

ESOP LOAN APPLICATION

Name of Business (Legal Name):

Address:

City, State, Zip:

Business Phone / Fax:

Federal Tax ID#:

Principals

Principal 1

Principal 2

Name:

Address:

City, State, Zip:

Phone:

Social Security #:

Type of Business

C-Corporation _____ S-Corporation _____

Date Established _____

Loan Request Amount _____

Participating Bank Lender

Name:

Address:

City, State, Zip:

Contact Name & Phone:

Describe the type of business in which the applicant is engaged.

Describe project for which applicant is seeking a Minnesota Employee Ownership Fund ESOP loan.

EXISTING BUSINESS FINANCING OBLIGATIONS (Date of most recent balance sheet)

CREDITOR NAME	ORIGINAL AMOUNT/ DATE	PRESENT BALANCE	MATURITY DATE	INTEREST RATE	MONTHLY PAYMENT	PAYMENT STATUS

PROJECT FINANCING SUMMARY

SOURCE AND USE OF FUNDS

	MEOF	BANK	EQUITY	OTHER	OTHER	TOTAL
Stock Acquisition						
Other						
Other						
Total						

PROPOSED FINANCING TERMS

	MEOF	BANK	EQUITY	OTHER	OTHER	TOTAL
Amount	\$	\$	\$	\$	\$	\$
% of Project Cost	%	%	%	%	%	%
Term (years)	yrs	yrs	yrs	yrs	yrs	yrs
Interest Rate	%	%	%	%	%	%
Debt Service	yrs	yrs	yrs	yrs	yrs	yrs
Lien Position						
Collateral						
Guarantee						

ADDITIONAL REQUIRED INFORMATION

The information included in the attached “Exhibit A – Application Exhibits” shall also be provided to the Minnesota Employee Ownership Fund as part of this loan application

I declare that the information provided on this application and the accompanying exhibits is true and complete to the best of my knowledge. I understand that the Minnesota Employee Ownership Fund has the right to verify this information and will be in contact with those individuals and institutions involved in the proposed project. I also understand that if this loan is approved it will be sold to the secondary marketplace. I hereby authorize the Minnesota Employee Ownership Fund to share information contained in this application process with prospective loan purchasers in order to evaluate the feasibility of selling this loan.

By _____

Its _____

Date _____

Submit completed application to:

Minnesota Employee Ownership Fund
Attention: Bob Palmquist
Senior Loan Officer
221 West First Street
Duluth, MN 55802
Direct: 218-529-7562
e-mail: bpalmquist@northlandinst.org

EXHIBIT A: APPLICATION EXHIBITS

Exhibit 1

History and Description of Business

Briefly describe the past operation of the business and/or events leading up to its creation. Include information on the product lines or services, industry, management and key employees, the operation's growth and affiliates.

Exhibit 2

The Project and Related Marketing Plan

Describe the proposed project for which financing is being requested. Detail the marketing strategy and describe how it will support the planned business expansion or start-up. Include information on the following:

- current customers and target markets (provide copies of contracts, purchase orders, etc. which relate to the loan request)
- manufacturing process and materials
- major suppliers
- competition and comparison of products
- pricing, distribution, and promotion

Exhibit 3

Detailed Source and Use of Proceeds

Detail the stock purchase transaction and the amount of funds needed, including all sources of funds.

Exhibit 4

List of Collateral

Provide a detailed list of all collateral offered, new and existing, its value, and security position by funding source.

Exhibit 5

Commitment Letters

Include firm commitments from banks and other participating lenders stating the terms and conditions of their financing.

Exhibit 6

Impact on Community/Jobs

Describe how the proposed project will benefit the community or area in which the business is located. Briefly describe direct and indirect employment benefits, effect on the tax base (if any), and benefits to other businesses and organizations.

Exhibit 7

Financial Statements

Provide balance sheets and income statements for the past three fiscal years.

Exhibit 8

Interim Statement

Provide balance sheets and an income statement that is less than 90 days old.

Exhibit 9

Projections

Provide two years proforma balance sheets, income statements and cash flows stated on a monthly and annual basis. Define the assumptions used to derive the projections.

