GREAT FALLS **MONTANA**

**DEVELOPMENT** AUTHORITY

HIGH PLAINS FINANCIAL, INC.

# Lending Policies

Great Falls Development Authority (GFDA) & High Plains Financial (HPF)
Amended and Approved September 15, 2010

GREAT FALLS MONTANA
DEVELOPMENT AUTHORITY

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# I. Overview

These policies are intended to provide an overview for the Lending Team at GFDA/HPF. It is written based on historical policies and industry best practices. This document is intended to change as staff, management, and the Board update policies and procedures.

This document articulates the GFDA/HPF underwriting and portfolio management policy; it is a guiding framework. It is not designed to limit GFDA/HPF's flexibility or ability to deliver service and products to customers. These policies are intended to communicate lending standards to GFDA/HPF funders; however, the document is confidential and proprietary and should be treated as such.

These polices include attached exhibits that are intended to give step-by-step procedures for administering many of the policies in this document. These polices also contain an attached document section that contains all documents that are used by the Lending Team in loan structuring, underwriting, approval, and closing.

If a section seems unclear or the staff encounters a situation that doesn't seem to fit, the individual must go beyond this manual for an answer. Look to colleagues, other CDFIs, GFDA/HPF's attorney or the Board for answers and clarification. When the matter is decided, this manual should be updated.

This guide is not meant to take the place of training. It is a reference and an overview. This manual sets the standard for what should be done, but in most cases, does not spell out how to do it.

## A. Mission

1. Great Falls Development Authority: Lead Great Falls economic development efforts to promote growth, diversification and the creation of high wage jobs.

2. High Plains Financial: Partner with local lenders and economic development organizations to meet the financing needs of growing businesses and start-ups in the Golden Triangle.

We are guided in our work by these values:

1. Integrity: We hold ourselves to the highest ethical standards.
2. Transparency: We operate in an open manner while respecting our clients' confidentiality.
3. Collaboration: We value our partners and use community resources as effectively as possible.
4. Fiscal Prudence: We operate as efficiently as possible to maximize return on investment.
5. Goal Driven: We strive to achieve meaningful long-lasting results to benefit our investors and our community

## B. Lending Impact Goals

GFDA/HPF's goal is to make loans to businesses on projects that have a positive effect on the community and surrounding areas in an effort to promote growth, diversification and the creation of high wage jobs. GFDA/HPF has segregated loan funds for specific high impact industries including a Brownfield Clean-Up Loan Fund, a Rural Business Loan Fund, and a Downtown Revolving Loan Fund. The terms on these loan funds may be more flexible in order to support business with higher impact potential.

## C. GFDA/HPF Lending Team

The Lending Team at GFDA/HPF is comprised of the Loan Officer, Administrative Assistant, Finance Intern(s), Controller, Business Development Administrative Assistant, Business Development Officer, Executive Assistant, Procurement Technical Assistance Center Project Manager, Grant Writer and President. The Small Business Development Center Directors supports loan clients with technical assistance and is not considered part of the Lending Team. However, all of the above positions work together, as a team, to originate new loans and maintain the quality of GFDA/HPF's existing loan portfolio.

In general, job duties are explained below:

- Loan Officers are responsible for underwriting and loan monitoring, deal structuring, and oversight of the Lending and Accounting Assistant.
- The Administrative Assistant provides support to the Loan Officer and Controller. They are the primary person maintaining all files, data, documents and loan payments.
- Finance Interns provide support to the Loan Officers and Lending and Accounting Assistant especially with monthly and annual client monitoring
- The Controller is responsible for overseeing loan payments, providing financial information to report to funders, and overall portfolio financial performance and reporting.
- The Business Development Administrative Assistant assists the Business Development Officer and the Lending Team with operational and logistical needs.
- The Business Development Officer is the face of GFDA/HPF and the primary contact with Banks and other Financial Institutions working with GFDA/HPF. He/she works to bring in loan clients and build the loan portfolio.
- The Executive Assistant provides support for the President.
- The Grant Writer is responsible for securing grants and funding sources for both operations and the Loan Portfolio.
- The President is responsible for oversight of the Lending Team and overall portfolio management and financial performance and reporting.
- The Board of Directors' Finance Committee is responsible for setting financial performance benchmarks and reporting to the Board of Directors.

Lending Team job descriptions are in Exhibit 1: Job Descriptions.

The goal of GFDA/HPF's Lending Team is to lead economic development efforts to promote growth, diversification and the creation of high wage jobs. The goal of HPF is to partner with local lenders and economic development organizations to meet the financing needs of growing businesses and start-ups in the Golden Triangle. This includes creating and managing a portfolio of loans and investments that optimizes GFDA/HPF's and HPF's financial and mission objectives as constrained by risk, capital availability, and funding source criteria. Throughout the loan screening process, the Lending Team balances financial risk and mission returns of each deal and of the portfolio as a whole. Every loan should have some social benefit to community, or the state, and each loan must have the likelihood of success.

Mission benefit or community impact is assessed in three primary categories:

1. Location –rural location, part of a targeted economic development area, downtown revitalization, or contaminated site clean-up.
2. Jobs – creation and retention of high wage, and high quality jobs
3. Industry – targeted industries such as Agri-processing and Energy

Sometimes there are other impacts that do not fall under the above categories, such as the impact of giving an individual the opportunity to become a business owner for the first time, or leveraging other community dollars and working with community partners. These types of impacts are also tracked as part of the lending process. An impact assessment is including in each credit presentation and ongoing impact monitoring is conducted as part of the annual review process. More information on these categories and how GFDA/HPF assesses impact can be found in the Underwriting Analysis Worksheet in Document 7.

## D. Types of Loans

GFDA and HPF make Business Loans. Loans are usually made to a business or entrepreneur that meets at least one of the following criteria:

- Businesses in targeted industries including agri processing and energy;
- Businesses located in downtown Great Falls;
- The business is located in a rural area;
- The business is integral to the community of the area it will serve;
- The business creates high wage or high quality jobs;
- The loan will help meet a strategic mission of GFDA or HPF.

Additional impacts are tracked but not required for GFDA/HPF funding.

- The business is owned by a low to moderate income individual or benefits low income people;
- The business is located in a low to moderate income area;
- The business is at least 50% owned by a woman;
- The business is a start-up or very new;
- The borrower is unable to access traditional credit
- The borrower does not have sufficient capital of his/her own.

GFDA/HPF loans are often "gap" financing. GFDA/HPF funds fill a gap left between owner equity and bank loans. Without GFDA/HPF's participation, the project would not be financeable. GFDA/HPF rate will start at the bank rate plus 3%, however some funds require specific interest rates and in those instances the loan funds required rate will be used. Rates can be reduced for higher impact loans. Rarely will GFDA/HPF lend money to a borrower who has been unable to access capital because of poor credit.

In some instances, GFDA/HPF will make loans to bankable businesses if the business loan provides multiple, strong community benefits and GFDA/HPF is able to enhance the loan for the borrower to help achieve the community benefit. In general, GFDA/HPF's strives to maintain a portfolio that consists of 37% working capital loans, 34% start-up loans, and 22% industrial loans. Gap financing loans are always preferred for each business category. However, GFDA/HPF will also do loans without bank partners.

GFDA/HPF's terms, interest rates, and payment structures vary depending on the client and the specific loan fund sources. In general, GFDA/HPF's Loan Officer should structure financing packages for businesses that meet the borrower's cash flow ability, minimize GFDA/HPF's risk, and deploy, revolve and redeploy GFDA/HPF's loan fund as quickly as possible to maximize community impact.

Interest rate premiums may be added for identification of high risk factors such as poor credit or lack of collateral coverage. Interest rate discounts may be provided for job creation/retention, investment in targeted industries and locations, and other factors aligned to the GFDA/HPF strategic plan. The Loan Officer recommends premiums and discounts, and the corresponding loan review committee can add conditions changing interest rates as they see fit.

Incentive finance may be done to motivate an agent to take a particular course of action. In this case GFDA/HPF may offer low cost capital to make a job creation/investment project flow to our service area as opposed to another area. GFDA/HPF incentive rates may start below bank rates but will never fall below 4%. Claw back provisions may be included in incentive finance projects. A claw back, or recapture provision, is a clause of a subsidy contract that insures that a company follows the requirements that were the reason for the incentive financing. In the event that they don't follow the requirements they can incur penalties, a higher interest rate, or a required principal pay down. Loan Officer recommends incentive financing in credit presentation and would be a contingency of the loan. The contingency is included in the final approval or denial of the appropriate Loan Committee.

Specific terms by Loan Fund are detailed in Exhibit 2: Loan Fund Regulations. When other funding driven specific loan funds are incorporated into GFDA/HPF's lending program, the specifics of the program will be included in Exhibit 2.

## E. Prohibited Loans

No loans will be made

1. Where the purpose is illegal in local, state, and/or federal law;
2. When a process or product is intentionally harmful to the environment.
3. To any prohibited industries indicated by the funding source. See Exhibit 2 Loan Fund Regulations.

Federal funding sources have prohibited specific industries or people from receiving their loan funds. Depending on the organization from which the loan is funded, GFDA/HPF will meet the corresponding loan funds regulation requirements regarding prohibited industries or people. These regulations change continually and will be monitored by the Administrative Assistant to ensure continued compliance.

In addition to the above prohibited businesses, GFDA/HPF staff, Board and Loan Committee members, and their immediate families are not eligible for loans. Exceptions may be granted by a majority vote from GFDA/HPF's Board of Directors or HPF Board of Directors depending on the loan fund, only if the loan applicant can show direct benefit to GFDA/HPF's mission.

### F. Grants

When appropriate GFDA/HPF will make grants to eligible businesses.

### G. Other Departments at GFDA/HPF

The Lending Team does not operate in a vacuum. The Small Business Development Center (SBDC), Director's consulting services, and the Procurement Technical Assistance Center's (PTAC) project manager's government contract assistance are integral to the success of the GFDA/HPF Lending Team and its portfolio. These departments can provide technical assistance to GFDA/HPF borrowers before financing and after the loan has closed. Consulting staff can help the Loan Officer with their due diligence and provide write-ups for the credit presentation and file.

## II. Policy Nuts and Bolts

### A. Legal Issues

GFDA/HPF retains legal counsel as needed to assist with loan documentation, resolving issues, collections or taking action against a borrower.

#### 1. Lender Liability

Actions for which lenders can be held accountable include, but are not limited to:

- Failure to fund pursuant to commitment
- Improperly calling for payment of a demand note, or improperly accelerating a term note

- Bad faith implementation of the terms of a loan agreement, i.e., seizure of collateral under circumstances which in the past were considered routine
- Enforcing the terms of an agreement that the lender previously waived on a routine basis
- Suggesting (threatening) taking action against a borrower without actually intending to do so
- Exercising control over a borrower's operations, or interfering with business decisions
- Supplying misleading or improper business or credit information to a third party who is contemplating doing business with the borrower

GFDA/HPF's Lending Team members do not offer business counseling or pro forma/cash flow creation for clients. If a client requires business assistance, the Loan Officer refers the client to SBDC Director.

### 2. Equal Credit Opportunity Act

The Equal Credit Opportunity Act (ECOA) prohibits discrimination in lending on the basis of gender, marital status, race, color, national origin, religion, age, receipt of public assistance or because the applicant has exercised any right under the Consumer Credit Protection Act. The purpose of ECOA is to provide equal access to credit and to educate the loan applicant about the credit process through disclosure of denial reasons. In addition to abiding by ECOA, GFDA/HPF does not discriminate in lending based on sexual orientation.

### 3. Confidentiality

Loan files are confidential between lender and borrower. No information from any borrower's file may be discussed, disseminated, distributed, or in any way released from a file to an outside entity or individual unless the borrower has specifically authorized its release. GFDA/HPF's loan application includes an authorization from the borrower that allows GFDA/HPF to release all information on business and individual applicants to bankers and other economic development agencies who are directly involved in the financing package.

Loan Officers may discuss credit reports, and other findings from the underwriting process with clients; however, GFDA/HPF does not release credit presentations, underwriting materials, or credit reports to borrowers.

GFDA/HPF maintains systems that ensure secure and confidential client information per GFDA/HPF's Physical and IT Security Policy.

## B. The Deal Review Process

GFDA/HPF provides commercial loans for a business purpose to entrepreneurs and businesses that are located in the state of Montana. A commercial loan is any loan made to a corporation, limited liability company or individual for business purposes.

When underwriting a loan, GFDA/HPF looks for a way to make the loan, rather than how to turn it down. This philosophy begins with the telephone intake call, and is followed through to the lending team's screening discussions. GFDA/HPF's lending staff works hard to identify a proposal's financial risks and returns as well as potential impact. If the business offers a mission benefit commensurate with or greater than the risk being assumed, the Loan Officer will go forward with a recommendation for approval.

Between an inquiry and approval, GFDA/HPF has many structured steps to ensure strong deal structuring and underwriting. This process begins with a client meeting, and then may or may not include business consulting. The Lending Team then goes through a due diligence process with rigor that is commensurate with the loan amount and risk. During underwriting, GFDA/HPF always assesses collateral, owner equity investment, debt coverage ability, and credit scores. GFDA/HPF routinely takes on risk that is greater than a bank in the areas of collateral, owner equity, and debt coverage ratios; however, GFDA/HPF does not routinely take risk with low credit scores. When the underwriting is complete, the Loan Officer prepares a credit presentation for Loan Committee approval. Step-by-step procedures for intake, underwriting and credit presentation preparation are in Exhibit 3.

## C. The Approval Process

All loans require a credit presentation. Credit presentations are presented by the Loan Officer to either the Internal or appropriate External Committee for approval. The appropriate External Committee is dependent on the loan fund being used. The two external committee's used are the High Plain Financial Committee and the Great Falls Development Authority Loan Committee. The Loan Officer sends the credit presentation package to the appropriate committee members prior to the committee meeting. Then, at the meeting, the Loan Officer presents the salient facts of the presentation. The Loan Officer's presentation should be balanced, presenting the weaknesses of the loan, any issues where the loan is outside of GFDA/HPF's policies, and the mitigating factors that swayed the Loan Officer to consider the loan package to be strong. The loan committee listens to the Loan Officer's presentation which may be supplemented with other lending team member comments, questions, suggestions, thoughts on contingencies, and/or additional work. At the end of the discussion, the committee will then vote on the loan. A majority vote in the quorum is needed for loan approval. In the event of a tie vote, the loan is denied.

All committee meetings are recorded in minutes. Minutes are recorded by the Administrative Assistant on the Loan Committee Minutes Form. This form is included in these polices as Document 10. Minutes of all loan committee meetings are signed by the Administrative Assistant, and kept in the individual loan files to document all loan decisions.

The committees' structures and duties are outlined below.

1. **Internal Loan Committee**

Loans that result in a combined exposure up to $50,000 to one borrower can be approved by the Internal Loan Committee.

a. **Members**: All GFDA/HPF staff members accept the Small Business Development Center Directors.
b. **Duties:** (1) Approve or decline loan requests, ensuring that loans are extended in accordance with GFDA/HPF Loan Policy; (2) Assess credit underwriting to ensure that loan transactions reflect proper loan structure, collateral, and loan covenants.
c. **Meeting Schedule**: Meets at Monday Lending Team meetings, or on an as needed basis scheduled by the presenting Loan Officer.
d. **Materials**: The Loan Officer sends out the credit presentation and supporting documents at least 24 hours prior to the committee meeting.
e. **Quorum**: 3 Lending Team members, one of whom must be either the President or the Controller, in addition to the presenting Loan Officer.
f. **Meeting Chair**: Presenting Loan Officer.
g. **Authority**: Approve a loan request up to its limit as presented, approve with conditions, request re-submittal with modifications, or deny the application.
h. **Other:** N/A
i. **Proxy:** Internal Committee members who cannot attend committee can vote on credit presentations by means of absentia via phone or email to a member of the Lending Team. Votes in absentia may be used to satisfy the quorum requirement.

2. **High Plains Financial Committee**

Loans that result in a combined exposure greater than $50,000 to one borrower and are funded out of SBA 504, IRP, or the Sweetgrass Loan Fund are approved by the High Plains Financial Committee.

a. **Members**: All High Plains Financial board members are members of the community. Representing; banking, accounting, law and business management.
b. **Duties**: (1) Approve or decline loan requests, ensuring that loans are extended in accordance with GFDA/HPF Loan Policy; (2) Assess credit underwriting to ensure that loan transactions reflect proper loan structure, collateral and loan covenants.
c. **Meeting Schedule**: Meets on the first Wednesday of every month. In the event of time constraints they can meet on an as needed basis scheduled by the presenting Loan Officer.
d. **Materials**: The Loan Officer sends out the credit presentation and supporting documents at least 2 working days prior to the committee meeting.
e. **Quorum**: In order to have a quorum at least 4 of the 7 committee members must be present or voting via absentia.

f. **Meeting Chair**: The President of GFDA/HPF will chair the committee, but will not vote. In the absence of the President, the Loan Officer or his/her designee will oversee the committee.
g. **Authority**: Approve a loan request as presented, approve with conditions, request re-submittal with modifications, or deny the application.
h. **Other:** N/A
i. **Absentia Voting:** High Plains Financial Committee members who cannot attend committee can vote on credit presentations by absentia via phone or email to the Loan Officer, President or Administrative Assistant. Votes in absentia may be used to satisfy the quorum requirement.

3. **Great Falls Development Authority Loan Committee**

Loans that result in a combined exposure greater than $50,000 to one borrower and that are funded out of EDA, DRLF, or EPA's Brownfield are approved by the Great Falls Development Authority Loan Committee.

a. **Members**: Community members representing banking, accounting, law and business management.
b. **Duties**: (1) Approve or decline loan requests, ensuring that loans are extended in accordance with GFDA/HPF Loan Policy; (2) Assess credit underwriting to ensure that loan transactions reflect proper loan structure, collateral and loan covenants; (3) Provide counsel and guidance to the GFDA/HPF Lending Team on loan-related matters including best lending practices, portfolio monitoring, and improvement of underwriting standards.
j. **Meeting Schedule**: Meets on the first Wednesday of every month. In the event of time constraints they can meet on an as needed basis scheduled by the presenting Loan Officer.
c. **Materials**: The Loan Officer sends out the credit presentation and supporting documents at least 2 working days prior to the committee meeting.
d. **Quorum**: A quorum of at least 5 committee members is required.
e. **Meeting Chair**: The President of GFDA/HPF will chair the committee, but will not vote. In the absence of the President, the Loan Officer or his/her designee will oversee the committee.
f. **Authority**: Approve a loan request as presented, approve with conditions, request re-submittal with modifications, or deny the application.
g. **Other**: At the discretion of GFDA/HPF's lending team or President, loans with multiple exceptions to Loan Policy may be referred to the Great Falls Development Authority Board of Directors for further approval after approval from the committee.
h. **Absentia Voting:** External Committee members who cannot attend can also vote in absentia via phone or email to the Loan Officer, President or Administrative Assistant. Votes in absentia may be used to satisfy the quorum requirement.

### 4. Conflict of Interest

At the beginning of every Loan Committee meeting the meeting chair will ask if any potential conflicts exist. HPF and GFDA Loan Committee members must declare any conflict or potential conflict of interest that they hold in a loan being considered by the committee. Conflicts of Interest may include, but are not limited to situations in which the committee member:

- Has a potential benefit to themselves or entities in which the committee member holds an interest;
- Is an employee of the borrower or receives financial compensation from the borrower;
- Works for an organization that receives financial compensation from the borrower;
- Has a material financial interest in the transaction;
- Has personally been employed by a business that has approved or denied the loan package;
- Has a material or financial interest that competes with the borrower; or
- Is a close personal friend or relative of the borrower.

Once a potential conflict has been declared, the committee meeting chair will call for a vote on whether the conflict is material. The vote should be recorded in the meeting minutes. If the conflict is considered material, the committee member may participate in the loan presentation conversation, but must excuse her/himself from the room during the vote.

## D. The Closing Process

Once a loan has been approved, GFDA/HPF moves toward closing the loan. In general, this process involves requesting and receiving proper documentation for the loan covenants, engaging legal counsel to prepare the loan closing documents, and closing the loan with the borrower and GFDA/HPF legal counsel. Information sharing between the Loan Officer and client during the closing process is critical to establishing a good working relationship for ongoing monitoring and reporting. The Loan Officers with the assistance of legal counsel are responsible for the closing process, with the support of the Administrative Assistant. Step-by-step procedures for the closing process are included in Exhibit 5.

## E. The Loan Review Process

The primary function of the loan review process is to reduce loan losses, and help business clients succeed. The secondary purpose is to make sure that the GFDA/HPF reserve account is adequately funded to protect the organization in the event of several large simultaneous write-offs. Step-by-step procedures for loan monitoring and review are included in Exhibit 6.

The Loan Officer has primary responsibility for his/her loans, including maintaining proper risk rating, alerting the lending team to potential credit problems, and recommending increases in individual reserves. The President and the Controller have the ultimate responsibility for approving reserve amounts and monitoring asset quality, and should take an active role in loan review. If a loan is written off, it will be turned over to legal counsel for collection.

### 1. The Process

The review process includes an on-site visit by the Loan Officer between 30 and 60 days of the loan closing, monthly financial reviews for new borrowers for the first six months after the loan closing, and annual reviews for all other members of the portfolio. The Loan Officer is responsible for requesting all required paperwork, reporting from the client, maintaining a schedule of loan monitoring requirements, and maintaining complete loan files. The Administrative Assistant and Finance Intern(s) provide support in all of the above tasks. The Administrative Assistant, with review by the Loan Officer, will make certain that all necessary documents are up to date in the file including UCC filings and renewals, lien filings, insurance, title policies, deeds of trust, mortgages, organizational papers, name change documents, and any other items ensuring GFDA/HPF of proper documentation and continued lien coverage. The Loan Officer will also make certain that all financial information is up do date, including tax returns, personal financial statements, credit reports, projections, and any other items required to financially monitor the loan. The Administrative Assistant or Office Manager, at the Loan Officer's request, will send out reminder postcards to borrowers asking for financial statements prior to the review. Reviews include at least one annual face to face meeting between the borrower and the Loan Officer at the business site.

For the 30 day review and the annual review, the Loan Officer must complete and file the appropriate paperwork and reports. These documents are included as Document 17 &18 in the attachments to these policies.

In instances where GFDA/HPF approves joint loans per a loan servicing agreements, Loan Officers are responsible for maintaining up-to-date filings and monitoring. The Loan Officer should follow the responsibilities for underwriting, approval, and monitoring as agreed to in the loan servicing agreements.

### 2. Health Status of Loans

GFDA/HPF uses seven health ratings for loans: (1) Healthy, (2) Watchlisted, (3) Restructured, (4) Delinquent, (5) Default, (6) Write-Off, and (7) Repaid. It is the Administrative Assistant's responsibility, at the request of the Loan Officer, to update this status with each review, or change the loan conditions. Definitions for each status follow.

#### a. Healthy

Loans are considered healthy if they do not fall into another category on this list.

#### b. Watchlist

The criteria for a loan to be considered on the watchlist and the criteria for being removed from the watchlist are included as Document 15.

When a Loan Officer adjusts the health status of a loan to "Watchlist," the Loan Officer must fill out a Watchlist Action Plan and follow up with the Lending Team and SBDC Director (when necessary). The Watchlist Action Plan is included as Document 14 in the attachment to these policies.

**c. Restructured**

Any terms of the loan have been changed since the original closing. Loans are considered restructured once the Debt Modification Agreement has been signed.

**d. Delinquent**

Any loan that is 1 day past due is considered delinquent.

**e. Default**

Loans that are more than 90 days delinquent in their payment are considered in default. A loan may also be considered to be in default if the borrower breaks the covenants of the Loan Agreement. If the borrower does not bring the loan current prior to 90 days delinquency, the guarantor or cosigner will be contacted and asked to bring the loan current.

In most circumstances, when a loan is considered to be in default, it should be placed on non-accrual. With the approval of the Lending Team, a loan may remain on accrual if recommended by the Loan Officer with documented extenuating circumstances that make accrual feasible for the client.

In a default situation, the Loan Officer should make every attempt to restructure the loan, create a work out plan that repays GFDA/HPF, and maintains the financial health of the borrower.

After 120 days of default, the Loan Officer must either have a signed workout plan including a signed and filed Debt Modification Agreement, or move to foreclosure.

**f. Write-Off Recovery and Write-Off No Recovery**

Loans that cannot be paid off through the primary source of repayment and are not able to get on a regular payment schedule, or are more than 120 days delinquent, should be written off. Loans to clients that have filed for bankruptcy should also be written off.

Once a loan is written off, the Loan Officer will work with GFDA/HPF's legal counsel on the workout.

If GFDA/HPF has access to other sources of repayment such as a guarantor or through the liquidation of collateral these sources should be pursued and the loan status should be Write-Off Recovery. If all avenues for repayment have been explored and there are no sources of repayment available, the loan status should be Write-Off No Recovery.

