to support business development and sustainability. Used to fill a "financing gap" in a business development project, the RLF offers an option to complete a financing package. A "gap" occurs when the business is unable to fully finance their projects with equity, conventional financing or other private and public sources. While the RLF is not a substitute for conventional financing, it can fill the gaps in existing local financial markets and attract additional capital, which would otherwise not be available for economic development. It can also be used to assist businesses through emergent or temporary market conditions to help ensure their long-term sustainability.

The RLF adds another tool to the "tool box" of the town's economic development efforts. The RLF is not the primary source of financing for a business development project, however, the combination of public and private financing lessens the risk for the primary lender.

(b) *Goals and objectives.* It is the intent of the RLF to consider both existing and start-up businesses as equal under the criteria, with preference given to those expansions and start-ups that result in retained and new jobs and/or new sources of economic activity within the town. Lisbon seeks to work with healthy companies that have excellent potential for growth, will provide increased employment in the town and will help diversify the economic base.

Further the RLF seeks to:

(1) Retain and attract businesses that provide permanent jobs.

(2) Maximize investment within the town.

(3) Redevelop/utilize vacant and/or blighted property (land and/or buildings).

(4) Provide financial assistance to eligible businesses.

(5) Rehabilitation and/or creation of Lisbon housing stock.

(6) Further the comprehensive plan and economic development strategy.

(c) *Program description.* The RLF program is designed to offer financial support for the purchase of fixed capital assets or working capital. Depending on the loan program, eligible businesses may finance up to 30 percent of a project's cost up to a $100,000.00 (amount of available funding is determined by account balance). Special consideration for greater participation up to 50 percent will be given to projects that create high end, high wage positions and/or a substantial number of new job opportunities. Under certain circumstances and depending on the loan program, the maximum amount that could be available is 75 percent or $250,000.00 whichever is less.

Initial participation by conventional lending institutions is preferred, and Lisbon will take a subordinated security position to the bank, thus assisting less established firms in forming a banking relationship. Since Lisbon participation in a project must not displace local commercial lenders, a commercial lender letter declining participation must accompany any request for direct Lisbon financing unless both entities are participating in the project.

(d) *Eligibility and criteria.* Applicants must be a for-profit entity. Loans shall not be made to public, quasi-public or non-profit entities (with the exception of nonprofit housing organizations). The applicant must be the owner or have vested authority to apply for funding.

Eligible industries include*:

(1) Manufacturing.

(2) Industrial/commercial (service sector).

(3) Retail.

(4) Housing.

(5) Technology.

(6) Tourism.

(7) Biological and natural resources.

(8) Research and development.

*Exception—If warranted, a project may be presented by a business other than those mentioned for consideration if substantial economic impact is determined by job creation and/or retention or any other special criteria that is deemed acceptable.

Existing businesses within Lisbon or individuals looking to start a new business in Lisbon are eligible to apply for financing. The applicant must demonstrate a need for funds. All loan proceeds must be used in operations located within Lisbon.

Expansions and new businesses must be able to document that the planned project will result in job creation and/or retention or new sources of economic activity within Lisbon. (If the loan is based upon the retention of jobs, the applicant must clearly demonstrate that the jobs would be lost without the presence of the RLF funds).

(1) *Existing business criteria:*

a. Dedicated and experienced management.

b. Past performance.

c. Current economic viability of the business.

d. High potential for profitability.

e. High potential for growth.

f. Sufficient collateral and cash flow to service and secure the loan.

g. Inability to obtain conventional financing at rates and terms that make the project viable.

(2) *Start up business criteria:*

a. Market strengths such as providing a new service or product development or distribution in Lisbon as demonstrated by local market and/or feasibility study.

b. Complementary business development that serves an existing town/regional business entity.

c. Consistent with comprehensive plan and goals of the economic development plan for types of business and industry.

(3) *Emergency assistance and businesses attraction grants:*

From time to time the Town Council may authorize use of RLF monies to issue grants to businesses suffering the effects of temporary market conditions that, in the absence of the assistance to be provided through the RLF, may result in the closure of the business or its relocation outside of Lisbon. Additionally, the council may authorize development of a "Business Attraction Grant program" to be developed by the ECD Director to assist in a dedicated business attraction effort. Such grants shall be available only where authorized by order of the Council, which shall establish the eligibility, terms and conditions for such grants. The Council may delegate to the RLF Committee the authority to award grants up to an amount stated in the order.