Exhibit 10

Resumes and Personal Financial Statements

Provide resumes of all principals as well as current, dated and signed personal financial statements on all principals with a significant financial interest in the business.

Exhibit 11

Affiliates

Provide a description of any affiliates or subsidiaries of business or principals requesting assistance, as well as balance sheets and income statements for past two fiscal years.

Exhibit 12

Appraisals/Proposed Lease/Purchase Options or Agreements

An independent appraisal may be required for any real estate which is a subject of the proposed financing, or which is offered as a major source of collateral to secure the loan. Also include copies of existing or proposed lease(s), purchase options or agreements, or other financial arrangements.

Exhibit 13

Partnership Certificate of Authorization or Corporate Certificate of Authority

Include minutes of the corporate meeting adopting this certification, where applicable. Evidence of corporate action approving the borrowing will be required at closing.

Exhibit 14

Other Required Attachments

- Copy of last year's business income tax statement.
- Copy of last year's personal income tax statement of principals.
- A letter from the County Clerk and County Treasurer verifying that there are no outstanding judgments or tax liens against the business or owners of the business.
- Evidence of payment of last quarter's payroll tax.
- Evidence of Worker's Compensation insurance coverage.

EXHIBIT B: LOAN CRITERIA

FINANCING POLICIES

Loan Amount:

- Up to \$1,000,000 per financing transaction.

Eligible Projects:

- Borrower must be a for-profit, privately held business entity.
- Business entities must be a C-Corporation, or an S-Corporation.

Allowable Use of Proceeds:

- Acquisition of Company Stock.
- Establishment of ESOP Trust.

Interest Rates:

- Fixed rate loans are available, with rates based upon market conditions at the time of loan closing.

Loan Term Length:

- The term of each loan will be determined on a case-by-case basis, with the primary factor being the collateral offered. Loans secured by real estate will generally not exceed 10 years, and loans secured by machinery and equipment will generally support a loan term of up to 10 years, not to exceed the depreciated life of the asset being financed. The MEOF loan will typically coincide with the term of the participating bank loan, including any balloon maturity provisions.

Fees and Charges:

- A 1.75% loan origination fee will be charged to all MEOF borrowers. This fee will be assessed only for approved loans, but must be paid at or prior to loan closing.
- A 0.5% loan underwriting fee shall be paid by the borrower at loan closing.
- Borrowers are responsible for paying all legal and other loan closing costs incurred by MEOF.

CREDIT CRITERIA

Equity or Cash Requirements:

- Loan applicants must demonstrate an acceptable level of project equity, with a minimum of 10% equity provided by the borrower. Subordinated debt within the same project financing may be considered as additional equity, subject to an intercreditor agreement. All other criteria will apply, including subordinate debt, when calculating debt coverage.

Collateral Requirements:

- Loan collateral coverage must be at least 90% of the MEOF loan amount on appraised value of assets, less all senior debt.
- MEOF will consider the following collateral positions: first security interest, shared first security interest, subordinated security interest and shared subordinated security interest.

Debt to Worth:

- MEOF will consider financing projects that have a tangible net worth ratio on an actual and proforma basis of no greater than 10 to 1 (10% project equity or greater). Each project shall be analyzed on its own merits and its ability to service both existing and new debt.
- MEOF borrowers should have a tangible net worth of 5 to 1 or less, based upon their most recent financial statements and, on a proforma basis, reflecting the new proposed debt.

Personal Guarantees:

- Personal guarantees will be required for all owners with 20% or greater ownership in closely held businesses.

Management Experience & Company Performance:

- MEOF will require that the company will have capable, skilled management through experience or expertise in the applicant's industry, either through previous successful business ownership or through appropriate managerial support services. Borrowers having erratic or undocumented earnings, or borrowers having new and unproven management, may be subject to certain credit risk sharing provisions.

Repayment Ability:

- Applicants must demonstrate adequate historical cash flow showing trends that support debt service coverage of at least 1.1 to 1. Proforma financial cash flows must also support debt service coverage of at least 1.1 to 1.