**g. Repaid**

Once a loan is repaid the Loan Officer and Administrative Assistant should follow the step-by-step procedures defined in Exhibit 6 detailing loan monitoring and review. All filings should be released and the original note marked PAID should be returned to the borrower. All files, both electronic and hard copy should be updated and filed appropriately to reflect the repayment.

### 3. Foreclosures

In most instances, foreclosure is viewed as the last option. However, after all other avenues of assistance and deal restructuring have been attempted, the Loan Officer and legal council should begin foreclosure proceedings. The Loan Officer and legal counsel will insure that all foreclosure proceedings and actions are conducted in such a way so as to provide maximum protection of GFDA/HPF's capital and for the interest of affected parties.

### 4. Write Offs

A loan is charged off once it has been determined that the recovery of the loan value is unlikely. At the end of each quarter, the Loan Officer reviews all loans in default, determines the amount of the loan that is unlikely to be recovered in the next 365 days, and makes a recommendation to write off that amount. The Loan Officer should make the recommendation to write off a loan in the form of a memorandum. Memorandums must be reviewed with the Lending Team and approved and signed by the President.

### 5. Loan Loss Reserves

GFDA/HPF reserves 6% of its loans outstanding, the Actual Loss Risk of all loans (as defined below), or a percentage as defined by funders, whichever is greater.

Actual Loss Risk (ALR) is calculated individually for each loan. It is the collateral shortfall in the loan multiplied by a percentage that relates to the loan's health status (Health status percentages range from 0% for Healthy to 100% for loans in default).

**Actual Loss Risk = Health Status % x Collateral Gap**

The multipliers for health status are:

1. Healthy – 0%
2. Watchlist – Not restructured, not delinquent – 25%
3. Watchlist – Restructured, not delinquent – 50%
4. Watchlist – Delinquent – 75%
5. Watchlist – Default – 100%
6. Write-off – Recovery – 0%
7. Write-off – No Recovery – 0%

Actual Loss Risk (ALR) is set at the time the loan closes and then at least annually (with the annual review). In addition, the ALR must be adjusted when a loan changes health status such as, the loan being restructured, or being put on the watchlist. Each Loan Officer is responsible for setting the ALR for each loan in his/her portfolio and maintaining up-to-date loan loss reserve documentation.

Actual Loss Risks are written documents that include a narrative about the company's financial condition and the above ALR calculation.

GFDA/HPF's Lending Team reviews the Actual Loss Risk in the overall portfolio quarterly and the VP of Financial Services adjusts the overall portfolio loan loss reserve accordingly.

The GFDA/HPF Controller will calculate the total portfolio ALR at least annually to ensure that it is below 6%. In the event that the portfolio ALR is higher than 6%, the loan loss reserve reported on the GFDA and HPF financials will be adjusted accordingly.

### F. Loan Payments

To maintain proper controls between clients and Loan Officers, the Administrative Assistant is responsible for collecting, and recording all loan payments. All loan payments are set up for automated bank fund transfer, with payment dates on the 1st of each month. In special circumstances, a business can have their loan payment scheduled on a different day of the month. The Administrative Assistant, with the support of the GFDA/HPF Controller, takes payments from borrowers' accounts on the assigned day, and then sends a payment receipt by the 1st of the following month. Some loans with older origination dates may continue to be paid via written check. In those cases, every effort should be made by the Loan Officer to initiate automatic payments. The Accountant is then responsible for ensuring accurate financial reporting of all loan fund bank accounts to the accounting team.

#### 1. Late Payments

When payments are not received on the day the payment is due, the Loan Officer will contact the borrower and make arrangements with the borrower to bring a payment to the office, have the payment deducted from their bank account, or start the extension or modification process. When the payment is 10 days late, the borrower will be assessed a late fee according to the borrower's Loan Agreement. Late fees are charged per borrower not per loan agreement. If the borrower's late payment results in a debt modification, the borrower's late fee can be waived in lieu of the Debt Modification fee at the Loan Officer's discretion.

#### 2. Returned Payments

When a client's payment is returned "non sufficient funds" or "closed account," the Loan Officer will contact the borrower immediately upon notice and arrange for certified funds or debiting of the borrower's bank account. A returned payment fee will be assessed according to the borrower's Loan Agreement.

### 3. Debt Modifications

Modifications are defined as a change in payment terms which results in the remaining loan terms becoming restructured. Debt Modification Agreements are approved by the President and signed by the Loan Officer.

When a client requests a Debt Modification, the Loan Officer will review the loan file for completeness, including current financial statements, tax returns and any other information needed to bring the loan file current. Debt Modifications will not be granted unless all required documentation to bring the loan file up to date has been received. The Loan Officer will evaluate the need for technical assistance; if the Debt Modification is requested due to problems within the business, the Loan Officer should require that the business owner meet with the SBDC Director as a contingency of the deferral.

The Loan Officer is responsible for creating the appropriate structure for the Debt Modification and for ensuring the required technical assistance is completed. The Loan Officer should make every effort to be consistent in the methodology for structuring and granting Debt Modifications. Debt Modifications will typically result in increased frequency of financial reporting from the borrower.

When a modification is granted, the Loan Officer must have the client sign a Debt Modification Agreement which outlines the new loan term, and payment structure. A Debt Modification fee of $100 will be collected at the time of signing. In addition, the Loan Officer may require that the borrower meet with GFDA/HPF's consulting department. The Loan Officer must file a Watchlist Action Plan signed by the President, and a new amortization schedule.

When a client requests a Debt Modification Agreement, the Loan Officer will collect:

- $100 fee,
- Signed Debt Modification Agreement,
- Current business financial statements,
- Tax returns and PFS's for all guarantors
- Any other information needed to bring the loan file current.

## G. Overall Portfolio Management

GFDA/HPF's President oversees the Loan Portfolio and monitors it for mission performance adherence to these policies, financial performance as set by the Finance Committee annually and must receive approval from the board. The President and Loan Officer are responsible for reporting to the Board on the health of the portfolio.

### 1. Financial Performance

Financial Performance in the portfolio may contain many benchmarks, but will include total loan fund capital, margin on loan funds, liquidity, asset-liability matching, concentration of credit, portfolio balance, net assets, default rate, write off rate, and loan loss reserve. Some of these are explained in detail below.

a. **Total Loan Fund Capital**
Total loan fund capital includes all short and long term debt, net assets permanently restricted for lending, unrestricted net assets, and net revenues in excess of expenditures.

b. **Liquidity**
GFDA/HPF will maintain a cash reserve that is required by each federal funding source.

c. **Asset-Liability Matching**
GFDA/HPF structures loans to revolve as quickly as possible and, in general. Loans are generally set up on a twenty (20) year amortization schedule with a balloon in five (5) years. The finance committee will review this aspect of the portfolio for monitoring and accountability at least annually.

e. **Concentration of Credit and Lending Limit**
Each individual loan fund also has a concentration of credit limit as follows:
   1. EDA RLF – Leverage requirements of two dollars of private investment for every dollar of RLF.
   2. Downtown RLF – Twenty (20) percent investment in any one project, with a ceiling of $100,000
   3. High Plains Financial:
      i. IRP – Loan not less than $25,000 and no greater than $150,000. The IRP participation in a project shall not be greater than 75% of the total cost of a project up to $250,000 (with special USDA approval), no more than 25% of the portfolio shall be made to any one business or its affiliates.
      ii. SBA 504 – no more than $2M to any one borrower.
      iii. Sweetgrass Development –
         1. Business Support Loans < $100,000
         2. Business Direct Loans < $400,000
         3. Interest or Buy-down Loans < $200,000

If additional funds are added, these policies will be updated with concentration of credit limits on the new funds.

f. **Portfolio Balance**
GFDA/HPF strives to maintain a portfolio that includes:
Working capital loans – thirty-seven (37) percent
Start-up loans – thirty-four (34) percent
Industrial loans – twenty-two (22)

g. **Net Assets**

A minimum loan fund equity level of 20% will be maintained. Equity is defined as permanently restricted net assets for lending, unrestricted net assets, and change in net assets.

**h. Loan Loss Reserve**
GFDA/HPF will reserve at least six (6) percent of loans receivables as required by federal funding sources, the sum of the Actual Loan Risk, or Funder requirements, whichever is greater.

### 2. Mission Performance

Mission performance is conveyed through impact reporting which may include any community development outcome monitoring requirements as set by GFDA/HPF or its funders.

GFDA/HPF is particularly interested in tracking metrics including job creation and retention and job quality, the investments that are leveraged by GFDA/HPF's loans, new business starts, and environmental impact. GFDA/HPF is also interested in tracking demographics of its borrowers with an emphasis on the number of low income people, women and minorities served. GFDA/HPF's definitions and tracking of mission performance is continually being refined and improved.

### 3. Meeting and Reporting

The Lending Team meets weekly to discuss capital available for lending, portfolio health, and prospect deal structures. Watchlisted loans are discussed monthly, and the Loan Officers create Watchlist Action Plans for all Watchlisted Loans. Watchlist Action Plan Templates are attached as Document 14.

The Controller prepares monthly reporting for the President and quarterly reporting for the Board of Directors.

## III. Policy Revisions

GFDA/HPF's policies are revised to reflect actual practices within the organization, best practices in the industry, and changes in the market needs. GFDA/HPF will review and revise its policies no less than every three years. Changes may be made more frequently if deemed necessary by the staff, Board of Directors, or External Loan Committee.

These policies require the approval of GFDA/HPF's Board of Directors. The Lending Team will submit policy revisions to the staff and External Loan Committee for comments and make appropriate revisions prior to Board approval.

Minor changes to these policies can be made as needed at the recommendation of the Lending Team and President, with the Board of Directors' approval, and without review of the entire policy document. These changes should be recorded in the policies as comments with approval dates. The comments should be removed during the subsequent full policy review and revision.

The policies' attached exhibits and documents may be revised by the Lending Team and President. Any major changes should be communicated to the External Loan Committee and to the Board of Directors. These changes do not require board approval.

**Loan Fund Regulations-Exhibit 2**

| | **DRLF Downtown Revolving Loan Fund** | **Sweetgrass Loan Fund** | **IRP Rural Business Loans** | **Brownfield** | **EDA U.S Economic Development Administration RLF** | **SBA 504 Small Business Administration** | **CDBG City Development Block Grant** |
|---|---|---|---|---|---|---|---|
| **Loan Fund Type** | Special Impact Fund | Core Sweetgrass Loan Fund | Special Impact Fund | Special Impact Fund | Special Impact Fund | Special Impact Fund | Special Impact Fund |
| **Interest Rate** | Bank's Interest Rate plus 3%. If bank's rate is variable than GFDA will be variable as well.<br><br>Floor interest rate is WSJ prime +3%. | Business Support Loans: at not less than prime interest and no greater than prime plus 3% interest. Business Direct Loans will be no less than prime or greater than prime plus 3%. Interest or Buy-down loans will be amortized at a rate based on 1% over prime. | Wall Street Journal Prime + 2, but never less than 5% or higher than 9%. | The minimum interest rates for loans from the GFBCRLF to for-profit entities will be 4% points below the current money center prime rate quote in the Wall Street Journal or the maximum interest allowed under MT state law, whichever is lower, but shall not be less than 1.5%. Should the prime rate exceed 14%, the minimum RLF interest rate will not be above 10%. Zero-interest loans to public entities and non-profit entities may be considered by the GFBCRLF. | Interest rate vary depending on cash flow, collateral, and credit criteria (prudent lending policies), but in no instance shall be less than 4%.<br><br>For gap finance interest rates shall start participating bank rate plus 3%. Premiums and discounts may be considered based on project impact and credit worthiness.<br><br>For incentive finance interest rates shall start at prime rate. Premiums and discounts may be considered based job creation and impact on tax base, but in no instance | In each case a fixed interest rate for a term of either ten (10) or twenty (20) years will be established based on the useful life of the assets but no more than twenty (20) years. | Bank's Interest rate plus 2% or 3% depending on the risk and impact of the deal. Loan officer and President/CEO's discretion. |

**Loan Fund Regulations-Exhibit 2**

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| | | | | | shall be less than 4%.<br><br>Special provisions, such as deferrals of principal or interest payments, as deemed appropriate to meet a borrower's needs may be negotiated on a case by case basis. | | |
| **Maximum Loan Amount** | Up to $100,000 or 20% of the total project cost whichever is less.<br><br>Project costs to include real estate purchase, owner equity and renovation, **however our loan funds can only be used for renovation or improvements**.<br><br>Eg:<br>Project $600k<br>Purchase:$425k<br>OwnerEquity:$100k<br>Imp. $75,000<br><br>In this case our loan | Business Support Loans: will not exceed $100,000 or 75% of total activity cost.<br>Business Direct Loans: Amount s of the loans will be no more than $400,000 or 50% of total activity cost.<br>Interest or Principal Bouy-downs of a commercial loan. Loan amounts are not to exceed $200,000. | **$150,000**. With a minimum loan amount of $25,000. Loans can be made up to $250,000 if there is funds available in the IRP and so long as no greater than twenty-five percent of the capitalization of the IRP loan funds are loaned to one entity. These larger loans will typically be used for primary sector businesses. Loan officers should look for opportunities to use IRP in conjunction with other GFDA funds as well as | **$1,000,000.** With a minimum loan amount of $50,000. | Minimum of $25,000 and generally do not exceed $250,000. However, loans larger than $250,000 may be made if there are funds available in the RLF and so long as no more than 25% of the loan fund is loaned to any one entity. Leverage percentages: Two dollars of private investment money for every dollar of RLF assistance. | Loans are available for a minimum amount of $50,000 and do not exceed $1.5 million for urban communities. However, in rural communities, the total funding may be increased to $2 million and funding for manufacturing may be funded up to $4 million of SBA financing. | $50,000 (Total loan fund) |

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| | can only be $75k even though 20% of the project is $80k. | | outside sources of debt and equity to help meet fund requirements. | | | | |
| **Maximum Loan Term** | Amortization twenty (20) years, balloon in five (5) years. | <u>Business Support Loans</u> will be amortized over a 5-year term. <u>Business Direct Loans</u> will not exceed seven (7) years for working capital loans or ten (10) years for all other building related or equipment loans. <u>Interest or Principal Buy-down Loans</u> amortized over 25 years. | **15 years for fixed assets and 7 years for non-fixed asset loans**. Most loans should balloon within 5 years. In some occasions especially the financing of real estate, amortization may be longer than the loan period resulting in a balloon payment at the end of the term. Amortization may be up to 20 years for real estate, 10 years for machinery and equipment, and 5 years for working capital. | Loans for real estate will have a maximum term of twenty (20) years; loans for equipment purchase shall have a maximum term of ten (10) years; working capital loans shall not exceed five (5) years.<br><br>Special provisions, such as deferral of principal payments, interest rate reduction, and balloon payments with amortized payments based on longer terms, may be negotiated on a case-by-case basis.<br><br>For all loans, the term will be determined based upon such factors as the structure of other related loans, the nature of the | Balloon in three (3) to five (5) years with an amortization period based on the useful life of the assets but no more than twenty (20) years for real estate, no more than ten (10) years for machinery and equipment; and no more than five (5) years for working capital. | 10 to 20 years. | Balloon in five years amortization based on collateral not to exceed 20 years. |

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| | | | | collateralized assets, and the borrower's projected ability to repay the loan. | | | |
| **Collateral Requirements** | All real estate and rents will be assigned to Bank partners. Loan documents will be held in safekeeping with First Interstate Bank. Loans in excess of ninety (90) days past due will be ineligible as collateral. | On project involving working capital, GFDA will obtain liens on inventory, receivables, fixed assets or other personal assets of the borrower, including assignment or patents and licenses, insurance with GFDA as beneficiary or other security. Personal guarantees of principal owners of closely held corporations and managers. | **1.0** Collateral Coverage Ratio is considered sufficient. (See Underwriting Checklist and Policies & Procedures for specifics on this requirement)<br><br>With a strong debt service coverage ratio, CCR may be reduced to **.75.**<br><br>If 51% or the project is being financed with IRP funds then a 1st position lien is required. | In projects involving working capital, the Fund will obtain collateral such as liens on inventories, receivables, fixed assets, and or other assets of the borrower. These liens may also be subordinated to other loans made in connection with the proposed project.<br><br>The Fund may also require security in the form of assignment of patents and licenses, the acquisition of insurance naming the Fund as beneficiary, or such other security as may be necessary to support the Fund's exposure.<br><br>Loan requests | Inventory, equipment, machinery, real estate, furniture, fixtures, deposit accounts, and receivables may be used to collateralize loans.<br><br>A first lien position on the property is required when the project loan constitutes 51% or more of the total costs of the project. A second lien position on the property may be acceptable for modernization, repair or rehabilitation of real estate or machinery and equipment. In some instances, additional collateral may be necessary.<br><br>Working capital | Realization Values:<br>Commercial RE 75%<br>Residential RE 80%<br>Bare Land 50%<br>Business Assets (net of Depreciation):<br>Machinery and Equipment 50%<br>Furniture & Fixtures 10%<br>Accounts Receivable and Inventory 20%<br>Leasehold Improvements 5% | 1.0 CCR is sufficient per GFDA loan policy. Lower CCR's will be considered as an exception to loan policy only with sufficient mitigating factors. |

**Loan Fund Regulations-Exhibit 2**

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| | | | | submitted by entities which depend largely on certain individuals for their success to GFDA adequate life insurance on those key people to secure the loan. In certain cases, personal guarantees may be required from the principal owners. | loans may be secured by a second position lien on all inventory, accounts receivable, machinery and equipment, and real estate. | | |
| **Owner Equity** | **10%** | **10%** | **10%.** This may be reduced with other equity put up for collateral. This can be waived on a case-by-case basis. | | **10%.** This may be waived on a case-by case basis. | A minimum of 10% of the total project costs. An additional 5% equity injection will be required for start-up businesses and businesses going under new management, plus an additional 5% will be required for "special use" projects. | 10%. |
| **Payment Schedules** | Repayment is minimum of monthly interest payments with principal due at maturity. | Monthly | Most payment schedules will be **straight amortization**. Loan officers may suggest progressive amortization (lower payments in the first one-half of the loan), a balloon payment, or deferred initial payments. | The schedule of loan payments will be determined on a case-by-case basis based on the applicant's projected ability to repay a loan, the projected value of the collateral and other security, and the overall risk of the project. | Most payment schedules will balloon in 3 to 5 years with an amortization schedule based on the useful life of the assets but no more than 20 years for real estate, no more than 10 years for equipment and machinery, no more | $1^{st}$ of every month (late fee of 5% if payment is received on or after the $15^{th}$ of a month.) | Most payment schedules will balloon in 3-5 years with amortization schedules based on collateral not to exceed 20 years. |

**Loan Fund Regulations-Exhibit 2**

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| | | | | Repayment terms may involve standard forms of loan amortization, period of accruing interest or interest only payments, extended amortization schedules will balloon payments of principal, and such other terms as may be determined to be appropriate. | than 5 years for working capital. | | |
| **Fees** | | | 1.5% Origination fee or $500 whichever is greater. Closing costs (see the Fee Schedule in the Closing Instructions) plus $100 per year administration fee. Fees may be financed into the loan amount. | An origination fee determined by the GFBCRLF, in no case exceeding a total of 2%. Closing costs, which may be due at closing and/or financed into the loan (if requested at time of application) | 1% origination fee due at the signing of the commitment letter. This fee may be due at closing and/or financed into the loan with approval from the GFDA President | The borrower is responsible for the fees below, some of which may be financed as part of the loan:<br>-Professional fees essential to the project<br>-To repay interim financing<br>-Administrative fees<br>- a .625% servicing fee is paid yearly on the balance of the loan.<br>A .125 servicing fee based on the balance of the loan is paid to the SBA<br>Can charge an origination fee up to 1.5% | 2% Origination fee |
| **Ineligible Businesses (in addition to policy)** | Loans outside the Downtown Loan District in Great Falls. | Loans outside the Sweetgrass CRDC region or within the Great Falls city | Charitable institutions such as churches, Agricultural | | • Companies where twenty percent (20%) or | Non-profit businesses, financial businesses, mini-warehouses, shopping centers, flea markets, mobile | Non micro businesses. Business described as having six or more employees including any and all |

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| | | limits. | production, Community facilities, lending and investment institutions, insurance companies, golf courses, race tracks, or gambling facilities are ineligible.<br>Business with tax liens. (These funds cannot be used to pay delinquent taxes.) | | more are held by government employees, military personnel or principals or employees of GFDA<br>• Charitable Institutions such as churches, organizations affiliated with churches and fraternal organizations.<br>• Lending and Investment institutions<br>• Insurance Companies. | home parks, parking lot operations, apartment buildings, life insurance companies, businesses that trade internationally, private clubs, government owned, gambling facilities, community facilities, and churches.<br><br>Loan funds may **NOT** be used for working capital, mortgage broker fees, bridge loans during the construction period, business inventory, rolling stock (i.e. trucks) or refinancing of existing debt of the business. | business owners. |
| **Purpose** | Program principal income can only be used for loans in the Downtown Loan District in Great Falls and limited to activities associated with real estate or business.<br>Location Parameters:<br>Northern Boundary is 10th Ave South<br>Southern Boundary | Business Support Loans to finance activities that will strengthen the business and increase likelihood or retaining or expanding the business within the designated Business/Commercial District or region.<br>Business Direct Loans to fiance | Working capital and start up costs<br>Inventory, Supplies<br>Furniture & Fixtures,<br>Leasehold Improvements,<br>Machinery & equipment,<br>Real Estate acquisition or improvement,<br>Pollution control and abatement, | To facilitate the reuse and/or redevelopment of contaminated sites by making low-cost funding available for financing environmental cleanups. | EDA was created to provide financial assistance to both rural and urban distressed communities.<br>EDA's mission is to lead the Federal economic development agenda by promoting innovation and competitiveness, | • Acquisition of vacant land<br>• Building construction<br>• Acquisition of existing buildings<br>• Major renovations and/or additions to existing building<br>• Marine facility acquisition, including fishing vessels and commercial boats<br>• Purchases of capital equipment, including | Establishment, stabilization, or expansion of eligible micro businesses. |

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| | is 10th Ave South Western boundary is the Missouri River<br>Eastern Boundary: 10th Ave South North along 10th Street South to 1st Ave South, then east along 1st Ave South to 16th Street South, then north along 16th street to 2nd Ave North, and then west along 2nd Ave North to 10th Street North, and then north on 10th Street North to its intersection with 10th Avenue North. | predetermined and documented business retention and/or expansion of activities, i.e. building/site acquisition, site development/new construction; building renovation; equipment acquisition; working capital.<br><u>Interest or Principal Buy-down Loans</u><br>The proceeds of the commercial loan must be used for program eligible activities as described in Business Support or Business Direct loans, including a building purchase, within the Business/Commerical District with a one-time application for loan assistance to finance exterior renovation, signage, façade renovation or construction. | Transportation Services, Feasibility studies, Debt refinancing, Hotels, Motels, Tourist Homes, B&B, Convention Centers, Educational Services, and Lines of Credit (see below) | | preparing American regions for growth and success in the worldwide economy. | heavy machinery<br>• Associated costs such as title and insurance, legal fees, appraisals, environmental reports, architects fees, surveys, equipment installation, points on bridge loans, furniture and fixtures, etc. | |

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| **Lines of Credit** | N/A | N/A | Up to 25% of the IRP fund may be revolving or non-revolving lines of credit. They are interest only, mature every year, and are limited to one draw per week (or less). Lines of credit can not be longer than 2 years and must be brought to $0 at least once per year. They may be a single payment note or structured for monthly payments. Each draw will be done through a title company with the appropriate lien waivers and at the borrower's expense. GFDA prefers to extend lines of credit in conjunction with bank financing when a bank or other entity will help manage the project. | N/A | Yes | N/A | |
| **Geography Served** | Downtown Loan District in Great | Within region, which is the | Businesses located in Glacier, Pondera, | **City of Great Falls and Cascade** | City of Great Falls and counties of | **Prefer: City of Great Falls and counties of Cascade,** | **City of Great Falls** |

## Loan Fund Regulations-Exhibit 2

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| | Falls | designated RLF **assistance area.** | Teton, Toole, Fergus, Judith Basin, and Cascade county but outside Great Falls City Limits | **County.** | Cascade, Toole, Teton, Pondera, and Glacier. | **Glacier, Pondera, Teton, Toole, Fergus, and Judith Basin as well as all of Montana.**<br>**Have the authority to lend state wide.** | |
| **Total Project Size** | Individual Borrowers are limited to twenty (20) percent of project and capped at $100,000 | | None | None | No more than 25% of the total RLF capital base will be loaned to any one borrower. | | |
| **Other** | | | Once approved by committee, IRP funded loans require agency concurrence (approval) from the USDA.<br><br>Businesses must show proof that they were unable to obtain all needed funding at a bank.<br><br>Each project requires a 25% funding match.<br><br>Would like a job cost ratio below $35,000 but is not required. | | Each loan must result in the creation of one job for every $25,000 borrowed from the RLF.<br><br>It is preferred that these loan funds be made to low to moderate income people.<br><br>Loan funds must leverage private investment of at least two dollars for every one dollar of EDA funds. (This applies to the portfolio as a whole rather than individual loans.) | Prepayment penalty for the first half of the term of the loan. | 51% of the new jobs created must initially benefit low and moderate-income persons.<br><br>Must have job creation of at least one 35hr/week job for every $35,000 of loan proceeds.<br><br>51% of all jobs created must be filled by low to moderate income employees. |
| **Funding Source** | City of Great Falls | Sweetgrass CRDC | USDA's Rural | Environmental | Economic | Small Business | City of Great Falls CDBG |

**Loan Fund Regulations-Exhibit 2**

| | and Bank partners | RLF | Intermediary Relending Program | Protection Agency's Brownsfields Program | Development Authority | Administration | |
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| **Board Oversight** | Great Falls Development Authority Loan Committee | High Plains Financial Board | High Plains Financial Board | Great Falls Development Authority | Great Falls Development Authority | High Plains Financial Board | Great Falls Development Authority |

# Step-By-Step Intake, Underwriting and Credit Presentation Procedures-Exhibit 3
Updated 08/2010

## 1. Loan inquiry

Initial phone inquiries for a loan are screened by GFDA/HPF'S's Business Development Officer. For potential clients who have an existing business or who have completed/are close to completing their business plan, the Business Development Officer asks the potential borrower a series of questions about his/her needs and completes a Loan Inquiry Form which is included in these polices as Document 1. For inquiries without a business plan or appropriate cash flow projections, the Business Development Officer forwards the loan inquiry form and the client to the Small Business Development Center. If the potential borrower does not need assistance from the Small Business Development Center than the loan inquiry is forwarded to the Loan Officer.