(4) *Additional business requirements.*

a. The business must not sell or move within a period of five years.

b. The business must show adequate financial ability to repay the debt.

c. Must maintain hazard insurance on all collateral.

d. Must carry lines of insurance coverage appropriate to the business and corporate organization—minimum requirements would include business interruption insurance, general liability insurance and worker's compensation insurance (note: key man life insurance may be a requirement).

e. The Town of Lisbon must be listed as a lien holder when applicable.

(5) *Activities/use of funds.*

a. Land and building acquisitions.

b. Site preparation and land development costs.

c. Building construction.

d. Building renovations.

f. Machinery and equipment.

g. Inventory and working capital.

h. Infrastructure costs.

i. Professional fees including engineering and legal.

j. Refinance existing debt.

(6) *Ineligible activities.*

a. Acquire an equity position or an interest in a private business.

b. Subsidize interest payments on an existing loan.

c. Invest in interest-bearing accounts, CD's or other investments.

d. Land banking and construction of spec buildings.

e. Assisting in the relocation of jobs from another labor area or relocation of jobs within the local labor area unless there is a demonstrated need.

f. A project that would create a potential conflict of interest for any officers, employees or any persons involved in the application process, review, awarding or administering of the loan.

g. Provide equity contribution required of applicants participating in other federal programs.

(e) *Confidentiality and legal requirements.* In the process of gathering information about a qualifying business, the town may receive information about the business which is confidential and, if released, could cause harm to the business or give unfair advantage to its competitors. State law authorizes towns and other public entities to maintain the confidentiality of business records which come into their possession.

To protect the businesses applying for funds and to encourage them to make full and frank disclosures of business information relevant to their application, the town may take the following steps to ensure the confidentiality of the information it receives:

(1) The adoption of an ordinance which makes such information confidential and punishes disclosure;

(2) A restriction on the number of people with access to the files with the program administrator primarily responsible for their safe-keeping, and

(3) A requirement that personnel involved in the program sign statements of confidentiality regarding all personal and private submittals by qualified businesses.

All applicants must comply with all federal, state and local laws, codes and ordinances including but not limited to: civil rights, environment, flood protection insurance, ADA, etc.

(f) *Loan parameters.*

(1) *Loan size.* The maximum loan for land, building, machinery and equipment (fixed assets) or working capital that one applicant may borrow is $100,000.00 or 30 percent of the total project cost whichever is less. Special consideration for greater participation up to 50 percent will be given to projects that create high end, high wage positions and/or a substantial number of new job opportunities. Under certain circumstances and depending on the loan program, the maximum amount that could be available is 75 percent or $250,000.00 whichever is less.

(2) *Private sector investment.* Loans will preferably be made in conjunction with private sector lending sources, owner equity, private equity or other private sources. Private investment should equal 70 percent of the project funding. Exceptions to this structure may be considered on a case-by-case basis. Full documentation will be required in verification of other financing sources.

(3) *Equity.* Projects will normally require a minimum ten percent owner equity and a minimum 60 percent bank participation. Exceptions to this structure may be considered on a case-by-case basis. All applicants will be required to provide evidence of the equity needed for the completion of the proposed project. Equity may be in the form of cash, securities, real property, equipment, labor or such other form that is deemed appropriate.

(4) *Loan security.* All loans will be secured by the highest position available on one or more of the following assets: Land, buildings, machinery, equipment, accounts receivable and inventory and/or personal assets or such other assets as are deemed appropriate. In addition loans will require corporate and/or personal guarantees unless a situation exists where such guarantors are not available, (i.e. widely held private corporations).

(5) *Terms.* Loans for real estate will have a typical repayment period of ten years; special circumstances can allow for a fifteen-year term. Machinery and equipment loans will have a maximum term of eight years or no longer than the useful life of the assets being financed. Working capital loans will have a maximum term of three years; special circumstances can allow for a five-year term. The town retains the right to adjust individual loan terms in order to facilitate a successful RLF project.

