



**FY 2015**

**Revolving Loan Fund Report**

*for*

*July 1, 2014 – June 30, 2015*

**Prepared by**

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Upper Minnesota Valley  
**REGIONAL  
DEVELOPMENT  
COMMISSION**

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Helping Communities Prosper

# Annual Report FY2015

July 2014- June 2015

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## EXECUTIVE SUMMARY

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The UMRDC Revolving Loan Fund participated in 3 projects over the last fiscal year assisting with gap financing for business start-ups and expansions needing working capital, inventory, fixed assets and real estate. A total of \$400,000 in revolving loan funds were lent out and helped generate an additional \$19,347,580 in leveraged financing from public and private sources along with owner investments.

## FY2015 LOAN ADVISORY BOARD MEMBERS

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The Loan Advisory Board met on an as-needed basis to review loan applications and other requests throughout the fiscal year.

*The time and dedication by all board members is greatly appreciated!*

### **Big Stone County**

Walter Wulff – County Commissioner (2014)/Jay Backer – County Commissioner (2015)

Vicki Oakes – Economic Development Representative

### **Chippewa County**

Jim Dahlvang – County Commissioner

Mitch McKay – Economic Development Representative

### **Lac qui Parle County**

Terry Overlander – County Commissioner

Josh Falness – Economic Development Representative

### **Swift County**

Joe Fox – County Commissioner

Vacant – Economic Development Representative

### **Yellow Medicine County**

Louis Sherlin – County Commissioner

Paul Wilson – Economic Development Representative

### **UMVRDC Representatives**

Gary Hendrickx – RLF Chairman

Gary Johnson

Warren Rau

## STATUS REPORT (as of June 30<sup>th</sup>, 2014)

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Total Loans in Portfolio – 34

Current Loans – 31

Deferred Loans – 1

Delinquent Loans – None

Defaulted Loans – 2

Loans Approved but Not Disbursed – 0 (listed on page 5)

Loans Paid in Full – 3

- I Fit – Clarkfield
- Jimmy's Pizza – Appleton
- Clarkfield Hardware Hank - Clarkfield

Loans Written Off – 0

## TOTAL FUNDS

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Total Funds in Revolving Loan Fund \$1,779,345.11

### ACCOUNTS RECEIVABLE 2015 (as of June 30<sup>th</sup>)

### 2009 Comparison

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<u>Loan Status</u>	<u># of Loans</u>	<u>Outstanding Balance</u>	<u># of Loans</u>	<u>Outstanding Balance</u>
Loans Current	31	\$1,303,253.45	18	\$786,744.82
Delinquent	0	\$0	0	\$0
Default	2	\$25,226.40	2	\$134,260.35
Deferred	1	\$50,284.37	3	\$79,662.46
Other	0	\$0	0	\$0
<b>Total Receivables</b>	<b>34</b>	<b>\$1,378,764.22</b>	<b>23</b>	<b>\$1,000,667.63</b>
Total RLF Funds		\$1,779,345.11		\$1,200,000.00

### COMMITTED FUNDS (as of June 30<sup>th</sup>)

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Total Funds Committed for Projects: (listed on page 5) **\$0**

### BALANCES AVAILABLE FOR LENDING (as of June 30<sup>th</sup>)

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Total Funds Available for Lending (as of June 2015): **\$400,580.92**

## APPROVED LOANS

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In FY15, the Revolving Loan Fund program (RLF) experienced a decrease in the number of inquiries for potential loan requests. One loan for \$100,000 was requested and closed in FY15. The other two loans, totaling \$300,000, were approved in FY14 and closed in FY15. Loans for the businesses listed below were approved for equipment, fixed assets, inventory, working capital and real estate. A combination of 91 full and part-time positions were created or retained as a result of these business expansion and retention projects. A total of \$19,347,580 was leveraged in additional public and private funds for the projects listed below. Financial partners in projects included local banks/financial institutions, Southwest Initiative Foundation, Minnesota Investment Funds (MIF funds) and local EDA's.