The SBDC Director or the Loan Officer asks the potential borrower a series of questions about his/her needs and then provides a recommendation that the borrower fill out an application or refers the client to the appropriate resource, often additional consulting from the SBDC.

The Business Development Officer also receives direct inquiries from bankers, economic developers, potential borrowers, and other organizations. In these instances, the Business Development Officer completes a Loan Inquiry Form and then discusses the potential loan with the Loan Officer. The potential loan is then taken to the lending team for further vetting. If the client is going to be encouraged to apply, the loan is fully vetted and structured by the Loan Officer with the input of the President prior to asking the client to submit an application.

All clients must have a business plan and 24 months of cash flow projections. If the client does not have this they should be referred to the SBDC for assistance.

Preliminary assessment of potential borrowers includes evaluating high level underwriting criteria such as collateral, equity investment, use of funds, and credit scores. This can be done over the phone or in an initial meeting. GFDA/HPF'S's underwriting standards are defined in the Underwriting Checklist attached as Document 6. An overview of criteria for the preliminary assessment follows:

a. **Collateral:** Preliminary assessments should focus on whether the borrower has the necessary collateral coverage ratio or if the borrower should begin to look for a cosigner. GFDA/HPF'S's policy is to lien all available collateral from the borrower and enough collateral from a cosigner to bring the CCR within policy. Policy requirements are 1.0 for a collateral coverage ratio (refer to the Collateral Table provided in the Underwriting Procedures). GFDA/HPF accepts business and personal real estate and equipment (including personal autos, boats, etc.) and business assets including inventory and accounts receivable.

GFDA/HPF requires a personal guaranty from all business owners with 20% ownership. In cases of under-secured loans, GFDA/HPF requires at least symbolic collateral, usually a second or third position lien on business assets, personal property that can be liened, or real estate. Cases of unsecured loans are rare and must be approved as an exception to loan policy by the appropriate committee.

b. **Equity:** In general, GFDA/HPF requires owner equity of 10% into the deal structure or higher if the proposed loan fund requires more. Owner equity contributions can include a cash investment at the time of the loan, a cash investment in the project prior to the loan, or a cash investment from a third party that is not recorded as a liability and does not require repayment (for example, a borrower's family member makes the equity contribution). GFDA/HPF'S's policy is to help borrowers keep assets invested. Therefore, when owner's equity is held in assets such as home equity, retirement accounts, life insurance, etc., GFDA/HPF works with the borrower to find sufficient collateral to meet or mitigate the equity requirement.

c. **Eligible uses of funds:**
   - Land or Business acquisition
   - Building construction, acquisition, or renovation
   - Equipment purchase
   - Leasehold improvements
   - Working capital
   - Contaminated Site Clean-up
   - Refinancing of business debt

d. **Credit Scores:** In general, GFDA/HPF does not take risk in credit worthiness unless extenuating circumstances such as medical collections have decreased credit scores. GFDA/HPF will not approve a loan for a client with a bankruptcy within 2 years or current open collections (other than medical collections).

As soon as a Loan Officer, Business Development Officer, or SBDC Director receives or completes a Loan Inquiry Form s/he should enter it into the Lending Pipeline database on the GFDA Intranet.

The Loan Officer must reveal any interest that they hold in a potential loan, or any potential benefit to themselves or entities in which they hold an interest. The Loan Officers must excuse themselves from the due diligence process for loans in which they have an interest. If the Loan Officer is unsure if a situation could be considered a conflict, the Loan Officer should discuss the situation with the Lending Team. If they are unable to reach consensus, GFDA/HPF'S's President decides whether the situation constitutes a conflict.

**2. Application**

If the Lending Team agrees that the client should apply, and the Small Business Development Center or the Loan Officer has reviewed the 24 months of completed cash flow projections, the Loan Officer provides the client with a loan application, standard terms for the type of loan that the client requests, an overview of all fees associated with the loan, and an estimate of the time required for underwriting. A copy of application is attached as Document 5.

When the client returns the application and required documents the Administrative Assistant organizes the documents and insures that the application is complete. Borrowers that delay submitting additional documentation slow the due diligence process. However, in general, the Loan Officers should strive to complete underwriting within 3 weeks of receiving an application package.

If a client does not submit the required documentation or decides not to move forward with their application and Loan Officer does a tie-off call.

**3. Underwriting Process**

During underwriting, the Loan Officer follows GFDA/HPF'S's Underwriting Checklist (Document 6) which defines the underwriting process including testing and analyzing the business plan assumptions, financial viability, and management capabilities. During the underwriting process, the loan officer works closely with the lending team both on a one-on-one basis and through weekly lending team meetings to vet issues as they arise during underwriting. Loan Officers also work with other GFDA/HPF staff members as needed to complete underwriting as efficiently and accurately as possible.

It is a requirement that borrowers must provide the Loan Officer with a business plan or business plan summary as part of a completed GFDA/HPF application. Occasionally, GFDA/HPF will receive a plan at this stage that appears to fall below GFDA/HPF'S's standards. If the business idea looks reasonable, the prospective borrower should be referred to the Small Business Development Center for assistance with further development of the plan. Start-up businesses are required to submit a full business plan. All existing businesses are required to submit at least a business plan summary and a full set of cash flow projection assumptions. Loan Officers and SBDC Counselors reserve the right to require a complete business plan from any client.

During the initial review of the application package, the Loan Officer may decide that the loan request does not meet GFDA/HPF'S's loan criteria and may turn it down. Loan officers should turn down the loan verbally with the borrower, and then follow up with the GFDA/HPF turn down letter. The GFDA/HPF turn down letter was drafted by legal counsel for a corresponding local development organization; the words can be modified to address the unique aspects of the deal, but the format should remain the same for each letter. Loan officers must provide written notification to every applicant whose request is denied. A sample turn down letter is included as Document 11 attached to these policies.

If a client proceeds through underwriting, the Loan Officer follows the Underwriting Loan Procedures. Prudently underwritten loans reflect all relevant credit considerations including, but not limited to:

- Deal structure with all sources and uses of funds
- Assessment of borrower including
  - Character
  - Creditworthiness
  - Ability to repay from the business and from secondary sources
  - Equity investment
- Collateral valuation including additional collateral sources and guarantors
- Business Plan assessment
- Debt service coverage generated by the business
- Community and Borrower Impact sufficient to meet GFDA or HPF mission statement.

Impact analysis is guided by the mission of GFDA or HPF depending on the proposed funding. It the loan is considered high mission impact concessions can be made for interest rates to incentivize the deal to come to fruition or to be brought to the Great Falls area. If the loan does not provide the appropriate impact it will be referred first to Montana Community Development Corporation as we have a joint underwriting agreement. If MCDC is unable to provide financing for the proposed loan than it shall be referred to another local development organization willing to look at the proposed deal.

In addition impact is also guided by funding sources. For example, GFDA/HPF tracks loans to low- and moderate-income borrowers using income specifications tied to HUD's low-income guidelines. Impact analysis changes and evolves over time but includes:

- Loans (# and $) to Low-Income and Moderate-Income people
- Loans (# and $) to Low-Income and Moderate-Income places
- Jobs Created and Jobs Retained
- Quality of Jobs Created and Retained
- Loans (# and $) to Women-owned businesses
- Loans (# and $) to minority-owned businesses

Note: Low-Income and Moderate-Income Families are defined as those families whose income does not exceed 80% or 120% respectively of the median income for the previous year for their metropolitan service area or county as defined by HUD.

As part of the due diligence process, a loan officer must meet with a borrower. Ideally, the loan officer should meet with the borrower at the borrower's business. In the event the Loan Officer is unable to meet with the borrower, another GFDA/HPF lending team member should meet with the borrower at the borrower's business. This will enable the Loan Officer to evaluate collateral, character, and management's skills. It also gives the Loan Officer the opportunity to see the community in which the business operates and to look for competition.

The borrower on the loan should be the business entity. Personal guarantees must be provided by the borrowers and by any other individuals or businesses granting collateral. For example, guarantees must be provided by the borrower's spouse if personal assets are being granted or if the spouse's income is being considered as a source of repayment. Guarantees must also be provided by any other business entities associated with the loan, for example a holding company that owns business real estate being pledged on the loan.

If the loan looks sound, the Loan Officer must identify a source of funds for the loan. The loan officer must first know which funds are available, and then must review the criteria for each fund. The President, Controller, and PTAC project manager can assist with this process. The Loan Fund Regulations (Exhibit 2) are also a useful guide. If IRP funds are going to be used the project should be vetted with USDA prior to the commitment letter to identify any barriers to agency concurrence.

Loans should never be granted for self dealing, anxiety for GFDA/HPF income or additional revenue, to accommodate an existing customer, GFDA/HPF employee or Board member, favorite banker, or relative, and should never be granted without a full credit review. Loans should never be made when the Loan Officer knowingly compromises sound credit principals due to timidity in dealing with a difficult individual, pressure to meet an externally-imposed "deadline," to please an influential person in the community, for political expedience, or to accommodate a personal friendship. Loans should never be made in distressed company situations; when the customer's business is in such financial distress that without the loan the company will go out of business within 30 days.

**4. The Credit Presentation**

The Loan Officer must prepare a complete credit presentation prior to receiving approval of a loan. The credit presentation template is attached as Document 8. The credit presentation serves as a record of underwriting analysis and loan structure, explaining why GFDA/HPF is proposing to make the loan, and is a reference for GFDA/HPF staff including lenders, consultants and marketers. The presentation may also be read by funders, other staff and Board members. For these reasons, it is important that the presentation be thorough, accurate, well written and contain no typographical errors.

The primary elements of the credit presentations are as follows:

a. **Executive Summary:** The Executive Summary is designed to provide a quick summary of information about the deal. For each of the following sections, the executive summary should explain if the borrower/loan package is considered excellent, sufficient, lacking or out of policy.
b. **Borrower Analysis:** This includes business information, borrower credit history and industry experience, borrower's personal financial statement, and borrower's ability to service debt both personally and in the business.
c. **Loan Overview:** This includes sources and uses of funds, loan structure, collateral analysis, and sources of repayment. The sources portion must include the name of all sources of funds including non-traditional lenders, banks, the borrower, and friends/relatives. The uses section must summarize each use of the funds (real estate, equipment purchase, contamination clean up, construction, etc.). Specific detail (i.e. construction budget) should be included in the narrative portion of the presentation.
d. **Business Plan Analysis:** This includes a business plan summary, analysis of sales, COGS, expenses, strategies, competitors, and the industry. This section must include a breakeven analysis of sales and number of customers.
e. **Community Impact Analysis:** This includes environmental, geographic, industry, job, borrower, and other impacts. More importantly this section outlines how the proposed loan aligns with the GFDA or HPF mission statements.
f. **Loan Agreement:** This contains the specifics of the loan reporting and monitoring requirements.
g. **Attachments:** This contains cash flow projections by month for 24 months (Document 2), company financials including profit and loss statements and balance sheets for the prior year and the year-to-date, three years of tax spreads (for existing businesses), and a Risk Rating Worksheet (Document 9).
h. **Contingencies**
i. **Recommendation for Approval**

***For all sections, any underwriting criteria that are out of policy must be noted with mitigating factors in the Credit Presentation.***

In the event a loan is approved with revisions and/or additional requirements that may not have been included by the originating Loan Officer in the original credit presentation, these should be well documented in the meeting minutes, commitment letter and/or loan closing instructions. If these documents are not sufficient to explain the changes an additional memorandum should be included in the file detailing the changes.

Once a loan is approved the Step-By-Step Closing Procedures (Exhibit 4) should be followed.

# Step-by-Step 504 Intake to Closing Process-Exhibit 4

**High Plains Financial – SBA 504 Process Description**

1. Introduction to SBA 504 loans by HPF loan officer
2. Complete sources and uses of funds worksheet
3. Complete eligibility/prequalification worksheet
4. Client to complete HPF application and assistance agreement and return with $75 application fee
5. HPF Administrative Assistant prepares checklist of ancillary items
6. Ancillary item checklist to applicant
7. Borrower to return items from checklist to HPF – includes authorization for HPF to communicate personal and project information with First Mortgage Lender
8. HPF will share all information with First Mortgage Lender (e.g. bank)
9. HPF to complete underwriting of transaction using GFDA/HPF Underwriting Checklist (See Document 6 attached).
10. Simultaneous underwriting by First Mortgage Lender
11. HPF to obtain loan approval from Loan Committee and Board – at least one month from completion of Underwriting using GFDA/HPF Credit Presentation (See Document 8). Loan request is always contingent on the approval of the First Mortgage Lender.
12. HPF gets application forms signed by applicant
13. Application is submitted to First Mortgage Lender for Concurrence
14. Application is submitted to SBA Loan Processing Center for approval
15. SBA review and approval (504 Authorization for Debenture Guarantee) sent to HPF and Bank
16. HPF and applicant review and sign ADG, 66% of loan processing fee due from applicant to HPF
    a. ADG valid for 48 months from signing
17. Bank does permanent 1$^{st}$ mortgage and interim/temporary 2$^{nd}$ mortgage or construction finance loan
18. All construction and/or improvements must be completed before the 504 loan can be submitted to the closing process and funded
19. HPF prepares loan closing package to pay off interim 2$^{nd}$ mortgage or construction loan
20. HPF Administrative Assistant sends closing checklist to bank and applicant
21. Applicant and bank return items from checklist
22. HPF Loan Officer or Administrative Assistant prepares loan closing documents
23. Applicant meets with HPF and legal counsel to sign loan documents
24. HPF sends loan closing package to SBA Legal Counsel for review and approval
25. HPF sends debenture funding materials to SBA Fiscal agent
26. SBA 504 loan funds on the Wednesday following the 2$^{nd}$ Sunday of the month.

# Step-By-Step Closing Procedures-Exhibit 5
# Amended 06/2010

Once a loan has been approved, the Loan Officer, with the support of the Administrative Assistant does the following:

1. Sends the borrower a commitment letter;
2. Submits and receives agency concurrence or local development organization approval for any applicable loan funds (i.e. IRP and SBA);
3. Fills out the Closing Instructions;
4. Gathers all necessary pre-closing required documentation;
5. Prepares the Closing Documents with GFDA/HPF legal counsel or appropriate loan software;
6. Closes the loan with the client;
7. Follows up on all post-closing filing and receipt of documentation;
8. Enters all information in GMS database and the Portfolio spreadsheet on the s-drive.

The specifics for these steps are outlined below:

**1. Sending the borrower a commitment letter**

Once a loan has been approved the Loan Officer prepares a draft commitment letter. The commitment letter legally obligates GFDA/HPF to fund the loan per the terms of the letter. The Loan Officer prepares the draft letter and ***the President and/or Controller must double-check the letter for compliance with funding source requirements for loan covenants and specific language.*** The Loan Officer then sends the commitment letter by regular mail and sends a scan of the letter via email when appropriate. All commitment letters must include specific legal language as well as the terms and conditions of the loan. Loan Officers must use The Commitment Letter Template which is attached as Document 12 of these policies.

Any changes to the Commitment Letter Template that are not within modifiable fields must be approved by GFDA/HPF'S's legal counsel.

Commitment letters for loans made from the IRP funds or other funds that require agency concurrence **MUST** contain a contingency for agency concurrence.

The commitment letter should be sent to the borrower prior to scheduling a closing, with the requirement that the original letter be returned to the Loan Officer signed and accepted by all applicable parties. The 2% origination fee is due with the signed copy of the commitment letter. In the case of accelerated closings, the letter can be signed by the borrower at closing. Loan Officers should discuss the terms and conditions of the commitment letter with the borrower before closing to avoid confusion at closing.

When a commitment letter is sent out prior to closing, the borrower has **10 days** to sign the letter and return it to GFDA/HPF. The commitment letter must contain an expiration date that makes sense in relation to the structure and purpose of the loan. If a commitment letter expires, the lender must present the situation to the lending team to decide whether to extend or reissue the commitment. Loan Officers may not extend commitment letters without discussion with the lending team. The extension should be signed off on by the President with a memo in the file explaining the reason for the extension.

If the commitment letter is revised between the time of issuance and the closing, a new commitment letter should be drafted with the original date followed by the revised date.

**2. Submitting and receiving agency concurrence or local development approval for any applicable loan funds (i.e. IRP)**

In general, procedures for sending a commitment letter to a borrower who has been approved for financing using funds from the IRP program (or other programs requiring agency concurrence) are the same as the procedures for a Business Loan. In addition, the commitment letter must contain language that states the commitment is contingent on approval from the Rural Development office or other program requiring approval. The Loan Officer must get approval from the Rural Development office or other program requiring the approval.

Rural Development must provide agency concurrence (or pre-approve) all IRP loans. It is critical that IRP loans be pre-approved to facilitate the prompt draw-down of funds from Washington, DC and Montana. If loans are made from IRP using revolved funds, concurrence is not required, but the standard eligibility check list still must be completed and placed in the loan document file. A Loan Officer can facilitate approval by calling Rural Development and discussing the deal prior to submitting it for approval.

Maximum loan amounts apply in the IRP program and the Downtown Revolving Loan Fund (see Exhibit 2 Loan Fund Regulations in these policies).

IRP documents, including the original credit presentation, are sent for concurrence and draw down of funds to Rural Development and to the Montana Board of Investments (or whatever match source is being used for IRP).

**3. Filling out the Closing Instructions**

After sending the Commitment Letter, the Loan Officer completes a Loan Closing Instruction Form which is attached as Document 13 in these policies. The form includes client information; the names, addresses, and telephone numbers of the borrower's lawyer, banker, accountant, and insurance agent; loan terms; documents required prior to and for closing; and any special instructions.

This form is the bridge between the Loan Officer, the Administrative Assistant, the Lending team and the client. It helps ensure accurate loan documents and a successful closing, so it needs to be filled out completely and accurately.

**4. Gathering all necessary pre-closing required documentation**

# Step-By-Step Closing Procedures-Exhibit 5
# Amended 06/2010

The Loan Officer is responsible for obtaining all required pre-closing documentation. The Loan Officer should work closely with the borrower between approval and closing to secure required documentation as quickly as possible. A list of potential documentation is included on the Closing Instructions; many documents are optional and dependant on loan specifics and contingencies. Some items are required. The list below contains GFDA/HPF policies around specific checklist items:

1. **Business Documents** – All businesses (except sole proprietorships) are required to submit corporate, partnership or operating documents (depending on business structure).
2. **Business Entity Search –** All businesses that are borrowers or guarantors on the loan must be registered entities with the State of Montana and their status must be active and in good standing. These searches are conducted on the Montana Secretary of State's website.
3. **Liability Insurance** – All GFDA/HPF loan clients are required to provide evidence of business liability insurance. This is usually provided on the same binder with the business property insurance. The Administrative Assistant is responsible for ensuring and maintaining proof of adequate coverage annually.
4. **Flood Certification/Insurance** – All properties that are located in a flood hazard area must have flood insurance at the time of closing. If real estate is being used as collateral and the loan committee or Loan Officer thinks the property could be located in a flood zone, the Loan Officer must order a flood certification. If the flood certification shows that the property is in a flood hazard area, GFDA/HPF must verify proof of flood insurance. The borrower's insurance agent can fax a binder listing GFDA/HPF as a loss payee. There must be enough insurance to pay off GFDA/HPF'S's loan and all creditors in senior positions. Loan Officers with the Administrative Assistant are responsible for ensuring and maintaining proof of adequate coverage.
5. **Ownership & Encumbrance Report** – For loans which include the use of real estate as collateral, the Loan Officer is to order an O&E Report. For loans under $50,000 the O&E report can be waived by the Loan Officer. If the O&E report is waived, the Loan Officer my call the county to insure that the borrower is current with property taxes.
6. **Title Insurance** – For loans that include the purchase of real estate, GFDA/HPF requires title insurance. In situation of gap financing the Loan Officer can piggy back to the banks Title Policy to reduce closing costs for the borrower. Loan Officers are responsible for securing title insurance and reviewing the policy for correct collateral position and that all property taxes are paid current.
7. **Life Insurance** – In situations where a business would be likely to fail if a key man or woman could not continue in the business, GFDA/HPF requires Life Insurance. At a minimum this policy should cover the value of the loan. The process of obtaining an assignment can be slow, so it should be started well before closing. The borrower needs to provide his/her insurance agent's name, address, and phone number and the policy number to GFDA/HPF. The

Loan Officer sends the collateral assignment forms to the agent for processing, or the borrower can do it him/herself. GFDA/HPF accepts the insurance company's forms as a substitute.

8. **Hazard Insurance** – Any loan that uses real estate as collateral must have evidence of sufficient insurance to cover all GFDA/HPF and senior debt with GFDA/HPF listed as a loss payee. The borrower can have his/her insurance agent fax a binder (with an effective date of closing, if necessary) to GFDA/HPF prior to closing. Undeveloped land cannot be insured for loss. However, in the case of default and repossession, it is recommended that the Loan Officer obtain liability coverage in the event any individual is injured while on the land, or in the event of coverage for events that may cause harm. Loan Officers and the Administrative Assistant are responsible for ensuring and maintaining proof of adequate coverage.
9. **Business Property Insurance** – When GFDA/HPF takes business assets as collateral, the borrower needs to provide evidence of enough insurance to fully pay off GFDA/HPF and any other senior secured creditors in the event of a loss. If possible, this process should be started well before closing because it takes a long time to complete. Again, the borrower's insurance agent can fax a binder listing GFDA/HPF as a loss payee. Loan Officers and the Administrative Assistant are responsible for ensuring and maintaining proof of adequate coverage.
10. **Disability Insurance** –Disability insurance is usually requested when an injury to the borrower would likely put the loan into default. If disability insurance is required, the borrower or the borrower's insurance agent must provide verification of the policy. GFDA/HPF does not need an assignment as a loss payee. Loan Officers and the Administrative Assistant are responsible for ensuring and maintaining proof of adequate coverage for all applicable loans.
11. **Permits** - A borrower must provide evidence that s/he has obtained all necessary licenses to do business prior to closing. In the case of child care or assisted living facilities, the borrower may not be able to obtain a state license to operate before building renovations are completed. For real estate construction or improvement loans, all necessary building permits and zoning permits are required prior to fund disbursement. Loan Officers are responsible for ensuring and maintaining proof of proper permitting.
12. **Divorce Decree** – When a borrower is going through a divorce at the time of loan approval, GFDA/HPF requires a divorce decree or legally binding document that releases the borrower's spouse from ownership of the business that is being financed and the collateral used for financing.
13. **Copy of Lease** – If a GFDA/HPF loan is to a business in a leased location, GFDA/HPF requires a copy of the lease. The loan term may not exceed the renewable lease term.
14. **Copy of Buy-Sell** – If a GFDA/HPF loan is for real estate acquisition, GFDA/HPF requires a copy of the buy-sell agreement. Loan Officers may require buy-sell agreements in other situations as well.