(6) *Interest rate.* The RLF committee will recommend the interest rate for each loan based on risk, collateral and other pertinent criteria.

(7) *Fees and penalties.* The town charges the following processing fees: (No loan disbursements will be made until all fees are paid in full.)

a. Nonrefundable application fee of $350.00.

b. Closing fees; reasonable and customary legal costs for reviewing, processing (credit report fees), filing and recording, title fees, transfer taxes, document preparation and title insurance premiums.

c. Title work when real estate is used as collateral, UCC checks when personal property is used as collateral, recording fees

d. Any appraisal fees or environmental studies needed will be paid for by the applicant.

e. A two percent origination fee will be charged at the time of the loan closing

f. A late payment charge of five percent will be added to all loan payments that are 15 days late.

g. Failure to meet any of the terms and conditions of the loan may result in an increase in the interest rate of up to seven points above the prevailing prime rate.

(8) *Forgiveness*: Where recommended by the RLF Committee and authorized by the Town Council, a loan may be made forgivable upon fulfillment of certain conditions, to be specified in the loan documents, which are intended to incentivize economic growth and business development or to recognize particular economic circumstances of the borrower.

(9) *Delinquent loan and collection procedures definition:* Delinquent loans are loan accounts that have not had any payment activity during a 30-day period or those loans that are 30 days in arrears.

The town as the administrator of the RLF will provide its best effort to collect all monies lent under the RLF program.

If the applicant is more than 30 days in arrears he must notify the town of a plan to become current, which must be approved by the town.

The town will monitor the monthly repayment activity of all outstanding loan accounts and initiate normal collection procedures, i.e. notice for payments, collection calls and other legal means necessary to collect the outstanding debt. When normal procedures fail to produce the desired results the account will be turned over for legal action and pursued to a conclusion. All legal fees and any other fees associated with collection procedures will be the sole responsibility of the applicant.

(10) *Reporting requirements*. The applicant is required to comply with any and all reporting requirements of the RLF program. In addition, yearly submission of financial statements, taxes and insurance will be required.

(g) *Application process*. The members of the Lisbon RLF Advisory Loan Committee shall review all loan applications. All applications will be evaluated on a first come, first served basis. Said committee will provide recommendations to the Town Council of Lisbon for final approval.

(1) The Lisbon Economic/Community Development Office will be available to assist the applicant at any and all levels of the RLF loan process.

(2) Below is a list of required documentation needed for a complete application package. (If information is given on application or included in the business plan please indicate that and reference the page numbers on the checklist):

a. Completed application form.

b. Complete business plan with financials.

c. Financial statements, specifically a balance sheet, an income sheet and a statement of changes in financial position (including accountant's report and footnotes) for the past three years.

d. Financial projections of the balance sheet, income statement and a statement of change in financial position for the next two years.

e. Cash flow projections for three years.

f. Tax returns for the business entity and all guarantors for the previous three years.

g. Amount of financing required and the purposes for which the funds will be used.

h. Bank letter outlining participation including amounts and purpose, if any.

i. Description of the product line(s).

j. Market for the products, including a list of major customers, the amount of sales to each and projections of future markets.

k. Names of competitors and how the company is able to meet competition.

l. Number of employees at present, at year end for the past three years and projected employment for each of the next three years.

m. History of the company.

n. Background information (resumes) and personal financial statements of the principals of the business, notarized.

o. Signed consumer credit authorization form(s).

p. Completed and signed consumer credit authorization(s).

q. Details of existing bank loans and other financing of the company, including stock pledges.

r. Details of the capital of the company, including ownership and amounts of investment.

s. For regulated enterprises, full details of all types of governmental regulations.

t. A listing of accounts payable (aged) and telephone numbers for major suppliers.

u. Appraisals of real estate and/or machinery and equipment.