### **Lac qui Parle County**

Bluegrass Proteins, Inc., Dawson - \$200,000

Equipment – New Business

### **Chippewa County**

Kay's Processing, LLC/Kay's Naturals, Clara City - \$100,000

Working Capital – Existing Business

### **Swift County**

West Central Powder Coating, Inc. - \$100,000

Real Estate – Existing Business

CURRENT LOAN PORTFOLIO (as of June 30<sup>th</sup>)

	<b>Borrower</b>	<b>Original RLF Loan Amount</b>	<b>Disaster RLF Loan Amount</b>	<b>Interest Rate</b>	<b>Term (years)</b>	<b>Original RLF Balance at 06/30/2015</b>	<b>Disaster RLF Balance at 06/30/2015</b>
1	Al's Mercantile	50,000		5%	10	\$ 30,918.21	
2	Appleton Hardware Inc	50,000		4%	12	\$ 8,809.15	
3	Appleton Meat Center	30,000		4%	10	\$ 17,066.19	
4	Appleton Power Equipment	25,000		4%	10	\$ 13,772.19	
5	Barr's/Conroy Electric, Inc.	46,000		4%	10	\$ 32,878.83	
6	Bluegrass Proteins, Inc.	100,000	100,000	4%	5	\$ 96,351.03	\$ 96,351.03
7	Books by Kelly	20,000		5%	5	\$ 11,258.38	
8	C&L Loan #2	57,500		2.90%	10	\$ 50,284.37	
9	C.C. Diamond Products, LLC	100,000		4%	10	\$ 73,563.16	
10	Clarkfield Family Foods	28,000		4%	10	\$ 13,634.84	
11	Friendship Cafe	10,000		4%	10	\$ 4,850.54	
12	Granite Falls Dairy Queen, Inc	100,000		4%	10	\$ 73,390.09	
13	Handeland Chiropractic, LLC	33,000		5%	10	\$ 20,906.98	
14	Jack Anderson (GoldLeaf Fin.)	100,000		2.90%	5	\$ 56,787.07	
15	Jager building Supply, LLC	62,000		4%	10	\$ 45,570.60	
16	J C & Sons Hardware Inc	70,000		4%	10	\$ 36,754.22	
17	Kaercher Publications, Inc.	65,520		4.50%	10	\$ 49,075.23	
18	Kay's Processing, LLC	100,000		2.90%	5	\$ 57,059.06	
19	Kay's Processing/Naturals Loan 2		100,000	5.00%	5		\$ 89,621.80
20	Lamecker's General Store	25,000		4.00%	5	\$ 20,100.75	
21	Madison Meats	37,200		4%	5	\$ 8,160.21	
22	Merritt Construction, Inc.	10,000		4.50%	12	\$ 7,606.32	
23	Northern Geo, LLC	50,000	100,000	4%	10	\$ 45,411.59	\$ 90,823.19
24	Northern Grain		100,000	2.90%	5		\$ 63,677.61
25	Ortonville Hardware Hank	66,000		4%	7	\$ 897.42	
26	Porter Elevator	75,000		4%	12	\$ 49,782.73	
27	Private Industry Council	50,000		4%	9.6	\$ 20,342.50	
28	R&R Outdoors	11,000		4%	10	\$ 9,403.63	
29	SEWearables	33,000		4.50%	7	\$ 17,588.63	
30	SpecSys Inc.	50,000		4%	10	\$ 24,255.62	
31	Swift Falls Bar & Grill	22,500		4%	10	\$ 10,898.86	
32	The Corner Stop	30,000		5%	10	\$ 3,966.53	
33	The Sawmill	50,000		4%	10	\$ 29,670.71	
34	West Central Powder Coating, Inc.		100000	4%	15		\$ 97,274.95

## PROGRAM IMPACT SUMMARY

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Since the RLF was incorporated in August of 1988, the Fund has made a significant impact on the economic growth and employment opportunities in Region 6W. The RLF has completed the following loan activities:

<u>ECONOMIC IMPACT</u>	<u>TOTAL</u>
Number of Loans Closed	<b>113</b>
Loan Amounts	\$5,947,160.00
Private Dollars Leveraged	\$96,154,842.00
Public Dollars Leveraged	\$18,101,869.00
Owner Equity	\$31,937,490.00
Jobs Created	1,141.50
Jobs Retained	1,584.50
Business Type:	
Start-Up	40
Expansion	46
Retention	27
<b>Total</b>	<b>113</b>
Classification:	
Industrial	54
Commercial	26
Service	33
<b>Total</b>	<b>113</b>



## LOAN FUND HISTORY

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The Western Minnesota Revolving Loan Fund (RLF) was established on December 5, 1988. Big Stone, Chippewa, and Swift Counties and the U.S. Department of Commerce Economic Development Administration (EDA) originally provided capital for the RLF. In 1993, the RLF was recapitalized with EDA funds and matching funds from all five counties in Region 6W. With this recapitalization, businesses in Big Stone, Chippewa, Lac qui Parle, Swift and Yellow Medicine Counties were eligible to receive loans.

The RLF was again recapitalized with EDA and county funds in 2001 to create a separate disaster fund for Chippewa and Yellow Medicine Counties and after once revolved would be combined with the existing revolving loan fund for all counties to utilize. A request to combine funds in August 2006 was submitted to EDA for approval and action. In December 2010 EDA combined the UMRDC's two funds into one.

In February 2013 the UMRDC was awarded \$400,000 from the Department of Commerce Economic Development Administration (EDA) for an additional loan fund. Funds were matched by each of the UMRDC's counties: Big Stone, Chippewa, Lac qui Parle, Swift & Yellow Medicine. Matching funds from the counties totaled \$100,000 bring the additional funding to a total of \$500,000. For the purposes of this report numbers for the original fund and the new fund are combined. Currently, the UMRDC has two loan funds in which it can award loans to aid economic development in our region.

## SUMMARY OF PROGRAMMATIC CHANGES

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There were no programmatic changes in FY15.

## MARKETING

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EDA requires seventy five percent (75%) of RLF funds to be lend out at all times. In order to maintain this lending standard, the RLF has tried a variety of different marketing approaches and found the most effective marketing to be word-of-mouth. Many of the loan requests came from local lender referrals along with board member and local economic development staff promoting our program. UMRDC staff continues to make regular contact with financial and economic development professionals throughout the region, which also serves as a valuable marketing strategy to ensure compliance with EDA's lending standards. With the newest dollars from EDA that became available in June 2013 there are ample funds available. Staff will be marketing these funds heavily over the next year and relying on existing partnerships with local EDA's and lenders to help bring forth quality loan projects for consideration.

## FREQUENTLY ASKED QUESTIONS (FAQ)

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### **Loan Size**

- ∂ \$5,000 - \$100,000

### **Type of Assets Financed**

- ∂ Equipment
- ∂ Inventory
- ∂ Working capital (with additional restrictions)
- ∂ Real Estate

### **Terms**

- ∂ Fixed assets financed at a maximum of 10 years
- ∂ Real estate financed at a maximum of 20 years
- ∂ Working capital financed at a maximum of 5 years
- ∂ Average financing is 5 – 7 years

### **Interest Rates**

- ∂ Not less than 4 percent below prime with a minimum of 4 percent or 75% of the prime interest rate listed in the Wall Street Journal whichever is less.
- ∂ Most loans are made at 4 – 7 percent
- ∂ Fixed Rate

### **Equity & Collateral**

- ∂ Minimum of 10 percent borrower equity (in-kind equity allowed)
- ∂ All loans must be secured with available assets, inventory, real estate, etc. and personal guarantees

### **Repayment**

- ∂ Monthly payments are made through electronic transfer (ACH)

### **Other Requirements**

- ∂ Applicant must attend Loan Advisory Board meeting (2<sup>nd</sup> Monday)
- ∂ Project must demonstrate a gap financing need
- ∂ Bank participation is required

### **\*The UMVRDC may use one or more of the following incentives to accomplish the objectives of the RLF:**

- ∂ Lower Interest Rates
- ∂ Longer Terms
- ∂ Balloon Payments
- ∂ Lower owner investments and/or sweat equity may be considered
- ∂ Subordinated positions