15. **Copy of Approved Franchise Agreement** – If the GFDA/HPF loan is for a franchise business, GFDA/HPF requires a copy of the Approved Franchise Agreement.
16. **Copy of Liquor License** – If a loan is collateralized with a liquor license, a copy of the license is required.
17. **A/R Aging Report** – If Accounts Receivable are used as collateral, a copy of the accounts receivable by month for the previous 12 months is required. The lowest A/R value is used as the collateral value less the realization percentage.
18. **Inventory Aging Report** – If existing inventory is used as collateral, a copy of the inventory by month for the previous 12 months is required. The lowest inventory value is used as the collateral value less the realization percentage.
19. **Legal Descriptions of Collateral** – A copy is required of the serial number and description of all equipment being liened individually or listed on the UCC. Copy of vehicle titles showing VIN, make, model and year plus current mileage. Legal description of all property from a title, deed or O&E.
20. **Bank Turn-Down** – Loans being made out of IRP require evidence of bank turn down in the form of a letter from the banker. Loans being made out of
21. **Appraisal** – If a loan requires an appraisal, GFDA/HPF will not use a replacement cost appraisal for the collateral values. Income valuations or comparative market values are used.
22. **Environmental Assessments (Phase I or II)** – When a GFDA/HPF loan funds all or a portion of a deal that includes the purchase or clean up of a business site that may have been contaminated, GFDA/HPF requires an environmental assessment. The assessment must be done by a professional environmental assessor.

**5. Preparing the Closing Documents**

The Loan Officer works with Montana Community Development Corporation (MCDC) to prepare appropriate closing documents. In the event of a complicated closing GFDA/HPF legal counsel will be consulted for proper loan documentation. The Loan Officer and the Administrative Assistant verify the consistency among the Credit Presentation, the Commitment Letter, and the Loan Committee minutes. The Loan Officer then notifies the Controller of the pending loan closing and provides him/her with a copy of the closing statement and check requests. Checks disbursement requires a signed check approval form from GFDA/HPF'S's President or available Board Member for either HPF of GFDA/HPF depending on the funding source.

When the documents are completed, it is the Loan Officer's responsibility to proofread them. During this process, the Loan Officer makes sure that the package includes all of the necessary documents and that there are no typos.

GFDA/HPF through an agreement with MCDC uses the ARTA loan documentation software to produce all loan documents. The software is continually updated by the MCDC Operations Manager to insure accurate documentation. MCDC is paid a fee for costs associated with document preparation per the formal agreement. The fee will be passed onto the client at the time of closing. The formal agreement will be revisited every six months by both MCDC and GFDA/HPF Loan Officer and President and adjusted as needed for fairness to the client, MCDC and GFDA/HPF.

The Loan Officer, Administrative Assistant and Controller have the ability to modify each document to accommodate the specifics of each new loan. Loan Officers and borrowers should anticipate longer closing periods when documents require outside legal assistance and/or require substantial modification from standard documents.

All loans require the following documents all the required documents listed in the Closing Statement. In addition, depending on loan structure and collateral some loans may also require the following documents:

1. **Deed of Trust** – Residential real estate of 40 acres or less being liened as collateral for the loan. Legal property description must be verified.
2. **Mortgage** – Residential real estate of 40 acres or less being liened as collateral for the loan. Legal property description must be verified.
3. **Real Estate Trust Indenture** – Commercial real estate. Legal property description must be verified.
4. **Commercial Security Agreement** – If any collateral other than real estate is being pledged on the loan this document must be completed. Specific property descriptions should be included for all collateral, including real estate. Types of collateral covered should match the UCC Financing Statement.
5. **UCC Financing Statement** – For all business assets being pledged as collateral. Personal UCC filings should also be done when personal assets other than real estate or individually liened vehicles are being pledged. The UCC Statement should have a second page with all applicable forms of collateral checked.
6. **Control Agreement** – If a CD is pledged as collateral a control agreement needs to be in place with the institution holding the CD. Agreement should indicate the terms for release of the CD and any reporting GFDA/HPF will require on the account.
7. **Assignment of Account** – If an account is pledged as collateral an assignment needs to be in place indicating the terms for release of the assignment and any reporting GFDA/HPF will require on the account.
8. **Assignment of Liquor License –** If a liquor license is pledged as collateral appropriate filings must be signed and filed with the State of Montana.
9. **Assignment of Life Insurance** – An assignment of life insurance can be included on the same agreement to provide insurance as the business liability and any other required insurance. The dollar amount needs to be indicated and GFDA/HPF needs to be filed as a loss payee.
10. **Hypothecation/Third Party Pledge Agreement** – Required if a non-borrower is pledging collateral including real estate, equipment, vehicles, etc.
11. **Non-Borrower Guarantees** – Personal guarantees must be provided by the any non-borrower individuals or businesses granting collateral. For example,

guarantees must be provided by the borrower's spouse if personal assets are being granted. Guarantees must also be provided by any other business entities associated with the loan, for example a holding company that owns business real estate being pledged on the loan.

**6. Closing the Loan with the Client**

The Loan Officer closes the loan with the borrower. This includes collecting signed documentation as listed on the Closing Instruction Form. The closing may include disbursing funds to the borrower or obtaining a signed agreement to disburse funds to vendors.

At closing, the Loan Officer must discuss each document with the borrower, even if the borrower has already seen the documents. One area to note is how GFDA/HPF posts interest and principal payments – interest is accrued daily and is paid first. A related area of concern is how extra payments are applied and why a borrower can not prepay interest. The Loan Officer should also spend time explaining the Management Assistance Agreement and the File Review Schedule; this includes informing borrowers of the necessity of submitting financial statements in accordance with their review schedule in order to keep their loan in good standing.

The Loan Officer should also go over all fees for the loan closing. The origination fee and closing costs are consistent and outlined on the Closing Instruction Form. The origination fee is set by GFDA/HPF'S's lending team and President and may change from time to time based on the market. Closing costs are actual costs and change with market rates. GFDA/HPF charges all legal fees associated with document preparation to the borrower. GFDA/HPF doesn't charge for credit reports; that is included in the application fee. The Loan Officer should try to minimize fees whenever possible by piggybacking on documents ordered by bank partners for a deal.

If the Loan Officer did not collect all of the necessary items at closing, it is his/her responsibility to follow-up and obtain the documents after closing.

Loan Officers have the authority to sign all closing documents except the check approval and actual disbursement check.

After the closing, the Administrative Assistant properly assembles the loan file. The Administrative Assistant enters all data in the loan fund accounting software (GMS) and the Portfolio spreadsheet and stores the original documents in fireproof files in the loan file cabinet.

**7. Following up on All Post-Closing Receipt of Documentation.**

After closing, the Administrative Assistant files all necessary liens on collateral and records the filings in the loan files. Once the required post-closing documentation has been received at GFDA/HPF, the Loan Officer finalizes the Loan Closing Instruction Form, and the Administrative Assistant records all filing and insurance renewal dates in the Portfolio spreadsheet and GMS.

# Step-By-Step Monitoring and Review Procedures-Exhibit 6
Updated 08/2010

**1. Monitoring**

GFDA/HPF requires each new borrower to submit company prepared financials on a monthly basis for the first six months of their loan. The Loan Officer with assistance from the Finance Intern will track the actual financials to the projections. If the borrower is not tracking with their projections during their monitoring period, requirements can be extended as the Loan Officer sees fit. Monthly monitoring can also be extended if other concerns about the businesses success arise. When the six months of monitoring have expired and the Loan Officer has no concerns about the business the client will be put on an annual review schedule.

Borrowers are also required to meet with the SBDC consultant at least twice in the first six months of the loan. The consulting requirements can be waived for larger more successful business that would not benefit from business consulting. The Loan Officer has the authority to increase or add consulting requirements if he/she feels like the borrower and their business is struggling.

**2. Annual Review**

The annual review process begins every May. This process is to evaluate the status of the loan and the overall risk in the Loan Portfolio.

1: Information Request

Borrowers will be sent a letter requesting they submit business taxes, personal taxes, updated personal financial statement, company prepared balance sheet and income statement for previous year, company prepared year to date balance sheet and income statement, updated impact questionnaire, and updated insurance.

2. Site Visit

Upon receipt of all of the required documentation the Loan Officer or appropriate GFDA/HPF staff will do a site visit with the borrower and discuss their financial status and any concerns that he/she has about their business. At the site visit all collateral will be inspected to insure GFDA/HPF'S's collateral status. A site visit report will be placed in the file. (See Document 17)

3. Evaluation

I. The Loan Officer will re-evaluate the collateral coverage ratio and determine if there is a collateral gap. They will also evaluate the borrower's management ability, business industry, susceptibility to recession, sources or repayment, and the businesses financial strength.

II.. The Finance Intern, Administrative Assist, or Loan Officer will spread all financials submitted. They will calculate Company Debt to Net Worth, Current Ratio, Personal DCR and DTI, as well as the global DCR. The Loan Officer must review all analysis for accuracy.

III. The Loan Officer will update the Risk Rating (See Document 9) for the client based on the current financial ratios and discussion with the borrowers. Loan Officer will compare the borrower's financial status with the Watchlist Criteria (See Document 15). If the loan needs to be placed on the Watchlist, the Loan Officer will prepare a Watchlist Action Plan (See Document 14). The plan will outline the concerns and reason for placement as well as the action being taken to mitigate GFDA/HPF risk and assist the borrower. Action may or may not include monthly financial monitoring or business consulting from the SBDC. The Watchlist Action Plan must be taken to the monthly Watchlist Meeting and approved by the President. The appropriate Loan Committee will be notified of the addition at the next available committee meeting.

IV. If a loan is on the Watchlist, it can be removed if they meet **all** six requirements for removal (See Watchlist Criteria Document 15). Removal from the Watchlist requires a Watchlist Action Plan presented at the Monthly Watchlist Meeting and approval by the President. When a loan is removed from the Watchlist the appropriate board committee will be notified at the next available meeting. Removal from the Watchlist can be done with the annual review process or anytime during the year.

V. When all review steps have been completed, the Loan Officer will compile the Annual Review Worksheet (Document 18) and place it in the client file. The Finance Intern or Administrative Assistant will update the lending portfolio with current impact statistics for reporting purposes.

**3. Paid Notes**

I. When a loan is repaid the Controller will notify the Administrative Assistant and the Loan Officer when the funds have cleared.

II. The borrower will be sent a paid note letter with their original Promissory Note marked Paid and the date the loan was paid.

III. The Administrative Assistant will release all collateral pledged for the loan including but not limited to, UCC filings, Deed of Trust filings, Life Insurance Assignments, and Equipment Filings. All collateral releases must be approved and signed by the Loan Officer.

IV. The client file on the server is moved to the closed/repaid file.

V. The physical file is mark paid and put in the appropriate paid note file cabinets.

VI. The Administrative Assistant will change the Loan Status in GMS to Repaid.

GREAT FALLS MONTANA DEVELOPMENT AUTHORITY

**Loan Inquiry Form**

| | | | |
|---|---|---|---|
| Client Name: | | Intake Done By: | |
| Client Phone: | | Date: | |
| City: | | email address: | |
| County: | | | |

| 1. Overall Deal Structure | |
|---|---|
| Amount of Funds Needed: | |
| What is the amount of owner equity in project? | |
| Already have a bank loan or app? | |
| Who is your bank and loan officer? | |
| What will the money be used for? | |
| Will you project clean up a contaminated site? | |
| How many jobs will your project create? | |
| How many jobs will your project retain? | |
| Break down of full time to part time? | |
| What will the jobs pay? | |
| What benefits will you offer? | |
| Were will your business be located? Inside or outside city limits? | |
| Type of loan needed (term, line of credit) | |
| What percentage of your business comes from inside our13 county territory | |
| Existing Business? Yes or No | |
| If "Yes" current Level of Sales (monthly/annual) What was the Net Profit last year | |
| How is your company structured? (LLC, S-corp, full C-corp, LLP, Non-profit) | |
| Ownership Breakdown: List all owners | |
| **2. Client Background** | |
| What is the collateral and its approximate value? | |
| What is the debt on the above collateral? | |
| Is there a potential co-signor? | |
| How is your credit? | |
| Have you ever filed for bankruptcy? If yes when? | |
| Do you have any outstanding collections or late payments on your record? | |
| What is your approximate credit card debt? | |
| | |
| How did you hear about GFDA? | |
| Recommend for Loan Officer or SBDC | |
| Other Notes: | |

Document-2
Cash flow statement 08/15/2011

| Company Name<br>Date Prepared | Startup<br>Position | Month 1<br>Year | Month 2<br>Year | Month 3<br>Year | Month 4<br>Year | Month 5<br>Year | Month 6<br>Year | Month 7<br>Year | Month 8<br>Year | Month 9<br>Year | Month 10<br>Year | Month 11<br>Year | Month 12<br>Year | Amount | % of Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | ***SECTION 1*** | | |
| Starting Balance (YOUR CURRENT BUSINESS CHECKING ACCT.) | | $0 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | $0 | |
| Loan/cash injection | $0 | | | | | | | | | | | | | $0 | |
| | | | | | | | | | | | | | ***SECTION 2*** | | |
| Sales (ENTER THE CASH COLLECTED FOR THE MONTH) | | | | | | | | | | | | | | | |
| Sales 1 | | | | | | | | | | | | | | $0 | |
| Sales 2 | | | | | | | | | | | | | | $0 | |
| Sales 3 | | | | | | | | | | | | | | $0 | |
| Other sales | | | | | | | | | | | | | | $0 | |
| **Total Sales** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| Cost of Goods Sold (ENTER CASH SPENT FOR THE MONTH) | | | | | | | | | | | | | | | |
| COGS 1 | | | | | | | | | | | | | | $0 | |
| COGS 2 | | | | | | | | | | | | | | $0 | |
| COGS 3 | | | | | | | | | | | | | | $0 | |
| COGS-Other | | | | | | | | | | | | | | $0 | |
| **Total Cost of Goods Sold** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| **Gross Profit** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| | | | | | | | | | | | | | ***SECTION 3*** | | |
| Operating Expenses | | | | | | | | | | | | | | | |
| Advertising | | | | | | | | | | | | | | $0 | |
| Books | | | | | | | | | | | | | | $0 | |
| Certifications | | | | | | | | | | | | | | $0 | |
| Equipment Expense | | | | | | | | | | | | | | $0 | |
| Equipment Lease | | | | | | | | | | | | | | $0 | |
| Furniture | | | | | | | | | | | | | | $0 | |
| Insurance | | | | | | | | | | | | | | $0 | |
| Internet | | | | | | | | | | | | | | $0 | |
| Licenses (Business License) | | | | | | | | | | | | | | $0 | |
| Maintenance | | | | | | | | | | | | | | $0 | |
| Meals & Entertainment | | | | | | | | | | | | | | $0 | |
| Membership | | | | | | | | | | | | | | $0 | |
| Miscellaneous | | | | | | | | | | | | | | $0 | |
| Postage | | | | | | | | | | | | | | $0 | |
| Printing | | | | | | | | | | | | | | $0 | |
| Professional | | | | | | | | | | | | | | $0 | |
| Rent | | | | | | | | | | | | | | $0 | |
| Signs | | | | | | | | | | | | | | $0 | |
| Software | | | | | | | | | | | | | | $0 | |
| Sponsorship | | | | | | | | | | | | | | $0 | |
| Subscriptions | | | | | | | | | | | | | | $0 | |
| Supplies | | | | | | | | | | | | | | $0 | |
| Taxes | | | | | | | | | | | | | | $0 | |
| Telephone | | | | | | | | | | | | | | $0 | |
| Travel | | | | | | | | | | | | | | $0 | |
| Utilities | | | | | | | | | | | | | | $0 | |
| Wages | | | | | | | | | | | | | | $0 | |
| Payroll Taxes | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| **Total Cash Out - Operations** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| | | | | | | | | | | | | | ***SECTION 4*** | | |
| **Operating Net Profit** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| Capital Purchases (non recurring) | | | | | | | | | | | | | | $0 | |
| GFDA/HPF loan payment | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Owner Draws / Distributions | | | | | | | | | | | | | | $0 | |
| Self Employment Tax @ 15.3% | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| | | | | | | | | | | | | | ***SECTION 5*** | | |
| **Ending CASH Balance** | $0 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

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| **Company Name** | Month 13 | Month 14 | Month 15 | Month 16 | Month 17 | Month 18 | Month 19 | Month 20 | Month 21 | Month 22 | Month 23 | Month 24 | (YEAR) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date Prepared | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year | Amount | % of Sales |
| Starting Balance (YOUR CURRENT BUSINESS CHECKING ACC | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Loan/cash injection | | | | | | | | | | | | | $0 | |
| **Sales (ENTER THE CASH COLLECTED FOR THE MONTH)** | | | | | | | | | | | | | | |
| Sales 1 | | | | | | | | | | | | | $0 | |
| Sales 2 | | | | | | | | | | | | | $0 | |
| Sales 3 | | | | | | | | | | | | | $0 | |
| Other sales | | | | | | | | | | | | | $0 | |
| **Total Sales** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| **Cost of Goods Sold (ENTER CASH SPENT FOR THE MONTH)** | | | | | | | | | | | | | | |
| COGS 1 | | | | | | | | | | | | | $0 | |
| COGS 2 | | | | | | | | | | | | | $0 | |
| COGS 3 | | | | | | | | | | | | | $0 | |
| COGS-Other | | | | | | | | | | | | | $0 | |
| **Total Cost of Goods Sold** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| **Gross Profit** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| **Operating Expenses** | | | | | | | | | | | | | | |
| Advertising | | | | | | | | | | | | | $0 | |
| Books | | | | | | | | | | | | | $0 | |
| Certifications | | | | | | | | | | | | | $0 | |
| Equipment Expense | | | | | | | | | | | | | $0 | |
| Equipment Lease | | | | | | | | | | | | | $0 | |
| Furniture | | | | | | | | | | | | | $0 | |
| Insurance | | | | | | | | | | | | | $0 | |
| Internet | | | | | | | | | | | | | $0 | |
| Licenses (Business License) | | | | | | | | | | | | | $0 | |
| Maintenance | | | | | | | | | | | | | $0 | |
| Meals & Entertainment | | | | | | | | | | | | | $0 | |
| Membership | | | | | | | | | | | | | $0 | |
| Miscellaneous | | | | | | | | | | | | | $0 | |
| Postage | | | | | | | | | | | | | $0 | |
| Printing | | | | | | | | | | | | | $0 | |
| Professional | | | | | | | | | | | | | $0 | |
| Rent | | | | | | | | | | | | | $0 | |
| Signs | | | | | | | | | | | | | $0 | |
| Software | | | | | | | | | | | | | $0 | |
| Sponsorship | | | | | | | | | | | | | $0 | |
| Subscriptions | | | | | | | | | | | | | $0 | |
| Supplies | | | | | | | | | | | | | $0 | |
| Taxes | | | | | | | | | | | | | $0 | |
| Telephone | | | | | | | | | | | | | $0 | |
| Travel | | | | | | | | | | | | | $0 | |
| Utilities | | | | | | | | | | | | | $0 | |
| Wages | | | | | | | | | | | | | $0 | |
| Payroll Taxes | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| **Total Cash Out - Operations** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| **Operating Net Profit** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| Capital Purchases (non recurring) | | | | | | | | | | | | | $0 | |
| GFDA/HPF loan payment | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Owner Draws / Distributions | | | | | | | | | | | | | $0 | |
| Self Employment Tax @ 15.3% | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| **Ending CASH Balance** | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

| Company Name<br>Date Prepared | Startup<br>Position | Month 1<br>Year | Month 2<br>Year | Month 3<br>Year | Month 4<br>Year | Month 5<br>Year | Month 6<br>Year | Month 7<br>Year | Month 8<br>Year | Month 9<br>Year | Month 10<br>Year | Month 11<br>Year | Month 12<br>Year | Amount | % of Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GFDA/HPF loan | | | | | | | | | | | | | | | |
| Loan amount | | | | | | | | | | | | | | | |
| Interest rate (expressed as an annual rate) | | | | | | | | | | | | | | | |
| Length of loan (in years) | | | | | | | | | | | | | | | |
| Balloon payment (leave at 0 unless it has been discussed with a loan officer) | | | | | | | | | | | | | | | |
| Monthly administrative fee | $8.33 | | | | | | | | | | | | | | |

| Company Name<br>Date Prepared | Month 13<br>Year | Month 14<br>Year | Month 15<br>Year | Month 16<br>Year | Month 17<br>Year | Month 18<br>Year | Month 19<br>Year | Month 20<br>Year | Month 21<br>Year | Month 22<br>Year | Month 23<br>Year | Month 24<br>Year | (YEAR)<br>Amount | <br>% of Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GFDA/HPF loan | | | | | | | | | | | | | | |
| Loan amount | | | | | | | | | | | | | | |
| Interest rate (expressed as an annual rate) | | | | | | | | | | | | | | |
| Length of loan (in years) | | | | | | | | | | | | | | |
| Balloon payment (leave at 0 unless it has been discussed with a loan officer) | | | | | | | | | | | | | | |
| Monthly administrative fee | | | | | | | | | | | | | | |

Document-2
Cash flow statement

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| Company Name<br>Date Prepared | Startup<br>Position | Month 1<br>Year | Month 2<br>Year | Month 3<br>Year | Month 4<br>Year | Month 5<br>Year | Month 6<br>Year | Month 7<br>Year | Month 8<br>Year | Month 9<br>Year | Month 10<br>Year | Month 11<br>Year | Month 12<br>Year | Amount | % of Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | **SECTION 1** | | |
| Starting Balance (YOUR CURRENT BUSINESS CHECKING ACCT.) | | $0 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | $0 | |
| Loan/cash injection | $0 | | | | | | | | | | | | | $0 | |
| | | | | | | | | | | | | | **SECTION 2** | | |
| **Sales (ENTER THE CASH COLLECTED FOR THE MONTH)** | | | | | | | | | | | | | | | |
| Sales 1 | | | | | | | | | | | | | | $0 | |
| Sales 2 | | | | | | | | | | | | | | $0 | |
| Sales 3 | | | | | | | | | | | | | | $0 | |
| Other sales | | | | | | | | | | | | | | $0 | |
| **Total Sales** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| **Cost of Goods Sold (ENTER CASH SPENT FOR THE MONTH)** | | | | | | | | | | | | | | | |
| COGS 1 | | | | | | | | | | | | | | $0 | |
| COGS 2 | | | | | | | | | | | | | | $0 | |
| COGS 3 | | | | | | | | | | | | | | $0 | |
| COGS-Other | | | | | | | | | | | | | | $0 | |
| **Total Cost of Goods Sold** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| **Gross Profit** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| | | | | | | | | | | | | | **SECTION 3** | | |
| **Operating Expenses** | | | | | | | | | | | | | | | |
| Advertising | | | | | | | | | | | | | | $0 | |
| Books | | | | | | | | | | | | | | $0 | |
| Certifications | | | | | | | | | | | | | | $0 | |
| Equipment Expense | | | | | | | | | | | | | | $0 | |
| Equipment Lease | | | | | | | | | | | | | | $0 | |
| Furniture | | | | | | | | | | | | | | $0 | |
| Insurance | | | | | | | | | | | | | | $0 | |
| Internet | | | | | | | | | | | | | | $0 | |
| Licenses (Business License) | | | | | | | | | | | | | | $0 | |
| Maintenance | | | | | | | | | | | | | | $0 | |
| Meals & Entertainment | | | | | | | | | | | | | | $0 | |
| Membership | | | | | | | | | | | | | | $0 | |
| Miscellaneous | | | | | | | | | | | | | | $0 | |
| Postage | | | | | | | | | | | | | | $0 | |
| Printing | | | | | | | | | | | | | | $0 | |
| Professional | | | | | | | | | | | | | | $0 | |
| Rent | | | | | | | | | | | | | | $0 | |
| Signs | | | | | | | | | | | | | | $0 | |
| Software | | | | | | | | | | | | | | $0 | |
| Sponsorship | | | | | | | | | | | | | | $0 | |
| Subscriptions | | | | | | | | | | | | | | $0 | |
| Supplies | | | | | | | | | | | | | | $0 | |
| Taxes | | | | | | | | | | | | | | $0 | |
| Telephone | | | | | | | | | | | | | | $0 | |
| Travel | | | | | | | | | | | | | | $0 | |
| Utilities | | | | | | | | | | | | | | $0 | |
| Wages | | | | | | | | | | | | | | $0 | |
| Payroll Taxes | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| **Total Cash Out - Operations** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| | | | | | | | | | | | | | **SECTION 4** | | |
| **Operating Net Profit** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| Capital Purchases (non recurring) | | | | | | | | | | | | | | $0 | |
| GFDA loan payment | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Owner Draws / Distributions | | | | | | | | | | | | | | $0 | |
| Self Employment Tax @ 15.3% | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| | | | | | | | | | | | | | **SECTION 5** | | |
| **Ending CASH Balance** | $0 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

| Company Name<br>Date Prepared | Month 13<br>Year | Month 14<br>Year | Month 15<br>Year | Month 16<br>Year | Month 17<br>Year | Month 18<br>Year | Month 19<br>Year | Month 20<br>Year | Month 21<br>Year | Month 22<br>Year | Month 23<br>Year | Month 24<br>Year | (YEAR)<br>Amount | <br>% of Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Starting Balance (YOUR CURRENT BUSINESS CHECKING ACC | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Loan/cash injection | | | | | | | | | | | | | $0 | |
| **Sales (ENTER THE CASH COLLECTED FOR THE MONTH)** | | | | | | | | | | | | | | |
| Sales 1 | | | | | | | | | | | | | $0 | |
| Sales 2 | | | | | | | | | | | | | $0 | |
| Sales 3 | | | | | | | | | | | | | $0 | |
| Other sales | | | | | | | | | | | | | $0 | |
| **Total Sales** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| **Cost of Goods Sold (ENTER CASH SPENT FOR THE MONTH)** | | | | | | | | | | | | | | |
| COGS 1 | | | | | | | | | | | | | $0 | |
| COGS 2 | | | | | | | | | | | | | $0 | |
| COGS 3 | | | | | | | | | | | | | $0 | |
| COGS-Other | | | | | | | | | | | | | $0 | |
| **Total Cost of Goods Sold** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| **Gross Profit** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| **Operating Expenses** | | | | | | | | | | | | | | |
| Advertising | | | | | | | | | | | | | $0 | |
| Books | | | | | | | | | | | | | $0 | |
| Certifications | | | | | | | | | | | | | $0 | |
| Equipment Expense | | | | | | | | | | | | | $0 | |
| Equipment Lease | | | | | | | | | | | | | $0 | |
| Furniture | | | | | | | | | | | | | $0 | |
| Insurance | | | | | | | | | | | | | $0 | |
| Internet | | | | | | | | | | | | | $0 | |
| Licenses (Business License) | | | | | | | | | | | | | $0 | |
| Maintenance | | | | | | | | | | | | | $0 | |
| Meals & Entertainment | | | | | | | | | | | | | $0 | |
| Membership | | | | | | | | | | | | | $0 | |
| Miscellaneous | | | | | | | | | | | | | $0 | |
| Postage | | | | | | | | | | | | | $0 | |
| Printing | | | | | | | | | | | | | $0 | |
| Professional | | | | | | | | | | | | | $0 | |
| Rent | | | | | | | | | | | | | $0 | |
| Signs | | | | | | | | | | | | | $0 | |
| Software | | | | | | | | | | | | | $0 | |
| Sponsorship | | | | | | | | | | | | | $0 | |
| Subscriptions | | | | | | | | | | | | | $0 | |
| Supplies | | | | | | | | | | | | | $0 | |
| Taxes | | | | | | | | | | | | | $0 | |
| Telephone | | | | | | | | | | | | | $0 | |
| Travel | | | | | | | | | | | | | $0 | |
| Utilities | | | | | | | | | | | | | $0 | |
| Wages | | | | | | | | | | | | | $0 | |
| Payroll Taxes | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| **Total Cash Out - Operations** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | 0.00% |
| **Operating Net Profit** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| Capital Purchases (non recurring) | | | | | | | | | | | | | $0 | |
| GFDA loan payment | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Owner Draws / Distributions | | | | | | | | | | | | | $0 | |
| Self Employment Tax @ 15.3% | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| **Ending CASH Balance** | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

| Company Name<br>Date Prepared | Startup<br>Position | Month 1<br>Year | Month 2<br>Year | Month 3<br>Year | Month 4<br>Year | Month 5<br>Year | Month 6<br>Year | Month 7<br>Year | Month 8<br>Year | Month 9<br>Year | Month 10<br>Year | Month 11<br>Year | Month 12<br>Year | Amount | % of Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | |
| **GFDA loan** | | | | | | | | | | | | | | | |
| **Loan amount** | | | | | | | | | | | | | | | |
| **Interest rate (expressed as an annual rate)** | | | | | | | | | | | | | | | |
| **Length of loan (in years)** | | | | | | | | | | | | | | | |
| **Balloon payment (leave at 0 unless it has been discussed with a loan officer)** | | | | | | | | | | | | | | | |
| **Monthly administrative fee** | $8.33 | | | | | | | | | | | | | | |

