



Business Development Financing Program

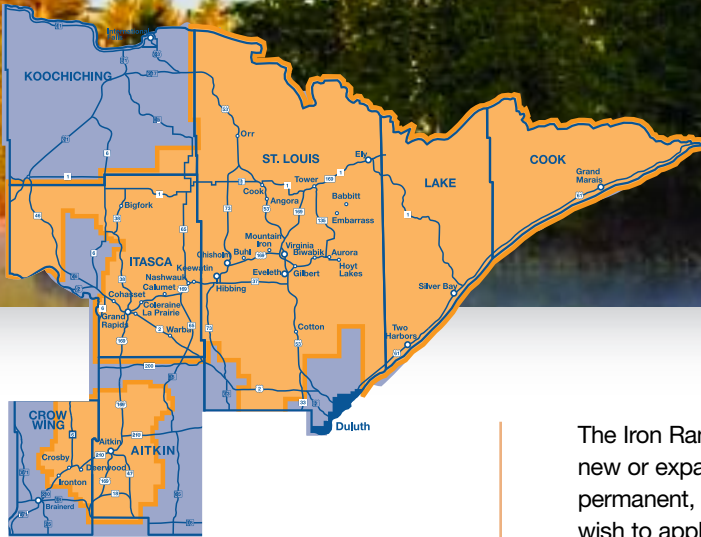
Guidelines and Preliminary Application



Your vision. Our backing.

www.IronRangeResources.org

Guidelines



Taconite Assistance Area (TAA)

To qualify for assistance under the Iron Range Resources Business Development Financing Program, the new development or business expansion must be located within the Taconite Assistance Area, defined by the following Independent School District numbers. The map graphically outlines the prescribed development area. Your county auditor can help you determine whether your proposed business location meets this requirement.

Independent School District

1	Aitkin
166	Cook County
182	Crosby/Ironton
316	Coleraine
318	Grand Rapids
319	Nashwauk/Keewatin
381	Lake Superior
695	Chisholm
696	Ely
701	Hibbing
706	Virginia
712	Mt. Iron/Buhl
2142	St. Louis County
2154	Eveleth/Gilbert
2711	Mesabi East

The Iron Range Resources Business Development Financing Program exists to assist new or expanding private sector businesses to create and maintain productive, permanent, skilled employment in the Taconite Assistance Area. Businesses who wish to apply for funding under this program are required to comply with Minnesota State Law and Iron Range Resources policy regarding prevailing wage.

Eligible Businesses

The purpose of this program is to increase, expand and diversify the area's economic base by assisting private investment. Emphasis will be placed on projects that promote manufacturing or innovative technology. Start-up businesses and existing businesses are eligible for assistance. They may be organized as proprietorships, partnerships or corporations. Primary consideration will be given to the following types of businesses:

- Manufacturing/Assembly
- Projects which attract expenditures from outside of the TAA
- Technologically innovative projects

Ineligible Businesses

The following businesses are ineligible for consideration:

- Retail/Service*
- Transportation
- Media
- Speculative Real Estate
- Professional Offices*
- Agriculture
- Construction
- Tourism

*other than those that provide services that are exported from the region

Types of Financial Assistance Available

Iron Range Resources financing can be structured to best suit your needs. The agency is limited by law to a maximum of 50 percent participation in eligible financed costs. With the exception of an equity stock purchase, Iron Range Resources will require the personal guaranty of all owners whose interest in the company is 20 percent or more. Corporate guarantees will be required in instances where a separate corporation owns 20 percent of the company seeking financial assistance from the agency.

Bank Participation Loans: Iron Range Resources purchases a portion of a loan originating with a commercial bank or other regulated lender. A shared first position lien, with the bank or lender, on the financed assets and/or other assets is required. Generally, the maximum participation by Iron Range Resources in any single project is limited to not more than \$250,000. However, exceptions may be granted for projects having the potential to create a significant number of jobs. The interest rate on the agency's purchased participation will be set at a minimum interest rate 3 percentage points less than the full-faith and credit obligations of the United States government of comparable term to the loan, rounded up to the nearest one-half percent. The minimum rate charged on participation loans is 1 percent. The interest rate is determined at the time the participation loan is approved by Iron Range



Resources. (The interest rate on the bank portion of the loan is a matter to be negotiated between the business and the bank.)

Direct Loans: Iron Range Resources loans its funds directly to the eligible business. Collateral requirements are negotiable, but typically the agency will require a first lien on the financed assets and/or other assets. The interest rate will be set at an interest rate 1 percentage point less than the full-faith and credit obligations of the United States government of comparable term to the loan, rounded up to the nearest one-half percent. The minimum rate charged on direct loans is 3 percent. The interest rate is determined at the time the loan is approved by Iron Range Resources.

Loan Guarantees: Iron Range Resources will consider a limited guaranty on a loan to an eligible business that is originated by a commercial bank and/or other lender. Terms and conditions of any guaranty will be negotiated between the lender and the agency.