(3) The economic/community development director will review the application for completeness and determine that the applicant meets the basic eligibility criteria for the town. Once determined eligible, a complete financial review and underwriting shall be conducted to establish the merits of each application. The ECD director may utilize an independent contractor or outside agency to do the underwriting of the loan. A detailed summary on each project will be compiled for presentation to the RLF advisory loan committee for action.

a. Projects are reviewed using three distinct components:

1. Evaluation of the project in terms of the RLF guidelines and operating procedure.

2. Analysis of credit worthiness of the applicant.

3. Assessment of economic potential of the proposed project.

b. The loan committee uses two forms of analysis:

1. Basic financial analysis include three components:

i. Credit analysis—review of the history of the business, principals of a new enterprise, management personnel, financial condition and bank and trade credit standing.

ii. Collateral analysis—review of ownership and effective value to the creditor of any asset pledged as collateral for the loan.

iii. Cash flow analysis—review of proforma statement describing the projected future condition of the business subsequent to the placement of the loan and all factors affecting the future condition of the business including market and economic trends.

2. Impact analysis—to determine the extent to which the proposed transaction meets the previously stated objective of the program.

i. Creation and retention of permanent jobs with consideration given to wages and income levels of jobs created.

ii. Diversification of the economic base.

iii. Retention and expansion of existing industrial base.

iv. Energy self-sufficiency.

v. Environmental quality impact.

vi. Implication for other local strategies and programs.

(4) The advisory loan committee (comprised of no greater than seven members) will meet monthly to process applications. Special meetings of the committee may be called if time is a factor. The committee shall approve, deny or table applications, as they deem necessary. Approved applications will be submitted to the Lisbon Town Council in the form of a commitment letter for final ratification.

(5) Upon ratification by the Lisbon Town Council, the economic/community development director will forward the approved commitment letter to the applicant. This commitment letter is to include any conditions of the loan, such as clear title to any real estate being used to secure the loan of clear title to any personal property used to secure the loan.

(6) Upon acceptance, an attorney will prepare the necessary documents to close the loan.

(7) Fund disbursement—All funds will be disbursed upon completion of the closing documents.

(8) Timing—Typically complete applications can be processed and presented to the advisory loan committee within 45 days. Lisbon Town Council meets twice per month and typically can take action on a RLF application within two weeks of the approval date by the advisory loan committee.

(h) *Administration.* The economic/community development office of the town is responsible for oversight and administration of the revolving loan fund program. The ECD director with assistance from others will:

(1) Assist applicants with packaging of development proposals and application process or other technical assistance.

(2) Notify the applicant in writing of the town council decision of approval or denial. If the loan is denied an explanation for the action will be stated.

(3) Billing, receiving and posting payments and notification of past due accounts.

(4) Collecting evidence on ongoing compliance with loan requirements, counseling of delinquent accounts and initiation of collection procedures for delinquent accounts.

(5) Collecting and reviewing yearly data and reports from applicant (financial statements, taxes, insurance coverage, etc.).

(6) Ensure the RLF is audited yearly as part of the town's external audit.

(7) Prepare and submit all required reports to outside agencies (i.e. USDA, FAME, etc.)

(8) Annually monitor administration of revolving loan fund to insure that operation policies are in accordance with the guidelines and procedures.

(9) If loan is approved the ECD office will facilitate a loan agreement that will clearly state all the terms of the loan including any special conditions that may be required. Once the loan agreement is signed by both parties (the town and the applicant) the loan will be processed for payment.

(10) Unsuccessful applicants may request a review of the decision to deny the loan based on errors of fact or procedure. Such a review may not be based on judgments concerning the feasibility of a proposed

project or the credit-worthiness of a particular applicant. An applicant may submit a new loan application at any time.

(11) Manage a loan review committee that will review loans and make recommendations to the town council for approval or denial.

The RLF committee will be comprised of the following people when possible:

a. Town manager (or designee).

b. Council members (two).

c. Finance director.

d. Legal advisor.

e. Banker.

f. Business person at large.

g. Economic/community development director (ex-officio).

(i) *Procedure for amendment*. As necessary, the advisory loan committee shall review the overall operations of the Lisbon Revolving Loan Fund Program. When the need for change or modification of policy arises, the committee will instruct the economic/community development director to submit such recommendations to the Town Council of Lisbon for review and subsequent action.

(C.O. of 6-17-2008, § 2008-98B; C.M. of 12-6-2022, Vote No. 2022-254 ; C.M. of 1-3-2023, Vote No. 2023-05)