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| Company Name<br>Date Prepared | Month 13<br>Year | Month 14<br>Year | Month 15<br>Year | Month 16<br>Year | Month 17<br>Year | Month 18<br>Year | Month 19<br>Year | Month 20<br>Year | Month 21<br>Year | Month 22<br>Year | Month 23<br>Year | Month 24<br>Year | (YEAR) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Amount | % of Sales |
| GFDA loan | | | | | | | | | | | | | | |
| Loan amount | | | | | | | | | | | | | | |
| Interest rate (expressed as an annual rate) | | | | | | | | | | | | | | |
| Length of loan (in years) | | | | | | | | | | | | | | |
| Balloon payment (leave at 0 unless it has been discussed with a loan officer) | | | | | | | | | | | | | | |
| Monthly administrative fee | | | | | | | | | | | | | | |

# Business Plan for a Startup Business

The business plan consists of a narrative and several financial worksheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order that you want, except for the *Executive Summary,* which should be done last. Skip any questions that do not apply to your type of business. When you are finished writing your first draft, you'll have a collection of small essays on the various topics of the business plan. Then you'll want to edit them into a smooth-flowing narrative.

The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

This business plan is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled *Refining the Plan*, found at the end. It suggests emphasizing certain areas depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine-tuning your plan to make an effective presentation to investors or bankers. If this is why you're creating your plan, pay particular attention to your writing style. You will be judged by the quality and appearance of your work as well as by your ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions.  But then, that's the value of the process. So make time to do the job properly. Those who do never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

# Business Plan

## OWNERS

**Your Business Name**
Street Address
Address 2
City, ST  ZIP Code
Telephone
Fax
E-Mail

# I. Table of Contents

# II. Executive Summary

You may find it beneficial to write this section first or last. Writing it first provides focus for the rest of your business plan. Writing it last is a summary of what you have already written. We suggest that you make it two pages or fewer.

Include everything that you would cover in a five-minute interview. Make it enthusiastic, professional, complete, and concise.

**Introduction**

Provide your Organization Name, Your Name and Title, Contact Information and Explain what your organization does - quickly. "We sell software" "We protect the environment" "We sell hardware"

**Problem**

Describe the pain that you're alleviating. The goal is to get everyone nodding and "buying in". Avoid looking like a solution searching for a problem. A purchase is made ONLY when a problem exists.

**Solution**

Explain how you alleviate this pain and the meaning that you make. Ensure that the audience clearly understand what you sell and your value proposition. No in-depth explanation. Provide the basics of how you fix the pain. Example: "We are a discount travel Web Site. We have written software that searches all other travel sites and collates their price quotes into one report."

**Business Model**

Explain how you make money: who pays you, your channels of distribution, and your gross margins. Generally, a unique, untested business model is a scary proposition. If you truly have a revolutionary business model, explain it in terms of familiar ones. This is your opportunity to drop the names of the organization that are already using your product or service.

**Underlying Magic**

Describe the technology, secret sauce, or magic behind your product or service. The less text and the more diagrams, schematics and flowcharts the better. What do you have that makes your better?

**Marketing & Sales**

Explain how you are going to reach your customer and keep them coming & bringing others. Convince the audience that you have an effective go to market strategy that won't break the bank.

**Competition**

Provide a complete view of the competitive landscape. Too much is better than too little. Never dismiss your competition. Everyone - customer, investors, employees - wants to hear why you are good, not why the competition is bad.

**Management Team**

Describe the key players of your management team, board of directors, and board of advisors, as well as your major investors. Don't be afraid to show up with less than a perfect team. All start-ups have holes their team - what's truly important is whether you understand that there are holes and are willing to fix them.

**Financial Projections & Key Metrics**

Provide a five-year forecast containing not only dollars but also key metrics, such as number of customers and conversion rate. Take into account long sales cycles and seasonality. Making people understand the underlying assumption of your forecast is as important as the number themselves

**Current Status, Accomplishments to Date, Timeline & Use of Funds**

Explain the current status of your product/service, what the near future looks like. Share the details of your positive momentum and traction. Include what action should be taken next. If asking for financing, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

# III. General Company Description

What business will you be in? What will you do?

Mission Statement: Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:

Company Goals and Objectives: Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

Business Philosophy: What is important to you in business?

To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the *Marketing Plan* section).

Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?

Exit Strategy: Provide details regarding how you plan to leave your business. Will you transfer ownership to employees or family, sell, close, or mentor a replacement?

# IV. Products and Services

Describe in depth your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in *Appendices*).

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

What are the pricing, fee, or leasing structures of your products or services?

# V. Marketing Plan

## Market research - Why?

No matter how good your product and your service, the venture cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you're on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well spent.

## Market research - How?

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research themselves.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection. Utilize the Census website to begin your research at www.factfinder.census.gov or www.ceic.mt.gov for more details about Montana.

## Economics

Facts about your industry:

- What is the total size of your market?
- What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)
- Current demand in target market.
- Trends in target market—growth trends, trends in consumer preferences, and trends in product development.

- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
  - High capital costs
  - High production costs
  - High marketing costs
  - Consumer acceptance and brand recognition
  - Training and skills
  - Unique technology and patents
  - Unions
  - Shipping costs
  - Tariff barriers and quotas
- And of course, how will you overcome the barriers?
- How could the following affect your company?
  - Change in technology
  - Change in government regulations
  - Change in the economy
  - Change in your industry

## Product

In the *Products and Services* section, you described your products and services as you see them. Now describe them from your customers' point of view.

**Features and Benefits**

List all of your major products or services.

For each product or service:

- Describe the most important features. What is special about it?
- Describe the benefits. That is, what will the product do for the customer?

Note the difference between features and benefits, and think about them. For example, a house that gives shelter and lasts a long time is made with certain materials and to a certain design; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighborhood. You build features into your product so that you can sell the benefits.

What after-sale services will you give? Some examples are delivery, warranty, service contracts, support, follow-up, and refund policy.

## Customers

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class and occupation
- Education
- Other (specific to your industry)
- Other (specific to your industry)

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm
- Quality, technology, and price preferences
- Other (specific to your industry)
- Other (specific to your industry)

SAMPLE:

The market area of Great Falls is comprised of young singles who live alone and married-couple families who are just beginning their careers or family lives. This segment has a higher proportion of residents in their 20's and a higher proportion of householders younger than 35 years old. The segment enjoys a young and active lifestyle. They go out to dinner, to the movies, to bars, and to nightclubs. They enjoy roller-skating; roller-blading; playing Frisbee, chess, and pool; watching foreign films on DVD; and attending auto races. They read music magazines and listen to rock music on the radio. TV shows such as courtroom dramas, reality shows, sitcoms, news programs, and dramas captivate the segment. The segment occasionally takes advantage of the convenience of fast-food restaurants. Little traveling is done in this market. Still focused on starting a career, many are not preparing for retirement by investing for the future. Residents shop at major discount and department stores, and also order frequently from catalogs.

The other dominate segment of the Great Falls market is comprised of residents phasing out of their childrearing years. Households include a variety of family types as well as singles who live alone or share housing. Nearly half of the households are composed of married-couple families; 31 percent are singleperson households. This segment has quiet, settled lives. They have been planning and saving for their retirement, owning certificates of deposit and participating in IRA or 401(k) plans. They spend their money carefully and do not succumb to fads. Mindful of their expenses, they always search for bargains. This segment enjoys dining out at full-service restaurants, particularly on weekends, and also take advantage of the convenience of fast-food restaurants. They favor domestic cars, and prefer to shop by mail or phone from catalogs such as L.L. Bean and Lands' End. They are comfortable shopping by phone or over the Internet. Comfortable with computer technology, they use e-mail to communicate with friends and families. They enjoy yoga, attending country music concerts and auto races, refinishing furniture, reading romance novels, and watching classic movies on DVD.

These two market segments comprise 36 % of the total 23,583 households in Great Falls. The remaining market segments have a common theme that focuses around retired, life long residents of the area. The live simple life's, watch their expenditures and enjoy the leisure activities that the surroundings provide. They listen to country music, get a majority of their entertainment from TV.

The Great Falls market spends 81% of all Retail Expenditures on their home, to include their mortgage, utilities, maintenance and insurance, vehicles/transportation and insurance, and food at home. Annually, Great Falls spends $58.5 million on food away from home. There are 140 limited and full service eating establishments competing for that market share.

## Competition

What products and companies will compete with you?

List your major competitors:

(Names and addresses)

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.)

How will your products or services compare with the competition?

Use the **Competitive Analysis** table below to compare your company with your two most important competitors. In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.

In the column labeled **Me**, state how you honestly think you will stack up in customers' minds. Then check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses. Try to be very honest here. Better yet, get some disinterested strangers to assess you. This can be a real eye-opener.

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And remember that you cannot be all things to all people. In fact, trying to be causes many business failures because efforts become scattered and diluted. You want an honest assessment of your firm's strong and weak points.

Now analyze each major competitor. In a few words, state how you think they compare.

In the final column, estimate the importance of each competitive factor to the customer. 1 = critical; 5 = not very important.

**Table 1: Competitive Analysis**

| FACTOR | Me | Strength | Weakness | Competitor A | Competitor B | Importance to Customer |
|---|---|---|---|---|---|---|
| **Products** | | | | | | |
| **Price** | | | | | | |
| **Quality** | | | | | | |
| **Selection** | | | | | | |
| **Service** | | | | | | |
| **Reliability** | | | | | | |
| **Stability** | | | | | | |
| **Expertise** | | | | | | |
| **Company Reputation** | | | | | | |
| **Location** | | | | | | |
| **Appearance** | | | | | | |
| **Sales Method** | | | | | | |
| **Credit Policies** | | | | | | |
| **Advertising** | | | | | | |
| **Image** | | | | | | |

Now, write a short paragraph stating your competitive advantages and disadvantages.

## Niche

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

## Strategy

Now outline a marketing strategy that is consistent with your niche. You may consider utilizing the services of a Marketing Firm to assist you in developing this section.

### Promotion

How will you get the word out to customers?

Advertising: What media, why, and how often? Why this mix and not some other?

Have you identified low-cost methods to get the most out of your promotional budget?

Will you use methods other than paid advertising, such as trade shows, catalogs, dealer incentives, word of mouth (how will you stimulate it?), and network of friends or professionals?

What image do you want to project? How do you want customers to see you?

In addition to advertising, what plans do you have for graphic image support? This includes things like logo design, cards and letterhead, brochures, signage, and interior design (if customers come to your place of business).

Should you have a system to identify repeat customers and then systematically contact them?

### Promotional Budget

How much will you spend on the items listed above?

Before startup? (These numbers will go into your startup budget.)

Ongoing? (These numbers will go into your operating plan budget.)

### Pricing

Explain your method or methods of setting prices. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can under price you anyway. Usually you will do better to have average prices and compete on quality and service.

Does your pricing strategy fit with what was revealed in your competitive analysis?

Compare your prices with those of the competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?

What will be your customer service and credit policies?

**Proposed Location**

Probably you do not have a precise location picked out yet. This is the time to think about what you want and need in a location. Many startups run successfully from home for a while.

You will describe your physical needs later, in the *Operational Plan* section. Here, analyze your location criteria as they will affect your customers.

Is your location important to your customers? If yes, how?

If customers come to your place of business:

Is it convenient? Parking? Interior spaces? Not out of the way?

Is it consistent with your image?

Is it what customers want and expect?

Where is the competition located? Is it better for you to be near them (like car dealers or fast-food restaurants) or distant (like convenience-food stores)?

**Distribution Channels**

How do you sell your products or services?

Retail

Direct (mail order, Web, catalog)

Wholesale

Your own sales force

Agents

Independent representatives

Bid on contracts

## Sales Forecast

Now that you have described your products, services, customers, markets, and marketing plans in detail, it's time to attach some numbers to your plan. Use a sales forecast spreadsheet to prepare a month-by-month projection. The forecast should be based on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.

You may want to do two forecasts: 1) a "best guess", which is what you really expect, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. This is critical if you are going to present it to funding sources.

# VI. Operational Plan

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

## Production

How and where are your products or services produced?

Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

## Location

What qualities do you need in a location? Describe the type of location you'll have.

Physical requirements:

- Amount of space
- Type of building
- Zoning
- Power and other utilities

Access:

Is it important that your location be convenient to transportation or to suppliers?

Do you need easy walk-in access?

What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centers?

Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.

Construction? Most new companies should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.

Cost: Estimate your occupation expenses, including rent, but also including maintenance, utilities, insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your financial plan.

What will be your business hours?

## Legal Environment

Describe the following:

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

## Personnel

You will find the follow tool for writing job descriptions from this link: http://www.careerinfonet.org/jobwriter/default.aspx very useful in determining some of the needs for your personnel:

- Number of employees
- Type of labor (skilled, unskilled, and professional)
- Where and how will you find the right employees?
- Quality of existing staff
- Pay structure
- Training methods and requirements
- Who does which tasks?
- Do you have schedules and written procedures prepared?
- Have you drafted job descriptions for employees? If not, take time to write some. They really help internal communications with employees.
- For certain functions, will you use contract workers in addition to employees?

## Inventory

- What kind of inventory will you keep: raw materials, supplies, finished goods?
- Average value in stock (i.e., what is your inventory investment)?
- Rate of turnover and how this compares to the industry averages?
- Seasonal buildups?
- Lead-time for ordering?

## Suppliers

Identify key suppliers:

- Names and addresses
- Type and amount of inventory furnished
- Credit and delivery policies
- History and reliability

Should you have more than one supplier for critical items (as a backup)?

Do you expect shortages or short-term delivery problems?

Are supply costs steady or fluctuating? If fluctuating, how would you deal with changing costs?

## Credit Policies

- Do you plan to sell on credit?
- Do you really need to sell on credit? Is it customary in your industry and expected by your clientele?
- If yes, what policies will you have about who gets credit and how much?
- How will you check the creditworthiness of new applicants?
- What terms will you offer your customers; that is, how much credit and when is payment due?
- Will you offer prompt payment discounts? (Hint: Do this only if it is usual and customary in your industry.)
- Do you know what it will cost you to extend credit? Have you built the costs into your prices?

### Managing Your Accounts Receivable

If you do extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table:

| | Total | Current | 30 Days | 60 Days | 90 Days | Over 90 Days |
|---|---|---|---|---|---|---|
| **Accounts Receivable Aging** | | | | | | |
| | | | | | | |

You will need a policy for dealing with slow-paying customers:

- When do you make a phone call?
- When do you send a letter?
- When do you get your attorney to threaten?

**Managing Your Accounts Payable**

You should also age your accounts payable, what you owe to your suppliers. This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and can damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date.)

Do your proposed vendors offer prompt payment discounts?

A payables aging looks like the following table.

| | Total | Current | 30 Days | 60 Days | 90 Days | Over 90 Days |
|---|---|---|---|---|---|---|
| **Accounts Payable Aging** | | | | | | |
| | | | | | | |

# VII. Management and Organization

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

If you'll have more than 10 employees, create an organizational chart showing the management hierarchy and who is responsible for key functions.

Include position descriptions for key employees. If you are seeking loans or investors, include resumes of owners and key employees.

## Professional and Advisory Support

List the following:

- Board of directors
- Management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultant or consultants
- Mentors and key advisors

# VIII. Personal Financial Statement

Include personal financial statements for each owner and major stockholder, showing assets and liabilities held outside the business and personal net worth. Owners will often have to draw on personal assets to finance the business, and these statements will show what is available. Bankers and investors usually want this information as well.

| ASSETS | (Omit Cents) | LIABILITIES | (Omit Cents) |
|---|---|---|---|
| Cash on hand & in Banks | $ | Accounts Payable | $ |
| Savings Accounts | $ | Notes Payable to Banks and Others (Describe in Section 2) | $ |
| IRA or Other Retirement Account | $ | Installment Account (Auto) | $ |
| Accounts & Notes Receivable | $ | Mo. Payments $ | |
| Life Insurance-Cash Surrender Value Only (Complete Section 8) | $ | Installment Account (Other) | $ |
| Stocks and Bonds (Describe in Section 3) | $ | Mo. Payments $ | |
| Real Estate (Describe in Section 4) | $ | Loan on Life Insurance | $ |
| Automobile-Present Value | $ | Mortgages on Real Estate (Describe in Section 4) | $ |
| Other Personal Property (Describe in Section 5) | $ | Unpaid Taxes (Describe in Section 6) | $ |
| Other Assets (Describe in Section 5) | $ | Other Liabilities (Describe in Section 7) | $ |
| | | Total Liabilities | $ |
| | | Net Worth | $ |
| **Total** | $ | **Total** | $ |

# IX. Startup Expenses and Capitalization

You will have many expenses before you even begin operating your business. It's important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.

Even with the best of research, however, opening a new business has a way of costing more than you anticipate. There are two ways to make allowances for surprise expenses. The first is to add a little "padding" to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the approach we recommend.

Talk to others who have started similar businesses to get a good idea of how much to allow for contingencies. If you cannot get good information, we recommend a rule of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.

## SOURCES & USES OF FUNDS

| | |
|---|---|
| **SOURCES OF FUNDS** | |
| Investment of Cash by Owner (equity) | $ 30,000 |
| Investment of Non-cash Assets by Owner | $ 10,000 |
| Bank Loan to Business - Long Term | $ 70,000 |
| **TOTAL SOURCES OF FUNDS** | **$ 110,000** |
| **USES OF FUNDS** | |
| Land | $ 10,000 |
| Building | $ 30,000 |
| Equipment | $ 10,000 |
| Inventory | $ 40,000 |
| Vehicles | $ 5,000 |
| Non-cash Assets Contibuted by Owner | $ 10,000 |
| Working Capital | $ 5,000 |
| **TOTAL USES OF FUNDS** | **$ 110,000** |

# X. Financial Plan

The financial plan consists of a cash flow projection month by month for the first year, a first year income statement projection, a first year balance sheet projection and a 3-year income statement projection after start-up. Together they constitute a reasonable estimate of your company's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

## Month by Month First Year Cash Flow Projection

Many business owners think of this month by month projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will be based on your market research and come from a sales forecast in which you forecast how your consumer will behave and how many sales you will generate based on their behavior, the cost of goods sold, and expenses.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it's time to revise your plan.

Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn't be taken by surprise.

There is no great trick to preparing it: The cash-flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases.

You should also track cash outlays prior to opening in a pre-startup column. You should have already researched those for your startup expenses plan.

Document-3

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the Income Statement. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory buildup, that should be budgeted?

Loan payments, equipment purchases, and owner's draws usually do not show on income statements but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never write a check for it.

| | Pre Start-up Estimate | Month 1 Estimate | Month 2 Estimate | Month 3 Estimate | Month 4 Estimate | Year **TOTAL** Estimate |
|---|---|---|---|---|---|---|
| **Cash on Hand** | | $5,000 | $1,188 | $576 | $2,639 | |
| Cash Sales | | $5,000 | $10,000 | $15,000 | $20,000 | $50,000 |
| Collections from Credit Account | | | | | | |
| Loan or Cash Injection (**A & C**) | $100,000 | | | | | |
| **Cash Receipts** | $100,000 | $5,000 | $10,000 | $15,000 | $20,000 | $50,000 |
| **Total Cash Available** | | $10,000 | $11,188 | $15,576 | $22,639 | |
| **Cash Paid Out** | | | | | | |
| Cost of Goods Sold | | $1,750 | $3,500 | $5,250 | $7,000 | $17,500 |
| Gross Wages | | $2,000 | $2,000 | $2,000 | $2,000 | $8,000 |
| Payroll Expense | | $400 | $400 | $400 | $400 | $1,600 |
| Supplies (Office & Operating) | | $75 | $100 | $150 | $150 | $475 |
| Repairs & Maintenance | | $25 | $50 | $75 | $75 | $225 |
| Advertising | | $150 | $200 | $250 | $250 | $850 |
| Car, Delivery, and Travel | | $50 | $50 | $50 | $100 | $250 |
| Accounting and Legal | | $100 | $100 | $100 | $100 | $400 |
| Telephone | | $125 | $125 | $125 | $175 | $550 |
| Utilities | | $400 | $350 | $300 | $350 | $1,400 |
| Insurance | | $150 | $150 | $150 | $150 | $600 |
| Interest (**N**) | | $1,396 | $1,384 | $1,371 | $1,358 | $5,509 |
| Other Expenses | | $30 | $30 | $30 | $30 | $120 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Miscellaneous | | $50 | $50 | $50 | $50 | $200 |
| **Subtotal** | | $6,701 | $8,489 | $10,301 | $12,188 | $37,679 |
| Loan Principal Payment (**O**) | | $611 | $623 | $636 | $649 | $2,518 |
| Capital Purchases (**D, E, F, H**) | $55,000 | | | | | |
| Other Start-up Costs (**G**) | $40,000 | | | | | |
| Income Tax Reserve | | | | | | |
| Owners Withdrawal | | $1,500 | $1,500 | $2,000 | $2,000 | $7,000 |
| **Total Cash Paid Out** | $95,000 | $8,812 | $10,612 | $12,937 | $14,837 | |
| **Cash Position (J)** | $5,000 | $1,188 | $576 | $2,639 | $7,803 | |

## First Year Projected Income Statement

Using the totals from your cash flow projection, you can develop your projected income statement. The income statement looks at the snapshot of the businesses year and include non-cash expenses such as depreciation. This also breaks all your costs and expenses into a percent of your sales to see where your cash is going and how much.