Equity Investment: Iron Range Resources has statutory authority to invest its funds directly into eligible privately owned companies that exhibit extraordinary growth potential. The investment can be in the form of a direct stock purchase or in a convertible debenture. Terms and conditions are negotiable.

Allowable Use of Proceeds

The following are allowed uses for Iron Range Resources financing:

- Land and Building Acquisition
- Machinery/Equipment Purchase
- Building Renovation
- New Building Construction
- Land Improvements
- Inventory Purchase

However, if a project involves construction, the agency will participate only in permanent term financing. Interim construction lending must be financed via another lender.

Program financing cannot be used for debt refinancing (for debt existing prior to application) or acquisition of an existing business.

Application Process

Any business seeking financial assistance from the Iron Range Resources Business Development Financing Program must first submit a completed preliminary application form. (See Attached) Please be sure to read and thoroughly understand the guidelines. Development Strategies staff is available to answer questions or address concerns at 218-744-7400 or 1-800-765-5043.

Fill Out Form. Save, Attach and Email to DevelopmentStrategies@state.mn.us

Pre-applications must be submitted to:
Iron Range Resources
P.O. Box 441
4261 Highway 53 South
Eveleth, MN 55734
Attention: Development Strategies Division

Please do not prepare a full application until after the Development Strategies Division notifies you that your pre-application was reviewed, and that your business is eligible.

Additional information can be found on the Iron Range Resources website. www.IronRangeResources.org

Review Process

During the review process, the application:

- will be discussed in detail by an Iron Range Resources representative with the business and the participating bank
- will be reviewed by the Program Manager
- will be reviewed by the Commissioner of Iron Range Resources
- will be reviewed and recommended by the Technical Advisory Committee
- will be presented for review and approval to the Iron Range Resources Board. (The Board review and action usually occurs quarterly. Please contact our office concerning the current funding cycle.)
- will be submitted for the governor's approval and signature

The application may be denied or returned to the applicant for further information or clarification at any point during the review process.

Review Criteria

Any business seeking financial assistance from the Iron Range Resources Business Development Financing Program will be evaluated on its ability to meet the following conditions and criteria:

- demonstrated repayment ability
- equity commitment
- adequate collateral coverage
- management capability
- credit worthiness of the applicant
- a well-developed marketing plan
- ability to leverage other funding sources
- ability to create/retain jobs
- anticipated economic impact
- innovative technology
- availability of funds



Business Development Financing Programs

Basic Information

Name of Applicant(s): _____

Address: _____

Phone: _____ Cell: _____ Email: _____

Name of Business: _____

Address: _____

Phone: _____ Cell: _____ Email: _____

Fax: _____

Business is: new business start-up
 existing business _____ number of years \$_____ equity in business

Type of Assistance Applied for: Bank Participation Loan Direct Loan Equity
 Loan Guarantee Other: _____

Briefly describe your business including such information as products and services provided, general market area served and any other information you feel may be appropriate:

Briefly describe the proposed project for which you are seeking assistance:

Use of Proceeds

Fixed Assets

land and building acquisition \$ _____
 land improvements _____
 new building construction _____
 building renovation _____
 purchase machinery/equipment _____

Total Fixed Assets \$ _____

Working Capital

operating capital \$ _____
 inventory _____

Total Working Capital \$ _____

Debt Refinancing \$ _____

Total Uses \$ _____

Sources

Amount to be financed:

SOURCE	RATE	TERM	
Equity			\$ _____
Iron Range Resources	_____%	____yrs	\$ _____
Bank	_____%	____yrs	\$ _____

Other:

_____ % ____yrs \$ _____
 _____ % ____yrs \$ _____

Total Sources \$ _____



Preliminary Application Form

How many jobs do you anticipate will be created or retained by this project?

_____ Created _____ Retained _____ Total

What is the wage/salary range of these jobs?

_____/hr. to _____/hr. and/or _____/yr. to _____/yr.

What collateral do you have available which can be used as security for the proposed financing, and what is its estimated value?

What experience or other qualifications do you have for operating this business?

Business Owner: _____

Signature: _____

Date: _____

Participation Loans and Loan Guarantees:

I have reviewed the proposal described above. Based on this preliminary review and discussion, our bank is interested in participating in the financing of this project assuming the following:

- a complete application will be completed by the business/individuals named herein
- all information requested by Iron Range Resources and/or our bank is provided in satisfactory form
- the economic feasibility of the proposed project is demonstrated to our satisfaction

Furthermore, I understand that this indication of interest to participate with Iron Range Resources in financing this project described herein, does not obligate this bank to actually approve such financing unless and until the above mentioned conditions and any other which this bank may reasonably request, have been met to the full satisfaction of this bank and a letter to that effect, signed by an officer of this bank, has been delivered to Iron Range Resources.

Name of Bank: _____

Name of Officer: _____

Phone Number: _____

Signature: _____

Title: _____

Date: _____



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