### Projected Income Statement

| | YEAR | | % of Sales |
|---|---|---|---|
| **INCOME** | | | |
| Gross Receipts | $50,000 | **K** | 100.0% |
| Cost of Goods Sold | $17,500 | **L** | 35.0% |
| Gross Profit | $32,500 | | 65.0% |
| **EXPENSES** | | | |
| Gross Wages | $8,000 | | 16.0% |
| Payroll Expense | $1,600 | | 3.2% |
| Supplies (Office & Operating) | $475 | | 1.0% |
| Repairs & Maintenance | $225 | | 0.5% |
| Advertising | $850 | | 1.7% |
| Car, Delivery, and Travel | $250 | | 0.5% |
| Accounting and Legal | $400 | | 0.8% |
| Telephone | $550 | | 1.1% |
| Utilities | $1,400 | | 2.8% |
| Insurance | $600 | | 1.2% |
| Interest | $5,509 | | 11.0% |
| Other Expenses | $120 | | 0.2% |
| Miscellaneous | $200 | | 0.4% |
| Depreciation | $1,149 | **Q** | 2.3% |
| **TOTAL EXPENSES** | $21,328 | | 42.7% |
| **NET PROFIT** | $11,172 | | 22.3% |
| Less Income Taxes | | | 0.0% |
| **NET PROFIT AFTER TAXES** | $11,172 | | 22.3% |

## Opening Day Balance Sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners' equity.

Use a startup expenses and capitalization spreadsheet as a guide to preparing a balance sheet as of opening day. Then detail how you calculated the account balances on your opening day balance sheet.

Optional: Some people want to add a projected balance sheet showing the estimated financial position of the company at the end of the first year. This is especially useful when selling your proposal to investors.

**Pro-Forma Balance Sheet - At Startup**

| Assets | | | | Liabilities | | | |
|---|---|---|---|---|---|---|---|
| **Current Assets** | | | | **Current Liabilities** | | | |
| Cash | $5,000 | J | | Accounts Payable | | | |
| Accounts Receivable | | | | Long Term Debt (current portion) | $2,518 | | |
| Inventory | $40,000 | G | | | | | |
| Other | | | | *Total Current Liabilities* | | | $2,518 |
| *Total Current Assets* | | | $45,000 | **Long Term Liabilities** | | | |
| | | | | Note Payable | | | |
| **Fixed Assets** | | | | Bank Loan Payable | $67,482 | P | |
| Land | $10,000 | D | | Other | | | |
| Building | $30,000 | E | | Other | | | |
| Equipment | $20,000 | F & I | | | | | |
| Vehicles | $5,000 | H | | *Total Long Term Liabilities* | | | $67,482 |
| *less accumulated depreciation* | $0 | | | | | | |
| | | | | **Total Liabilities** | | | $70,000 |
| *Total Fixed Assets* | | | $65,000 | **Stockholders Equity** | | | |
| **Total Assets** | | AA | $110,000 | Paid-In Capital | $40,000 | A & B | |
| | | | | Retained Earnings | | | |
| | | | | *Net Worth* | | | $40,000 |
| | | | | **Total Liabilities & Net Worth** | | | $110,000 |

## Break-Even Analysis

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it's the sales level that is the dividing line between operating at a loss and operating at a profit.

Expressed as a formula, break-even is:

$$\text{Breakeven Sales} = \frac{\text{Fixed Costs}}{\text{1- Variable Costs}}$$

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(Where fixed costs are expressed in dollars, but variable costs are expressed as a percent of total sales.)

Include all assumptions upon which your break-even calculation is based.

# XI. Appendices

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies
- List of assets available as collateral for a loan

# Tips for Refining Your Plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

## For Raising Capital

**For Bankers**

- Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:

  - Amount of loan
  - How the funds will be used
  - What this will accomplish—how will it make the business stronger?
  - Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
  - Collateral offered, and a list of all existing liens against collateral

**For Investors**

- Investors have a different perspective. They are looking for dramatic growth, and they expect to share in the rewards:

  - Funds needed short-term
  - Funds needed in two to five years
  - How the company will use the funds, and what this will accomplish for growth.
  - Estimated return on investment
  - Exit strategy for investors (buyback, sale, or IPO)
  - Percent of ownership that you will give up to investors
  - Milestones or conditions that you will accept
  - Financial reporting to be provided
  - Involvement of investors on the board or in management

## For Type of Business

**Manufacturing**

- Planned production levels

- Anticipated levels of direct production costs and indirect (overhead) costs—how do these compare to industry averages (if available)?

- Prices per product line

- Gross profit margin, overall and for each product line

- Production/capacity limits of planned physical plant

- Production/capacity limits of equipment
- Purchasing and inventory management procedures
- New products under development or anticipated to come online after startup

**Service Businesses**

- Service businesses sell intangible products. They are usually more flexible than other types of businesses, but they also have higher labor costs and generally very little in fixed assets.
- What are the key competitive factors in this industry?
- Your prices
- Methods used to set prices
- System of production management
- Quality control procedures. Standard or accepted industry quality standards.
- How will you measure labor productivity?
- Percent of work subcontracted to other firms. Will you make a profit on subcontracting?
- Credit, payment, and collections policies and procedures
- Strategy for keeping client base

**High Technology Companies**

- Economic outlook for the industry
- Will the company have information systems in place to manage rapidly changing prices, costs, and markets?
- Will you be on the cutting edge with your products and services?
- What is the status of research and development? And what is required to:
    - Bring product/service to market?
    - Keep the company competitive?
- How does the company:
    - Protect intellectual property?
    - Avoid technological obsolescence?
    - Supply necessary capital?
    - Retain key personnel?

High-tech companies sometimes have to operate for a long time without profits and sometimes even without sales. If this fits your situation, a banker probably will not want to lend to you. Venture capitalists may invest, but your story must be very good. You must do longer-term financial forecasts to show when profit take-off is expected to occur. And your assumptions must be well documented and well argued.

**Retail Business**

- Company image
- Pricing:
  - Explain markup policies.
  - Prices should be profitable, competitive, and in accordance with company image.
- Inventory:
  - Selection and price should be consistent with company image.
  - Inventory level: Find industry average numbers for annual inventory turnover rate (available in RMA book). Multiply your initial inventory investment by the average turnover rate. The result should be at least equal to your projected first year's cost of goods sold. If it is not, you may not have enough budgeted for startup inventory.
- Customer service policies: These should be competitive and in accord with company image.
- Location: Does it give the exposure that you need? Is it convenient for customers? Is it consistent with company image?
- Promotion: Methods used, cost. Does it project a consistent company image?
- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?

# Business Plan for an Established Business

This business plan consists of a narrative and several financial spreadsheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order you like, except for the *Executive Summary*, which should be done last. Skip any questions that do not apply to your business. When you are finished writing your first draft, you will have a collection of small essays on the various topics of the business plan. Then you will want to edit them into a flowing narrative.

The real value of doing a business plan is not having the finished product in hand; rather, the value lies in the process of research and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, to study and research when you are not sure of the facts, and to look at your ideas critically. It takes time, but avoids costly, perhaps disastrous, mistakes later.

The business plan narrative is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled *Refining the Plan*, found at the end of the business plan. It suggests emphasizing certain areas, depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine-tuning your plan to make an effective presentation to investors or bankers. If this is why you are writing your plan, pay particular attention to your writing style. You will be judged by the quality and appearance of your work as well as your ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and rethinking your ideas and assumptions. But then, that is the value of the process. So make time to do the job properly. Those who do never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

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# Business Plan

## OWNERS

**Business Name**
Street Address
Address 2
City, ST  ZIP Code
phone
fax
e-mail

# I. Table of Contents

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## Executive Summary

You may find it beneficial to write this section first or last. Writing it first provides focus for the rest of your business plan. Writing it last is a summary of what you have already written. We suggest that you make it two pages or fewer.

Include everything that you would cover in a five-minute interview. Make it enthusiastic, professional, complete, and concise.

### Introduction

Provide your Organization Name, Your Name and Title, Contact Information and Explain what your organization does - quickly. "We sell software" "We protect the environment" "We sell hardware"

### Problem

Describe the pain that you're alleviating. The goal is to get everyone nodding and "buying in". Avoid looking like a solution searching for a problem. A purchase is made ONLY when a problem exists.

### Solution

Explain how you alleviate this pain and the meaning that you make. Ensure that the audience clearly understand what you sell and your value proposition. No in-depth explanation. Provide the basics of how you fix the pain. Example: "We are a discount travel Web Site. We have written software that searches all other travel sites and collates their price quotes into one report."

### Business Model

Explain how you make money: who pays you, your channels of distribution, and your gross margins. Generally, a unique, untested business model is a scary proposition. If you truly have a revolutionary business model, explain it in terms of familiar ones. This is your opportunity to drop the names of the organization that are already using your product or service.

### Underlying Magic

Describe the technology, secret sauce, or magic behind your product or service. The less text and the more diagrams, schematics and flowcharts the better. What do you have that makes your better?

### Marketing & Sales

Explain how you are going to reach your customer and keep them coming & bringing others. Convince the audience that you have an effective go to market strategy that won't break the bank.

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Competition

Provide a complete view of the competitive landscape.  Too much is better than too little.  Never dismiss your competition.  Everyone - customer, investors, employees - wants to hear why you are good, not why the competition is bad.

Management Team

Describe the key players of your management team, board of directors, and board of advisors, as well as your major investors.  Don't be afraid to show up with less than a perfect team.  All start-ups have holes their team - what's truly important is whether you understand that there are holes and are willing to fix them.

Financial Projections & Key Metrics

Provide a five-year forecast containing not only dollars but also key metrics, such as number of customers and conversion rate.  Take into account long sales cycles and seasonality.  Making people understand the underlying assumption of your forecast is as important as the number themselves

Current Status, Accomplishments to Date, Timeline & Use of Funds

Explain the current status of your product/service, what the near future looks like.  Share the details of your positive momentum and traction.  Include what action should be taken next.  If asking for financing, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

# II. General Company Description

**Mission statement**: Many companies have a brief mission statement, usually 30 words or fewer, explaining their reason for being and their guiding principles. If you have a mission statement, this is a good place to put it in the plan, followed by company goals and objectives and business philosophy.

What business are you in? What do you do?

What is your target market? (Explain briefly here, because you will do a more thorough explanation in the *Marketing Plan* section.)

Describe your industry. Is it a growth industry? What changes do you foresee in your industry, and how is your company poised to take advantage of them?

Now give a detailed description of the business:

**Form of ownership**: Sole proprietor, partnership, corporation, or limited liability corporation (LLC)?

**Company history**: Years in business, previous owners, successes, failures, lessons learned, reputation in community, sales and profit history, number of employees, and events that affected success. Discuss significant past problems and how you solved and survived them.

**Most important strengths and core competencies**: What factors will make the company succeed? What are your major competitive strengths? What strengths do you personally bring to the business?

**Significant challenges the company faces now and in the near future**: If you are asking for funding, go on to explain how the new capital will help you meet these challenges.

**Long term**: What are your plans for the future of the business? Growth? If so, at what rate and how will you achieve it?

Are you developing strategies for continued growth, increased production, diversification, or eventual sale of the business? What are your time frames for these?

# III. Products and Services

Describe in depth your products and services. (Technical specifications, drawings, photos, sales brochures, and other bulky items belong in the *Appendices*.)

What factors give you competitive advantages or disadvantages? For example, the level of quality, or unique or proprietary features.

What is the pricing, fee, or leasing structure of your products and services?

# IV. Marketing Plan

## Notes on Preparation:

**Market research: Why?**
You spend so much time on marketing-related matters — customers, competitors, pricing, promotion, and advertising — that it is natural to assume that you have little to learn. However, every small business can benefit from doing market research to make sure it is on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. It will be time well spent.

**Market research: How?**
There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available from public libraries, industry associations, chambers of commerce, vendors who sell to your industry, and government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary market research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

# The Marketing Plan:

**Economics**

- Facts about your industry
- Total size of your market
- Percentage share of the market you have. (This is important only if you are a major factor in the market.)
- Current demand in target market
- Growth history
- Trends in target market — growth trends, trends in consumer preferences, and trends in product development
- Growth potential and opportunity for a business of your size
- What barriers to entry keep potential new competitors from flooding into your market?
    - High capital costs
    - High production costs
    - High marketing costs
    - Consumer acceptance/brand recognition
    - Training/skills
    - Unique technology/patents
    - Unions
    - Shipping costs
    - Tariff barriers/quotas
- How could the following affect your company?
    - Change in technology
    - Government regulations
    - Changing economy
    - Change in your industry

**Products**

In the *Products and Services* section, you described your products and services as you see them. Now describe them from your customers' point of view.

**Features and Benefits**

List all your major products or services.

For each product or service, describe the most important features. That is, what does the product do? What is special about it?

Now, for each product or service, describe its benefits. That is, what does the product do for the customer?

Note the differences between features and benefits, and think about them. For example, a house gives shelter and lasts a long time; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighborhood. You build features into your product so you can sell the benefits.

What after-sale services are supplied? For example: delivery, warranty, service contracts, support, follow-up, or refund policy.

**Customers**
Identify your customers, their characteristics, and their geographic locations; that is, demographics.

The description will be completely different depending on whether you sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end user and the intermediary businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each consumer group, construct a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class/occupation
- Education
- Other

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm

- Quality/technology/price preferences
- Other

**Competition**
What products and companies compete with you? List your major competitors, including their names and addresses.

Do they compete with you across the board, just for certain products, certain customers, or in certain locations?

Use the following table to compare your company with your three most important competitors.

In the first column are key competitive factors. Because these vary with each market, you may want to customize the list of factors.

In the cell labeled "Me," state honestly how you think you stack up in customers' minds. Then decide whether you think this factor is a strength or a weakness for you. If you find it hard to analyze yourself this way, enlist some disinterested party to assess you. This can be a real eye-opener.

Now analyze each major competitor. In a few words, state how you think they stack up.

In the last column, estimate how important each competitive factor is to the customer. 1 = critical; 5 = not very important.

*Table 1: Competitive Analysis*

| FACTOR | Me | Strength | Weakness | Competitor A | Competitor B | Competitor C | Importance to customer |
|---|---|---|---|---|---|---|---|
| Products | | | | | | | |
| Price | | | | | | | |
| Quality | | | | | | | |
| Selection | | | | | | | |
| Service | | | | | | | |
| Reliability | | | | | | | |
| Stability | | | | | | | |

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| FACTOR | Me | Strength | Weakness | Competitor A | Competitor B | Competitor C | Importance to customer |
|---|---|---|---|---|---|---|---|
| Expertise | | | | | | | |
| Company reputation | | | | | | | |
| Location | | | | | | | |
| Appearance | | | | | | | |
| Sales method | | | | | | | |
| Credit policies | | | | | | | |
| Advertising | | | | | | | |
| Image | | | | | | | |

After you finish the competitive matrix, write a short paragraph stating your competitive advantages and disadvantages.

**Niche**
Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

**Marketing Strategy**
Now outline a marketing strategy that is consistent with your niche.

**Promotion**: How do you get the word out to customers?

**Advertising**: What media do you use, why, and how often? Has your advertising been effective? How can you tell?

Do you use other methods, such as trade shows, catalogs, dealer incentives, word of mouth, and network of friends or professionals?

If you have identifiable repeat customers, do you have a systematic contact plan?

Why this mix and not some other?

**Promotional Budget**
How much will you spend on the items listed above?

Should you consider spending less on some promotional activities and more on others?

**Pricing**
What is your pricing strategy? For most small businesses, having the lowest prices is not a good strategy. Usually you will do better to have average prices and compete on quality and service. Does your pricing strategy fit with what was revealed in your competitive analysis?

Compare your prices with those of your competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor?

What are your payment and customer credit policies?

**Location**
You will describe your physical location in the *Operational Plan* section of your business plan. Here in the *Marketing Plan* section, analyze your location as it affects your customers.

If customers come to your place of business:

- Is it convenient? Parking? Interior spaces? Not out of the way?
- Is it consistent with your image?
- Is it what customers want and expect?

Where is the competition located? Is it better for you to be near them (like car dealers or fast-food restaurants) or distant (like convenience food stores)?

**Distribution Channels**
How do you sell your products or services?

- Retail
- Direct (mail order, World Wide Web, catalog)
- Wholesale
- Your own sales force
- Agents
- Independent reps

Has your marketing strategy proven effective?

Do you need to make any changes or additions to current strategies?

## Sales Forecast

Now that you have described your products, services, customers, markets, and marketing plans in detail, it is time to attach some numbers to your plan. Use a forecast spreadsheet to prepare a month-by-month projection. Base the forecast on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.

You may want to do two forecasts: 1) a "best guess," which is what you really expect, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. Relate the forecast to your sales history, explaining the major differences between past and projected sales. This is critical if you are going to present it to funding sources.

# V. Operational Plan

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

## Production

How and where do you produce your products or services?

Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

## Location

Describe the locations of production, sales, storage areas, and buildings.

Do you lease or own your premises?

Describe access to your buildings (walk in, parking, freeway, airport, railroad, and shipping).

What are your business hours?

If you are trying to get an expansion loan, include a drawing or layout of your proposed facility.

## Legal Environment

Describe the following:

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession

- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

## Personnel

- Number of employees
- Type of labor (skilled, unskilled, professional)
- Where do you find new employees?
- Quality of existing staff
- Pay structure
- Training methods and requirements
- New hiring in the coming year?
- Who does which tasks?
- Are schedules and procedures in place?
- Do you have written job descriptions for employees? If not, take time to write some. Written job descriptions really help internal communications with employees.
- Do you use contract workers as well as employees?

## Inventory

- What kind of inventory do you keep: raw materials, supplies, finished goods?
- Average value in stock; that is, what is your inventory investment?
- Rate of turnover and how it compares with industry averages?
- Seasonal buildups?
- Lead time for ordering?

## Suppliers

Note the following information about your suppliers:

Their names and addresses.

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Type and amount of inventory furnished.

Credit and delivery policies.

History and reliability.

Do you expect shortages or short-term delivery problems?

Are supply costs steady or fluctuating? If fluctuating, how do you deal with changing costs?

Should you be searching out new sources of supply, or are you satisfied with present suppliers?

## Credit Policies

Do you sell on credit? If so, do you really need to? Is it customary in your industry and expected by your clientele?

Do you carefully monitor your payables (what you owe to vendors) to take advantage of discounts and to keep your credit rating good?

You need to carefully manage both the credit you extend and the credit you receive.

**Managing Your Accounts Receivable**

If you do extend credit, what are your policies about who gets credit and how much?

How do you check the creditworthiness of new applicants?

What terms will you offer your customers; that is, how much credit and when is payment due?

Do you offer prompt payment discounts? (It is best to do this only if it is usual and customary in your industry.)

Do you know what it costs you to extend credit? This includes both the cost of capital tied up in receivables and the cost of bad debts.

Have you built the costs into your prices?

You should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table.

*Table 2: Accounts Receivable Aging*

| | Total | Current | 30 Days | 60 Days | 90 Days | Over 90 Days |
|---|---|---|---|---|---|---|
| **Accounts receivable aging** | | | | | | |
| | | | | | | |

Collecting from delinquent customers is no fun. You need a set policy and you need to follow it.

When do you make a phone call?

When do you send a letter?

When do you get your attorney to threaten?

**Managing Your Accounts Payable**
You should also age your accounts payable (what you owe to your suppliers). Use this format.

*Table 3: Accounts Payable Aging*

| | Total | Current | 30 Days | 60 Days | 90 Days | Over 90 Days |
|---|---|---|---|---|---|---|
| **Accounts payable aging** | | | | | | |
| | | | | | | |

This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date. It tends to relax them.)

Are prompt payment discounts offered by your proposed vendors? Do you always take them?

# VI. Management and Organization

Who manages the business on a day-to-day basis?

What experience does that person bring to the business? What special or distinctive competencies?

Is there a plan for continuation of the business if this person is lost or incapacitated?

If you have more than 10 employees, prepare an organizational chart showing the management hierarchy and who is responsible for key functions. Include position descriptions for key employees.

## Professional and Advisory Support

List the following:

- Board of directors and management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultants
- Mentors and key advisors

# VII. Personal Financial Statement

Owners often have to draw on personal assets to finance the business. This statement will show you what is available. Bankers and investors usually want this information as well. They will ask owners to cosign or personally guarantee any business loans.

Document your assumptions, notes, definitions, and any special financial situation. Include details of notes, securities, contracts, etc. on the bottom of a personal financial spreadsheet. Include one such spreadsheet for each principal.

# VIII. Financial History and Analysis

A solid analysis of the past must precede any serious attempt to forecast the future. A financial history and ratios spreadsheet will allow you to put a great deal of financial information from other statements on a single page for ease of comprehension and analysis. You may also enter industry average ratios for comparison.

In the *Appendices*, put year-end balance sheets, operating statements, and business income tax returns for the past three years, plus your most current balance sheet and operating statement.

## Debt Schedule

This table gives in-depth information that the financial statements themselves do not usually provide. Include a debt schedule in the following format for each note payable on your most recent balance sheet.

*Table 4: Debt Schedule*

| To whom payable | Original amount | Original date | Present balance | Rate of interest | Maturity date | Monthly payment | Security | Current/ past due |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| | | | | | | | | |

*Accurate as of* MONTH DAY YEAR.

# IX. Financial Plan

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a breakeven calculation.

Together, these spreadsheets constitute a reasonable estimate of your company's financial future. More important, however, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

## 12-Month Profit and Loss Projection

Explain the major assumptions used to estimate company income and expenses. Your sales projection should come from an annual sales forecast. Pay special attention to areas where historical performance varies markedly from your projections.

## Four-Year Profit Projection (Optional)

The 12-month projection is the heart of your financial plan. However, this worksheet is for those who want to carry their forecasts beyond the first year. It is expected of those seeking venture capital. Bankers pay more attention to the 12-month projection.

Of course, keep notes of your key assumptions, especially about things you expect to change dramatically over the years.

## Projected Cash Flow

The cash-flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

Your cash flow will show you whether your working capital is adequate. Clearly if your cash on hand goes negative, you will need more. It will also show when and how much you need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from a profit and loss statement, such as:

- If you make a sale in month 1, when do you actually collect the cash?
- When you buy inventory or materials, do you pay in advance, upon delivery, or much later?

- How will this affect cash flow?
- Are some expenses payable in advance?
- Are there irregular expenses, equipment purchase, or inventory buildup that should be budgeted?

And of course, depreciation does not appear at all because you never write a check for it.

## Projected Balance Sheet

This is an estimate of what the balance sheet will look like at the end of the 12-month period covered in your projections.

In the business plan section related to your projected balance sheet, state the assumptions that you used for all major changes between your last historical balance sheet and the projection.

## Breakeven Analysis

A breakeven analysis determines the sales volume, at a given price, that is required to recover total costs.

Expressed as a formula, breakeven is as follows.

$$\text{Breakeven Point} = \frac{\text{Fixed costs}}{1- (\text{Variable costs/Sales})}$$

# X. Appendices

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies

# XI. Refining the Plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

## For Raising Capital

**For Bankers**
Bankers want assurance of orderly repayment. If you intend to use this plan to present to lenders, include:

- Amount of loan.
- How you will use the funds.
- What will this accomplish (how will it make the business stronger)?
- Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate, but you may be able to negotiate a longer repayment term, which will help cash flow.
- Collateral offered, and a list of all existing liens against the collateral.

**For Investors**
Investors have a different perspective from bankers. They are looking for dramatic growth, and they expect to share in the rewards. Include the following in the plan that you present to potential investors:

Funds needed short term

Funds needed in two to five years

How the company will use the funds, and what this will accomplish for growth

Estimated return on investment

Exit strategy for investors (buyback, sale, or IPO)

Percentage of ownership that you will give up to investors

Milestones or conditions that you will accept

Financial reporting that you will provide

Involvement of investors on the board or in management

## Refine Your Plan for the Type of Business

**Manufacturing**

- Present production levels
- Present levels of direct production costs and indirect (overhead) costs
- Gross profit margin, overall and for each product line
- Possible production efficiency increases
- Production-capacity limits of existing physical plant
- Production capacity of expanded plant (if expansion is planned)
- Production-capacity limits of existing equipment
- Production capacity of new equipment (if new equipment is planned)
- Prices per product line
- Purchasing and inventory management procedures
- Anticipated modifications or improvements to existing products
- New products under development or anticipated

**Service Businesses**

Service businesses sell intangible products. They are usually more flexible than other types of business, but they also have higher labor costs and generally very little in fixed assets.

- Prices
- Methods used to set prices
- System of production management
- Quality control procedures
- Standard or accepted industry quality standards
- How do you measure labor productivity?
- What percentage of total available hours do you bill to customers?

- Breakeven billable hours
- Percentage of work subcontracted to other firms
- Profit on subcontracting?
- Credit, payment, and collections policies and procedures
- Strategy for keeping client base
- Strategy for attracting new clients

**High-Tech Companies**

- Economic outlook for the industry
- Does your company have information systems in place to manage rapidly changing prices, costs, and markets?
- Is your company on the cutting edge with its products and services?
- What is the status of R&D? And what is required to bring the product or service to market and to keep the company competitive?
- How does the company:
    - Protect intellectual property?
    - Avoid technological obsolescence?
    - Supply necessary capital?
    - Retain key personnel?

If your company is not yet profitable or perhaps does not yet even have sales, you must do longer-term financial forecasts to show when profit take-off will occur. And your assumptions must be well documented and well argued.

**Retail Business**

- Company image
- Pricing: Explain mark-up policies. Prices should be profitable, competitive, and in accord with the company image.
- Inventory:
    - Selection and price should be consistent with company image.
    - Calculate your annual inventory turnover rate. Compare this to the industry average for your type of store.
- Customer service policies: These should be competitive and in accord with the company image.

- Location: Does it give the exposure you need? Is it convenient for customers? Is it consistent with company image?

- Promotion: What methods do you use and what do they cost? Do they project a consistent company image?

- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?

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GREAT FALLS **MONTANA**

**DEVELOPMENT** AUTHORITY

Thank you for considering Great Falls Development Authority (GFDA) and High Plains Financial (HPF) for your financial needs.  Lead Great Falls economic development efforts to promote growth, diversification and the creation of high wage jobs.  Your success in business helps sustain our community, and also creates income opportunities for residents.

If you are interested in applying for a GFDA loan and have not already talked to a member of our lending team please contact us.  We can explain the loan process and help determine if your business is ready to apply.

| | |
|---|---|
| Rebecca Engum Small Business Development Center Director | 406-771-9032 |
| Tamariel Christopher, Loan Officer | 406-771-9026 |
| Jeremiah Johnson, Business Development Officer | 406-771-9029 |

After talking with one of our team members the attached application is the next step in the process of determining whether GFDA financing is right for your company.  The application contains attachments that our organization needs in order to evaluate your business and loan request as well as comply with our funding sources.

Please complete the application and return it as soon as possible.  If you need assistance with the application or if you have questions about the lending process and timeline, GFDA's loan team is available to help and answer questions.

If you need assistance developing your business plan or cash flows, or require other business counseling, GFDA's Small Business Development Director can be reached at 406-771-9032.

Thanks again for your interest in a loan from GFDA.  We look forward to working with you!

## GFDA LOAN APPLICATION – Part I – BUSINESS **$75.00 Application Fee**

Complete one copy of this form for your business. If you need assistance filling out this application, please contact GFDA's Loan Department at (406) 771-9020.

| | | |
|---|---|---|
| Business Name | Business Phone | Website |
| Business Address | Primary Contact Person | Contact's Cell Phone |
| Business City, State & Zip | Tax ID Number | Year Business Founded |

CHECK AS APPLICABLE: Applicant is applying for this loan:

- □ Individually, without a co-applicant(s) or guarantor(s).
- □ Jointly, with a co-applicant(s) or guarantor(s). All persons with more than 20% ownership in the business must apply as co-applicants.

Name of Primary Applicant: _______________________________________ Social Security Number _________________________

Name of Co-applicant or Guarantor: _______________________________________ Social Security Number _________________________

Name of Co-applicant or Guarantor: _______________________________________ Social Security Number _________________________

Name of Co-applicant or Guarantor: _______________________________________ Social Security Number _________________________

## Business Ownership

Please list all owners of the business and percent ownership:

| NAME | OWNED SINCE (YEAR) | PERCENT (%) OWNED |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

## Loan Request

| | | | |
|---|---|---|---|
| Amount of loan requested: | $ | | |
| Purpose of loan: | | | |
| Type of business: | | | |
| Have you applied for a loan with GFDA for this business before? | | If yes, date: | |
| Have you applied for other financing in conjunction with this loan? | | If yes, where: | Were you successful? |
| Are you or your business involved in any pending lawsuits? | | If yes, please provide details: | |

| Is your request regarding the cleanup of a contaminated site? | If yes, have you submitted a voluntary cleanup plan to the Montana Department of Environmental Quality? If yes, please attach a copy of the plan. If no, please attach a narrative describing the proposed cleanup project and the estimated date that a cleanup plan will be submitted to DEQ. | If yes, are there any pending lawsuits regarding the site? If yes, please describe the lawsuit. |
|---|---|---|

## Existing Business Debt

| Lender | Loan # (if applicable) | Original Loan Amount | Interest Rate | Loan Start Date | Loan End Date | Monthly Payment | Current Balance |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

## Previous Government Financing

| Federal Agency | Loan # (if applicable) | Original Loan Amount | Interest Rate | Loan Start Date | Loan End Date | Monthly Payment | Current Balance |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

## Collateral

Please list and describe the business and personal collateral available to secure this loan.

| Item | Resale Value | Is this used as collateral on an existing loan? Yes | No | Existing Debt on Item | Item Description |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
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## Business Impacts

To fulfill GFDA's mission, we track employment impacts for our loans. Please let us know about your company's employees or; if you are starting a new business, please tell us about the positions that your company will create.

| FULL TIME POSITIONS | | | | PART TIME POSITIONS | | | |
|---|---|---|---|---|---|---|---|
| **1** | Number of F/T Permanent Positions | | | **6** | Current P/T Permanent Positions | | |
| **2** | Number of F/T Employees Earning **Over** $13.93/Hr if the business is outside of Great Falls city limits **OR** Number of F/T Employees Earning **Over** $14.49/Hr if the business is within Great Falls city limits. | | | **7** | Number of P/T Employees Earning Over $13.93/Hr if the business is outside of Great Falls city limits OR Number of P/T Employees Earning Over $14.49/Hr if the business is within Great Falls city limits. | | |
| **3** | For the number of employees listed in Question 2 above, how many have: | | | **8** | For the number of employees listed in Question 7 above, how many have: | | |
| | | Group Health Insurance Available | | | | Group Health Insurance Available | |
| | | Employer contributes to plan | | | | Employer contributes to plan | |
| | | Sick leave/vacation time | | | | Sick leave/vacation time | |
| | | Asset building plan* | | | | Asset building plan* | |
| | | Trade/Technology training** | | | | Trade/Technology training** | |
| | | Workplace skills training*** | | | | Workplace skills training*** | |
| **4** | Number of F/T Employees Earning **Below** $13.93/Hr if the business is outside of Great Falls city limits **OR** Number of F/T Employees Earning **Below** $14.49/Hr if the business is within Great Falls city limits. | | | **9** | Number of P/T Employees Earning **Below** $13.93/Hr if the business is outside of Great Falls city limits **OR** Number of P/T Employees Earning **Below** $14.49/Hr if the business is within Great Falls city limits. | | |
| | For the number of employees listed in Question 4 above, how many have: | | | | For the number of employees listed in Question 9 above, how many have: | | |
| | | Group Health Insurance Available | | | | Group Health Insurance Available | |
| | | Employer contributes to plan | | | | Employer contributes to plan | |
| | | Sick leave/vacation time | | | | Sick leave/vacation time | |
| | | Asset building plan* | | | | Asset building plan* | |
| | | Trade/Technology training** | | | | Trade/Technology training** | |
| | | Workplace skills training*** | | | | Workplace skills training*** | |
| **5** | Number of F/T Positions above that are new as a result of this loan | | | **10** | Number of P/T Positions above that are new as a result of this loan | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **11** | # of Women Employees | | **12** | # of Minority Employees | | **13** | # of Disabled Employees | |

* Retirement plan, stock options, profit sharing, employee loan programs

** Specific job-related and technology training, training in computers, customer service, sales, telephone, bookkeeping or other administrative/managerial skills, etc.

*** Interpersonal skills, time management and personal organization, volunteer opportunities, team participation, etc.

## Additional Required Documentation:

Please include the following documents with your application in order for the application to be considered complete.

| ✓ | Items that are attached in this application package | ✓ | Supplemental Items |
|---|---|---|---|
| | Child Support Payment Investigation Form for each person filling out the GFDA Loan Application Part II. | | Personal taxes for the past three years for each partner with at least 20% ownership, all guarantors, and all co-signers. |
| | Debarment Certification for each person filling out the GFDA Loan Application Part II. If you have been suspended from performing work for the government, you may not be eligible for a GFDA loan. | | Internally prepared income statement and balance sheet for the business for the last three fiscal years. |
| | SBA Form 641 for each person filling out the GFDA Loan Application Part II. | | Internally prepared income statement and balance sheet for the current year through the previous month (including year-to-date totals) |
| | Credit Report Verification and Authorization to release information for each person filling out the GFDA Loan Application Part II. | | Most recent appraisal (if collateral will include real estate.) |
| | Civil Rights Monitoring Information for each person filling out the GFDA Loan Application Part II. | | Accounts Receivable Aging report (if Accounts Receivable will be used as collateral) |
| | GFDA Application Part II from all partners with at least 20% ownership, all guarantors, and all co-signers | | Business plan or business plan summary |
| | Confidentiality and Non-disclosure Agreement | | 24 months of business cash flow projections |
| | | | Business taxes for previous three years |
| | | | Real Estate Purchase Agreement or Settlement Sheet |
| | | | Construction Cost Budget and/or Equipment Invoices |
| | | | Required Environmental Studies |
| | | | Current Customer List |
| | | | Resumes of key personnel |
| | | | Corporate Documents as described below:<br>Corporation: Articles of Incorporation and Bylaws<br>Partnership: Partnership Agreement<br>LLC and LLP: Operating Agreement |
| | | | Application Fee |

**If you have any questions about the above items or if you need assistance, please call GFDA's lending department at (406) 728-9020.**

I hereby authorize GFDA or any of its affiliates to make all inquiries it deems necessary to verify the accuracy of the information provided herein, to determine my credit-worthiness, and for any other purpose related to my credit transaction with them. Further, I hereby certify that the enclosed application information, including any attachments/exhibits, is valid and correct to the best of my knowledge.

______________________________________ __________________
Applicant or Guarantor's Signature Date

______________________________________ __________________
Co-Applicant's Signature (if listing assets jointly) Date

*GFDA practices equal treatment of clients. GFDA does not discriminate on the grounds of race, color, religion, gender, marital status, disability or national origin in services or accommodations offered to our employees, clients or guests.*

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## GFDA LOAN APPLICATION – Part II – OWNERS, CO-APPLICANTS and GUARANTORS

Part II of GFDA's loan application must be completed individually by each **owner with 20% or more ownership**. In addition, each guarantor and co-signer must individually complete this section of the application.

| | | | |
|---|---|---|---|
| Name | Business Phone | Residence Phone | Cell Phone |
| Residence Street Address | City | State | Zip |
| Email Address | Social Security Number | Business Name of Applicant/Borrower | |
| Occupation | Name of Employer | | # of Years |
| Date of Birth | Number of Dependents | Ages of Dependents | Have you ever applied for a GFDA loan? If so, date: / / |

Martial Status: □ Married □ Separated □ Unmarried (includes single, divorced or widowed)
*GFDA does not discriminate on the basis of marital status, this information will be used to assess collateral and guarantees*

Applicant Type: □ Owner/Partner/Shareholder/Director with more than 20% ownership □ Guarantor

Are you, (a) presently under indictment, on parole or probation or (b) have you ever been charged with or arrested or convicted of any criminal offense other than a vehicle violation? □ Yes □ No

Have you, (a) been involved in bankruptcy or insolvency proceeding or (b) have pending personal or business judgments, unsettled lawsuits or major disputes? □ Yes □ No

## Personal Financial Statement

Please fill out the following summary information. The 12 schedules following this chart ask for detailed information about each line item below. Please make sure that the detailed information total from each of the 12 schedules matches in numbers entered in this chart.

| ASSETS | | LIABILITIES | |
|---|---|---|---|
| Cash on Hand | $ | Accounts and Bills Payable (Complete Schedule I) | $ |
| Cash in Bank Accounts (Complete Schedule A) | $ | Debt on Real Estate (Describe in Schedule J) | $ |
| IRA or Other Retirement Account (Complete Schedule B) | $ | Notes and Loans Payable (Describe in Schedule K) | $ |
| Accounts and Notes Receivable (Complete Schedule C) | $ | Unpaid Taxes and Other Liabilities (Describe in Schedule L) | |
| Cash Value of Life Insurance Face Value $_______________ (Complete Schedule D) | $ | TOTAL LIABILITIES | $ |
| Stock and Bonds (Describe in Schedule E) | $ | | $ |
| Real Estate (Describe in Schedule F) | $ | | |
| Privately Owned Businesses (Describe in Schedule G) | $ | | |
| Total Other Assets (Describe in Schedule H) | $ | NET WORTH (TOTAL ASSETS LESS TOTAL LIABILITIES) | $ |
| TOTAL ASSETS | $ | TOTAL LIABILITIES PLUS NET WORTH | $ |

**PLEASE INDICATE OR PROVIDE EXPLANATION RELATING TO ANY ASSETS OWNED JOINTLY OR BY A TRUST OR LIABILITIES OWED WITH OTHERS. (ATTACH SCHEDULES AND EXPLANATORY NOTES IF NECESSARY)**

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## Detailed Schedules for the Personal Financial Statement

### SCHEDULE A — CASH LOCATION, STATUS OF BANK ACCOUNTS AND SAVINGS ACCOUNTS

| CKNG | CD'S | SVNG | Bank and Branch Where Carried | Balance | Interest Rate | Date CD Matures | Is this account pledged for a loan? | Balance of Loan | Maturity Date of Loan |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

* Alimony, child support or maintenance payment income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

### SCHEDULE B — RETIREMENT ACCOUNTS

| Account Type | Investment Company | Balance | Is this account pledged for a loan? | Balance of Loan | Maturity Date of Loan | Is account fully vested? |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | TOTAL | $ | | | | |

### SCHEDULE C — ACCOUNTS AND NOTES RECEIVABLE

| Owner(s) | Due From | Address | Collateral | Maturity | How Payable | Balance |
|---|---|---|---|---|---|---|
| | | | | | $ per | |
| | | | | | $ per | |
| | | | | | $ per | |
| | | | | | $ per | |
| | | | | | $ per | |
| | | | | TOTAL | $ per | $ |

### SCHEDULE D — LIFE INSURANCE

| Insurance Company Name | Policy # | Type Owner | Face Amount of Policy | Beneficiary | Amount | Net Cash Value Borrowed |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | TOTAL | $ |

### SCHEDULE E — STOCKS AND BONDS (Include interest in any closely held business)

| Description | No. Shares | Registered in Name of | Source of Valuation | Date | Price Per Share | Total Value | Purchased on Margin or Pledged |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | TOTAL | $ | |

| SCHEDULE F | REAL ESTATE | | | | |
|---|---|---|---|---|---|
| Description | Address/Location | Owner(s) | Date Acquired | Purchase Price | Present Value |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | TOTAL | $ |

| SCHEDULE G | PRIVATELY OWNED BUSINESS | | | | | |
|---|---|---|---|---|---|---|
| Name/Type of Business | Date Acquired | % Owned | Gross Revenue 3 Years | Net Profit 3 Years | Cost | Market Value |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | TOTAL | $ |

| SCHEDULE H | AUTOMOBILES, OTHER ASSETS AND PERSONAL PROPERTY | | | | | | |
|---|---|---|---|---|---|---|---|
| Automobiles | Value | Rec. Vehicles & Boats | Value | Personal Property | Value | Subtotals | |
| Yr: Make: | | Yr: Make: | | Furniture | | Autos | $ |
| Yr: Make: | | Yr: Make: | | Jewelry | | RVs/Boats | $ |
| Yr: Make: | | Yr: Make: | | Equipment | | Pers Prop | $ |
| | | Other | | Other | | | |
| Subtotal Autos | $ | Subtotal RVs/Boats | $ | Subtotal Personal Property | $ | **TOTAL** Other Assets | $ |

| SCHEDULE I | ACCOUNTS AND BILLS PAYABLE (including credit cards) | | | |
|---|---|---|---|---|
| Payable To | Account Number | Person(s) Liable | How Payable | Balance Due |
| | | | $ per | |
| | | | $ per | |
| | | | $ per | |
| | | | $ per | |
| | | | $ per | |
| | | TOTALS | $ per | $ |

| SCHEDULE J | DEBT ON REAL ESTATE | | | | |
|---|---|---|---|---|---|
| Description | Payable To | Payment | Date of Loan | Original Balance | Balance Due |
| | | | | | |
| | | | | | |
| | | | | | |
| | TOTALS | $ | | | $ |

| SCHEDULE K | NOTES AND LOANS PAYABLE (Automobile, Installment Loans, Life Ins., 401K) |
|---|---|

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| Payable To | Address | Collateral | Person(s) Liable | Maturity Date | How Payable | Balance Due |
|---|---|---|---|---|---|---|
| | | | | | $ per | |
| | | | | | $ per | |
| | | | | | $ per | $ |
| | | | | TOTALS | $ per | |

| SCHEDULE L | TAX AND OTHER LIABILITIES | | | |
|---|---|---|---|---|
| Payable To | Person(s) Liable | Collateral | How Payable | Balance Due |
| | | | $ per | |
| | | | $ per | |
| | | TOTALS | $ per | $ |

## Monthly Personal Financials

| INCOME | $ Amount | | EXPENSES | $ Amount |
|---|---|---|---|---|
| Salary/Owner Draws from Business | $ | | Education and Childcare | $ |
| Spouse's Income | $ | | Food and Clothing | $ |
| Applicant's Other Employment Income | $ | | Child Support / Alimony | $ |
| Any Other Income (describe below) | $ | | Home Rent / Mortgage | $ |
| TOTAL | $ | | Utilities | $ |
| | | | Insurance, Gasoline, Miscellaneous | $ |
| | | | Credit Card Payments | $ |
| | | | Vehicle and Other Loan Payments | $ |
| | | | TOTAL | $ |

## Business and Personal References (Non-Family)

| | | | |
|---|---|---|---|
| Name | Address | Phone | Relationship |
| Name | Address | Phone | Relationship |
| Name | Address | Phone | Relationship |

Name, Address and Phone Number of closest relative not living with you:

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**Please attach a list explaining any unsatisfactory accounts that may appear on your credit report.**

I hereby authorize GFDA or any of its affiliates to make all inquiries it deems necessary to verify the accuracy of the information provided herein, to determine my credit-worthiness, and for any other purpose related to my credit transaction with them. Further, I hereby certify that the enclosed application information, including any attachments/exhibits, is valid and correct to the best of my knowledge.

______________________________________________ ____________________

Applicant or Guarantor's Signature Date

______________________________________________ ____________________

Co-Applicant's Signature (if listing assets jointly) Date

GFDA practices equal treatment of clients. GFDA does not discriminate on the grounds of race, color, religion, gender, marital status, disability or national origin in services or accommodations offered to our employees, clients or guests.

# CREDIT REPORT VERIFICATION AND AUTHORIZATION TO RELEASE INFORMATION

To Whom It May Concern:

I/We have applied for a business loan with Great Falls Development Authority. You are hereby authorized to release any information or consumer report required by Great Falls Development Authority to complete the processing of the loan request. Necessary credit information may include savings deposits, checking accounts, consumer credit balances, business credit balances, payments and history, including mortgage payment records and balances, and lease payments.

I/We authorize the credit reporting agency chosen by Great Falls Development to verify my/our past and present employment earnings records, bank accounts, stock holdings and any other asset balances that are needed to process my/our loan application.

A photographic or carbon copy of this signed authorization may be used as a duplicate original.

Your prompt reply will help expedite my loan transaction.

Thank you.

____________________________________
Date

____________________________________ ________________________
Signature Social Security #

____________________________________ ________________________
Signature Social Security #

I hereby certify this to be a true and correct copy of the original signature(s).

____________________________________ ________________________
Great Falls Development Authority Telephone

Document-5

# CIVIL RIGHTS MONITORING INFORMATION

The following information is requested by GFDA in order to provide evidence of compliance to our loan program funders. You are not required to furnish this information, but are encouraged to do so. The law requires that a lender may neither discriminate on the basis of this information, nor on whether you choose to furnish it. However, if you choose not to furnish it, this lender is required to note race and sex on the basis of visual observation or surname. If you do not wish to furnish the information, please check the box below. (Lender must review the material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable loan fund requirements for the particular type of loan applied for.)

| Borrower | Co-Borrower |
|---|---|
| ❑ I do not want to furnish this information<br>❑ American Indian or Alaskan Native<br>❑ Black, not of Hispanic origin<br>❑ Other (specify)<br>❑ Asian or Pacific Islander<br>❑ Hispanic<br>❑ White, not of Hispanic Origin<br><br>Sex<br>❑ Female<br>❑ Male | ❑ I do not want to furnish this information<br>❑ American Indian or Alaskan Native<br>❑ Black, not of Hispanic origin<br>❑ Other (specify)<br>❑ Asian or Pacific Islander<br>❑ Hispanic<br>❑ White, not of Hispanic Origin<br><br>Sex<br>❑ Female<br>❑ Male |
| | |

| | | |
|---|---|---|
| To be completed by interviewer. This application was taken by:<br><br>❑ face-to-face<br>❑ by mail<br>❑ by telephone | Interviewer's name (print or type) | Great Falls Development Authority<br>300 Central Avenue, 4th Floor<br>Great Falls, MT 59403 |
| | Interviewer's Signature | |
| | Interviewer's Phone Number (include area code) | |

Signature

Date

Print Name

Document-5

Child Support Enforcement Division
Box 5955
Helena, MT 59604

ATTN: Dennis Shober
RE: **Request for Records Check**

Please check Montana state records to determine if the following individual has current obligations for child support payments.

Name (last, first, middle): ____________________________________________

Sex: ________________ Birth date: ____________ SSN: _______________

Current Address: _____________________________________________________

I would like to know the following specific information:

- What is the individual's court-ordered obligation?
- What payments has this person made through the CSED?
- What is the unpaid balance of the obligation?

---

**STATEMENT OF CONSENT**

I authorize the investigation of the existence and extent of any legal or financial obligation relating to child support payments.

_____________________________________________________________________

(Signature) Date

Signature witnessed by:

_____________________________________________________________________

(Signature) Date

---

**Following to be filled out by GFDA staff only:**

Sincerely,

GREAT FALLS DEVELOPMENT AUTHORITY
Please return this form in the enclosed envelope. ATTN: ___________________

# AUTHORIZATION FOR THE RELEASE OF INFORMATION

I/We have applied for a business loan with Great Falls Development Authority. I/We authorize the release of any information held by Great Falls Development Authority on the business and individual applicants to other financial institutions or economic development agencies that are involved in the direct financing of the project for which the GFDA loan is being sought.

A photographic or carbon copy of this signed authorization may be used as a duplicate original.

___________________________________
Date

___________________________________ _______________________
Signature Social Security #

___________________________________ _______________________
Signature Social Security #

I hereby certify this to be a true and correct copy of the original signature(s).

___________________________________ _______________________
Great Falls Development Authority Telephone

## CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

THIS CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT ("Agreement") is made as of the _____ day of _____________, 201 , by and between _______________________________ ("Company") and its affiliates and the Great Falls Development Authority (GFDA) and its affiliates.

WHEREAS, the GFDA has requested and/or may request verbal and written information from the Company and its affiliates regarding the Company and certain of its affiliates and Project (including without limitation the proposed _________________(Project Description) to be located in _________________(City, Town, or County), Montana incident to discussions concerning one or more possible loan transactions or assistance for the benefit of the Company. The GFDA will accept a copy of the Business Plan and any supporting documentation submitted by the Company.

NOW, THEREFORE, in consideration of the premises and the disclosure of such information, each Party hereby, intending to be legally bound, agrees to the following provisions:

1. The Company understands and agrees that, pursuant to the Montana Supreme Court's decision in Great Falls Tribune v. Public Service Commission, 319 Mont. 38, 82 P.3d 876 (2003), all documents filed with the GFDA by the Company are presumptively available for access by the public under the "right to know" provision of Article 2, Section 9 of the Montana Constitution. Under the decision, however, the presumption that all documents filed by the Company with the GFDA are public may be overcome by the proper showing, consistent with the court's decision.
2. If the Company submits documents or information to the GFDA that it considers confidential and wishes the documents or information to be withheld from public disclosure, it will identify which part of the documents or information it considers confidential at the time the documents or information are submitted. The Company will identify the confidential items through an affidavit that clearly states the facts upon which it believes the documents or information should be withheld from public disclosure. The stated facts must be specific enough so that reviewing authorities can clearly understand the nature and basis of the Company's claims to the right of confidentiality. A statement that all documents or information submitted by the Company are confidential, or other conclusory statements, will be ineffective to prevent public disclosure. The Company understands and agrees that the affidavit it submits is subject to public disclosure.
3. If individual documents or information are not specified as confidential or the affidavit is factually insufficient to support confidentiality, the GFDA will deem the documents or information submitted as subject to public disclosure.
4. The GFDA will take reasonable steps to protect documents or information designated as confidential and for which the Company submitted an affidavit clearly stating the factual basis for the claim of confidentiality. Upon receiving a written request from a third party to review any confidential documents or information, the GFDA will notify the Company of the request in writing. The written notice provided by GFDA will enclose a copy of the third party request. The written notice and third party request will be sent by U.S. mail and by fax to the following addresses and fax numbers:

| | |
|---|---|
| To (Name of Company): | (Company Address): |
| | Attention:<br>Fax #: |
| with a copy to:<br>(If required) | (Address)<br>Attention:<br>Fax #: |

5. It is the responsibility of the Company upon receipt of the written notice from GFDA to take such action as is necessary to protect the documents or information from disclosure, including obtaining a court order protecting the documents or information from disclosure if necessary. If the GFDA does not receive an order from a court of competent jurisdiction ordering the GFDA to maintain confidentiality of the requested information or the GFDA is not notified of other arrangements made between the Company and the requesting party within 10 days from the date of the written notice by the GFDA to the Company of the third party request, the information will be disclosed to the requesting party, notwithstanding the affidavit. The GFDA will not assert the right of confidentiality for the Company in any court, whether sitting at law or in equity.

6. The Company agrees that in the event GFDA discloses documents or information in accordance with the provisions of this Agreement, the Company will not assert any claim, liability, demand, or cause of action against GFDA for a violation of any confidentiality interest in any documents or information that it has submitted to GFDA.

7. The Company agrees it will defend, indemnify, and save harmless the GFDA against and from any and all claims, liabilities, demands, causes of action, judgments, damages, and losses, including costs and attorneys' fees associated with any action for release of documents or information submitted to GFDA by the Company, whether such action is brought in the name of the Company or a third party.

8. The GFDA operates loan and technical assistance programs funded by state and federal agencies and is subject to audit and monitoring reviews by state and federal officials. The GFDA is required by state and federal regulations and laws to provide access to state and federal audit and monitoring officials in order to document compliance with applicable state and federal regulations and laws. In the event and to the extent access to information provided to the GFDA by the Company requested by state or federal auditors, the Company agrees that the GFDA may disclose such information to such auditors, provided that (a) such information is used only by such auditors for the purposes set forth in the previous sentence, and for no other purposes whatsoever; and (b) such information in the possession of or otherwise disclosed to such auditors shall remain subject to the provisions of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives as of the date first above written.

___________________________________ (Name of Company)

By: ____________________________
Printed Name:
Title

GREAT FALLS DEVELOPMENT AUTHORITY

By: ___________________________
Printed Name:
Title:

AFFIDAVIT

State of Montana)
: ss.
County of ________)

COMES NOW, ___________________________(Company Official), being first duly sworn upon his oath, deposes and states as follows:

That he/she is the _______________ (Title) of ________________ (Company) and offers the following in support of ______________________ (Company's) claim of confidentiality for information submitted to the Great falls Development Authority:

1. I am the _______________ (Title) of _____________________ (Company) and offer the following in support of ______________________(Company's) claim of confidentiality for information submitted to the Great Falls Development Authority.

2. __________________________(Company) claims that the document titled (Business Plan) is confidential and should be withheld from public disclosure as it contains information developed by__________________ (Company) concerning its business forecasts and assessments. This information is consistently maintained by __________________(Company) as confidential business information and if disclosed could prejudice _______________________(Company's) competitive position and could result in financial losses to _____________________(Company).

3. ______________________(Company) claims that the documents titled (Financial Statements), including ________________________________________(List Here), are confidential and should be withheld from public disclosure as they contain information developed by _________________ (Company) concerning its financial condition, including product revenues and cost of production information and other confidential pricing information. This information is consistently maintained by _______________(Company) as confidential business information and if disclosed could prejudice_______________ (Company's) competitive position and could result in financial losses to _____________(Company).

_________________________________
(Company Official)

This instrument was acknowledged before me on the ___ day of ____________, 201_ by ____________________(Company Official).

_________________________________
Printed Name: _____________________
Notary Public for the State of _________
Residing at _______________________
My commission expires: _____________

(Seal)

U.S. Small Business Administration

# U.S. Small Business Administration
## Counseling Information Form

OMB Approval No.:3245-0324
Expiration Date: 09/30/2006

Client Number:
Location Code:
Initials of Data Inputter:

1. **Name of the Office Providing the Service SE MT SBDC** **1a. Type of Client:** ☐ **Face to Face** ☐ **Online** ☐ **Telephone**

2. **City/State of Office Location COLSTRIP**

## PART I: Client Request for Counseling

**3. Client Name** (Name of the person completing the form/representative of the business) (Last, First, MI)

**4. Email**

**5. Telephone** Primary Secondary

**6. Fax**

**7. Street Address/PO Box** (give business address if currently in business) **8. City** **9. State** **10. Zip** +4

**11.** I request business counseling service from the Small Business Administration (SBA) or an SBA Resource Partner. I agree to cooperate should I be selected to participate in surveys designed to evaluate SBA services. I permit SBA or its agent the use of my name and address for SBA surveys and information mailings regarding SBA products and services (Yes ☐ No ☐). I understand that any information disclosed will be held in strict confidence. (SBA will not provide your personal information to commercial entities.) I authorize SBA to furnish relevant information to the assigned management counselor(s). I further understand that the counselor(s) agrees not to: 1) recommend goods or services from sources in which he/she has an interest, and 2) accept fees or commissions developing from this counseling relationship. In consideration of the counselor(s) furnishing management or technical assistance, I waive all claims against SBA personnel, and that of its Resource Partners and host organizations, arising from this assistance. Please note: The estimated burden for completing this form is 18 minutes. You are not required to respond to any collection information unless it displays a currently valid OMB approval number. Comments on the burden should be sent to: U.S. Small Business Administration, 409 3rd Street, SW, Washington, DC 20416, and to: Desk Officer SBA, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, D.C., 20503. OMB Approval (3245-0324). PLEASE DO NOT SEND FORMS TO OMB.

**13. Client Signature** **Date:**

## PART II: Client Intake (to be completed by all Clients)

**14. Race** (mark one or more)
- ☐ American Indian or Alaska Native
- ☐ Asian
- ☐ Black or African American
- ☐ Native Hawaiian or Other Pacific Islander
- ☐ White

**15. Ethnicity**
- ☐ Hispanic or Latino
- ☐ Not Hispanic or Latino

**16.Gender**
- ☐ Male
- ☐ Female

17. Do you consider yourself a person with a disability? ☐ **Yes** ☐ **No**

**18. Veteran Status** ☐ Non-Veteran ☐ Veteran ☐ Service-Disabled Veteran

**18a. Military Status** ☐ Member of Reserve or National Guard ☐ On Active Duty

**19. What prompted you to contact us?** (mark all that apply)
☐ SBA District ☐ SBA Web site ☐ Other Client ☐ Chamber of Commerce
☐ Lender ☐ Magazine ☐ Educational Institution
☐ Business Owner ☐ Internet ☐ Local Economic Development Official
☐. Television/Radio ☐ Newspaper ☐ Word of Mouth ☐ Other (specify)
______________________________

**20. Are you currently in business?**
☐ Yes ☐ No **(if no, skip to 30)**

**21. Name of Company**

**22. Type of Business** (choose primary category)
☐ Mining ☐ Manufacturing ☐ Real Estate & Rental & Leasing ☐ Professional, Scientific & Technical Services
☐ Utilities ☐ Finance & Insurance ☐ Health Care & Social Assistance ☐ Management of Companies & Enterprises
☐ Information ☐ Wholesale Trade ☐ Accommodation & Food Services ☐ Agriculture, Forestry, Fishing & Hunting
☐ Construction ☐ Public Administration ☐ Arts, Entertainment & Recreation ☐ Administrative & Support
☐ Retail Trade ☐ Educational Services ☐ Transportation & Warehousing ☐ Waste Management & Remediation Services
☐ Other Services (except Public Administration)

**23. Business Ownership** – What percentage of your business is male or female ownership?
__________% Male__________% Female

**24. Month & Year Business Started?**

**25. Do you conduct business online?** ☐ Yes ☐ No

**26 Are you a home based Business?** ☐ Yes ☐ No

**26a. Are you 8(a) certified?** ☐ Yes ☐ No

**27. Total No. of Employees** (full & part time)

**28. For your most recent full business year, what were your:**
Gross Revenues/Sales $______________
+Profits/-Losses $___________________

**29. What is the legal entity of your business?**
☐ Sole Proprietorship ☐ Corporation ☐ LLC
☐ S-Corporation ☐ Partnership
☐ Other (specify) ________________________________

**30. What is the nature of counseling you are seeking?** (Choose primary category)

**U.S. Small Business Administration**
**Counseling Information Form**

OMB Approval No. 3245-324
Expiration Date: 9/30/2006
Client Number:
Location Code:
Initials of Data Inputer:

- ☐ Start-up Assistance (How do I start a small business?)
- ☐ Business Plan
- ☐ Financing/Capital (such as applying for a loan, building equity capital)
- ☐ Managing a Business
- ☐ Human Resources/ Managing Employees
- ☐ Customer Relations
- ☐ Business Accounting/ Budget
- ☐ Cash Flow Management
- ☐ Tax Planning
- ☐ Marketing/Sales (promotion, market research, pricing, etc.)
- ☐ Government Contracting (including certifications)
- ☐ Franchising
- ☐ Buy/Sell Business
- ☐ Technology/Computers
- ☐ eCommerce (using the Internet to do business)
- ☐ Legal Issues (such as, Should I incorporate?)
- ☐ International Trade

Describe specific assistance requested in the space provided. ______________________________________________

______________________________________________

______________________________________________

# SBDC Client Rights and Responsibilities

**Business Advisory Services Provided at No Charge to You –** Because the SBDC program is supported by your tax dollars through funding from the U.S. Small Business Administration, the State of Montana, and our other partners this service is provided at no charge to you. Fees may apply for training programs, special services (such as research), materials, and publications. As detailed below we provide Confidentiality of Information Provided, Unbiased Recommendations, Non-Disclosure of Trade Secrets, along with Assistance, Guidance, Recommendations and Education. [Client retains one copy and SBDC Business advisor retains one copy for file.]

In order for the Montana SBDC to be able to continue to provide our services to you at no charge, we need from you:

**Your Participation in Surveys and requests for results – Because this program cares about the quality of services provided, and because it is primarily funded with public support, the SBDC is <u>required</u> to measure the <u>quality</u> and <u>impact</u> of services provided to you. You will receive between 2 and 4 surveys from the Montana SBDC every year. You as a client of the Montana SBDC agree to provide this information to the best of your ability.**

**This Information will be kept confidential**– All SBDC representatives agree to abide by the Montana SBDC's Confidentiality Agreement. Information you provide will be held in strictest confidence and will not be released to any parties outside of the Montana SBDC network without your specific consent. Information on you will not be sold or provided to other organizations.

- **Information about the SBDC's service delivery is reported in aggregate to its funders and the general public. Specific information about you will not be released without your consent.**
- The SBDC will collect and report in aggregate to its funders and the general public information on you such as demographic statistics; size, location, age and industry of your business; the general nature of your engagement with the SBDC; and impact statistics such as financing obtained, sales increased or jobs created.
- If you were referred to the SBDC, the SBDC will notify the referrer that you have sought assistance from the SBDC. The SBDC, however, will not disclose in detail the nature of the assistance you are requesting, without your consent.

1. **Unbiased Recommendations** - SBDC representatives will not knowingly recommend the purchase of goods or services from any individual or firm with which any SBDC representative has a financial, familial or personal interest.

2. **Sensitive trade secrets** pertaining to unique facts of your business will not be used to benefit another client of the SBDC or any SBDC representative. You understand that sensitive trade secret information is information which is not obvious, which is unknown, or which is unique and pertains to new inventions, secret manufacturing and processing procedures or formulas, or any new innovative process. You understand that it is your responsibility to inform the SBDC of any such sensitive trade secrets both verbally and in writing.

3. **Assistance, Guidance, Recommendations and Education** – The SBDC program is an educational program. The SBDC will work with you on your specific issues to help build your management skills and knowledge. It is your responsibility to accept and implement recommendations. The SBDC **will not**:
   - negotiate on your behalf
   - write your business plan
   - act as an employee of your business

**Accepting Responsibility and Waiving all Claims** – In recognition that you are ultimately responsible for the success or failure of your business and that all decisions pertaining to implementing plans and operating your business are solely your responsibility, you hereby waive any claims of damages against the Montana SBDC program, Montana Department of Commerce, the State of Montana, and the US Small Business Administration, based on any advice or information provided by the SBDC.

I have read and understand the above stated terms and conditions. ___________________________________________________

Signature Date

**Consent to Release Information –** Upon completion of my project, the SBDC can use my business as a 'Success Story' with funding partners, the SBDC board or in public information releases, such as newsletters. Completion of the project will be defined as acquisition of funding, business started, jobs created or retained and expansion completed. Commercial or financial information obtained which might be competitively harmful to your business will be kept confidential on request. I hereby grant permission to the SBDC to use information, photographs, audio and videotape and/or film about my business for public information and educational purposes.

I have read and understand the above stated terms and conditions. ___________________________________________________

Signature Date

**Certification Regarding**
**Debarment, Suspension, Ineligibility and Voluntary Exclusion**
**Lower Tier Covered Transactions**

This certification is required by the regulations implementing Executive Order 12549, Debarment and Suspension, 13 CFR Part 145. The regulations were published as Part VII of the May 26, 1988 *Federal Register* (pages 19160-19211). Copies of the regulations may be obtained by contacting the person to which this proposal is submitted.

**(BEFORE COMPLETING CERTIFICATION, READ INSTRUCTIONS ON REVERSE)**

(1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals are presently debarred, suspended, proposed for disbarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

(2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Business Name ______________________________

Date ____________________ By ______________________________
Name and Title of Authorized Representative

______________________________
Signature of Authorized Representative

**INSTRUCTIONS FOR CERTIFICATION**

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.

2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

4. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations (13CFR Part 145).

5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.

6. The prospective lower tier participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier Covered Transactions," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List.

8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

Document-6

# Underwriting Checklist
# Great Falls Development Authority
Updated 06/2010

**Business Name** ______________________________________

❑ **New Business** ❑ **Existing Business**

**$ Amount of Application** _______________

## 1. INQUIRY STAGE

- ❑ Complete a Loan Inquiry Form (Formally The Preliminary Deal Check).
  - ❑ Assess client's monetary needs and uses.
  - ❑ Make sure the client isn't involved with any ineligible uses for funding purposes.
  - ❑ Verify use of funds will be for eligible purpose at GFDA.
  - ❑ Understand terms desired.
  - ❑ Begin collateral discussion. GFDA liens all available collateral from the borrower and requires a personal guaranty from all business owners with at least 20% ownership. All owners with 20% or more ownership must be considered borrowers.
  - ❑ If borrower doesn't have 1:1 CCR discuss cosigner. GFDA will lien collateral from a cosigner to bring the borrower's CCR within GFDA policy standards.
  - ❑ Understand client's credit history. Terminate if open collections exist or client is in active bankruptcy. Low credit scores could require a cosigner.
  - ❑ Assess owner equity investment into project. Equity investments of less than 10% may not be eligible for funding.
- ❑ Bring inquiry to lending team for vetting or refer client to their local SBDC (or appropriate resource).
- ❑ Finalize *initial* terms, amount and structure.
  - ❑ Check that client has been turned down by a bank or is not bankable or is considering gap financing.
  - ❑ If client is outside of GFDA service area, explore the potential for working with other LDOs. With client's permission contact any applicable LDOs to vet the project and assess potential for partnership.
  - ❑ If the loan is for the purchase of an existing business, evaluate the purchase price.
- ❑ Review cash flow projections – initial review to ensure completeness and accuracy, and investigate assumptions. Refer back to SBDC as needed.
- ❑ Recommend the client fill out an application
  - ❑ Explain GFDA and the Application Process including procedures and timeline.
  - ❑ Explain terms, rates and loan/application fees for the potential loan.

## 2. GFDA UNDERWRITING

- ❑ Evaluate Personal Character of borrower:
  - ❑ Assess credit scores using the following chart:

| Credit Score | Action |
|---|---|
| 650+ | Review for any delinquencies. Seek explanation from client where warranted. |
| < 650 | Stop underwriting. A written explanation of the credit score is needed from the client. The situation should be fully vetted with the lending team and a cosigner may be necessary. The low credit score must be noted with explanation in the credit presentation if underwriting proceeds. |

# Underwriting Checklist
# Great Falls Development Authority
Updated 06/2010

- ❑ Call references. The client lists references on the application. Call additional community references – in general, the number of references called should be reflective of the total dollar amount of the loan.

❑ Evaluate Collateral
- ❑ Create a collateral chart with the Collateral Coverage Ratio (CCR) showing all collateral, collateral realizations, and existing liens (see Credit Presentation format).
- ❒ Evaluate whether or not the CCR is within GFDA tolerance using the attached charts.
- ❒ GFDA's policy is to take all borrower collateral available up to a 1:1 ratio or until no collateral remains.
- ❒ If the CCR is below 1:1, GFDA's policy is to look for a cosigner if one is available.

❑ Construct Sources and Uses Chart (see Credit Presentation format)
- ❒ Include all contributions and investments for the project being considered.
- ❒ Work with the client to determine if the final loan amount will include closing costs and origination fees. If they will be included, include them on the Sources and Uses chart.
- ❒ Assess borrower equity contribution requirement using the following chart

| Owner Contribution Requirement | | |
|---|---|---|
| **Contribution** | **GFDA Policy** | **Next Steps** |
| 10% + | Sufficient | Proceed with underwriting |
| Less than 10% | Inadequate | Do not proceed without exception from the lending team. Other sources of financing should probably be sought. If lending team decides to move forward, this exception should be noted in the credit presentation with mitigating factors. |

- ❒ Verify that use of funding is eligible for the funding source that is proposed (e.g. IRP has restricted funding uses).
- ❒ Verify again that the use of funding is eligible within GFDA's policies.

❑ Evaluate Business Plan and Revisit Financial Assumptions
- ❒ In person meeting with the client ***at the place or proposed place of business*** to understand and evaluate business plan assumptions. If client is outside of western Montana, work with other staff and colleagues. At least one GFDA staff person should visit the client and/or business in advance of loan committee.
- ❒ Double check all formulas in the cash flow projection for accuracy.
- ❒ Assess customer numbers and sales price to verify revenue numbers.
- ❒ Evaluate breakeven for number of clients and total sales.
- ❒ Review all expense and COGS assumptions.
- ❒ Verify business practices, expenses and revenue against industry benchmarks using RMA book.
- ❒ Call references including bankers, vendors, and customers.

❑ Evaluate Ability to Repay
- ❒ Once the final interest rate has been determined and the final loan amount (including fees) has been determined, cross check the payment amount with the cash flow statement.
- ❒ Verify that borrower has operational reserves. Three months of overhead expenses is considered sufficient. Anything below three months should be considered insufficient and highlighted in the presentation.

# Underwriting Checklist
# Great Falls Development Authority
Updated 06/2010

- ❒ If the borrower is in a leased facility, verify that the lease exceeds the term of the loan payments. A copy of the lease is required.
- ❒ If the borrower is borrowing funds to lease equipment, verify that the lease exceeds the term of the loan payment. A copy of the lease is required.
- ❒ Verify consistency between internal financial statements and business taxes. If they are not consistent, talk to client about differences. (Use taxes for analysis)
- ❒ Verify ability to repay.
  - ❒ For existing businesses assess whether business could cover the new debt service for the previous three years using tax spreads.
  - ❒ Construct personal cash flow analysis for all borrowers.
  - ❒ Construct personal cash flow statement for cosigners and guarantors if necessary.
  - ❒ Personal debt to income ratio should be less than 50% to be considered sufficient. If the client makes $2,000 or more a month and if D/I ratio is greater than 50%, review circumstances with the lending team. A greater D/I ratio may be warranted for larger incomes.
  - ❒ Evaluate the monthly dollar amount between personal debt service coverage and personal income and identify any cushion that could be considered a contingency for the business cash flow.
  - ❒ The business debt coverage ratio has to be greater than 1.0 for the first two years. Leveraged cash should be included as cash available for debt service coverage.
  - ❒ Calculate a global cash flow DCR. The global DCR must be greater than 1.00.

- ❑ Complete Risk Rating
- ❑ Evaluate Impact
  - ❑ Run Census Tract FIPS Code to determine low income place eligibility
  - ❑ Check census tract spreadsheet for any additional impacts
  - ❑ Fill out impact table
- ❑ Discuss final deal structure with client based on above analysis. Finalize terms, rates and fees.

**3. CREDIT PRESENTATION**

- ❒ Prepare credit presentation with recommendation to approve as presented
- ❒ Highlight any areas that are out of policy
- ❒ Present to appropriate committee
- ❑ Attachments need to include:
  - ❒ Monthly cash flow analysis showing 24 months projections by month
  - ❒ Current Profit and Loss Statement and Balance Sheet
  - ❒ 3 Years of Tax spreads for existing businesses next to 2 Years of projections
  - ❒ Risk Rating Worksheet

**4. APPROVAL**

- ❑ Once approved, follow Loan Closing Instructions
- ❑ If the loan is not approved, the Loan Officer sends an official Turn Down letter

**Document-6**

# Underwriting Checklist
# Great Falls Development Authority
Updated 06/2010

## COLLATERAL VALUATION

| Maximum Collateral Realization Values | | |
|---|---|---|
| **Collateral** | **Maximum Realization Value** | **Notes** |
| Residential Real Estate | 80% | Requires an appraisal that is less than 6 months old. Older appraisals can be used with a competitive market analysis from a real estate agent and/or the approval of the lending team. |
| Commercial Real Estate | 80% | Requires an appraisal that is less than 6 months old. Older appraisals can be used with a competitive market analysis from a real estate agent and/or the approval of the lending team. |
| Bare Land | 60% | Requires an appraisal that is less than 6 months. Older appraisals can be used with a competitive market analysis from a real estate agent and/or the approval of the lending team. |
| Autos/Personal Toys | 50% | Based on private party Blue Book value. Must be able to place an individual lien on item. |
| Inventory | 50% | Based on minimum annual inventory value per balance sheet or on inventory being purchased with loan proceeds. Realization is subjective by the loan officer and can be reduced due to specialization of inventory and perceived ability to sell in collections. |
| Accounts Receivable | 60% | Based on minimum annual A/R. Requires A/R aging report and monthly balance sheets. |
| Equipment and Machinery | 25% | Based on balance sheet value. This includes small equipment and tools that cannot be liened individually |
| | 25-50% | Based on balance sheet value. This includes equipment on a balance sheet that is being used as collateral but not being purchased with loan proceeds. GFDA must have the ability to place a lien on the equipment and the realization value should match the Loan Officers ability to verify the equipment's value and sales potential. |
| | 50% | Based on purchase price. This includes equipment that can be liened and is being purchased **new** with the proposed loan. |
| | 75% | Based on purchase price. This includes equipment that can be liened and is being purchased **used** with the proposed loan. |
| Cash or Cash Equivalents | 100% | CDs, etc |

| Credit Coverage Ratios (CCR) | | | | |
|---|---|---|---|---|
| **Type of Loan** | **Considered Sufficient** | **Allowable Level** | **Minimum Level** | **Note** |
| Business loans | 1.0 | .75 | .50 | CCR under the minimum level is not allowable without an exception from the lending team. If the CCR is under the minimum level, underwriting should stop until approval for reduced CCR is discussed. |

Document-7

| Collateral Value (in 000s) | | | | |
|---|---|---|---|---|
| | Value | Realize % | Realize Value | Source |
| Personal Residence address | $500 | 80% | $400 | |
| Less: 1st Mortgage | | | ($350) | |
| Net Collateral Value | | | $50 | |
| | | | | |
| Personal Residence asddress | $0 | 80% | $0 | |
| Less: 1st Mortgage | $0 | 100% | $0 | |
| Less: 2nd Mortgage | $0 | 100% | $0 | |
| Net Collateral Value | | | $0 | |
| | | | | |
| Equipment - purchased | $0 | 75% | $0 | |
| Net Collateral Value | | | $0 | |
| | | | | |
| Equipment - existing | $0 | 50% | $0 | |
| Net Collateral Value | | | $0 | |
| | | | | |
| Inventory | $0 | 50% | $0 | |
| Net Collateral Value | | | $0 | |
| | | | | |
| Total Collateral Value | | | $50 | |
| | | | | |
| Loan Amount | | | $0 | |
| Surplus/(Deficit) | | | $50 | |
| **CCR Value =** | **50.0 /** | **0** | **#DIV/0!** | |

# Great Falls Development Authority
# Credit Presentation

**Date: April 25, 2010** **Borrower: Company X**

## I. Executive Summary

### A. Borrower

The borrower is Company X. The company was started in Great Falls in January of 2007 and is owned by Owner Y. The company provides XYZ services and products and would like to open and develop their business in Great Falls.

### B. Brief Summary of the Loan Request

The loan request is for $25,000 for a 5 year term loan. The funds will be used to cover start-up expenses and cover a portion of initial operating costs for the business.

This business has worked with the Great Falls Development Authority but falls outside of the targeted industries that qualify for GFDA funding.

### C. Borrower and Guarantor Analysis

Owner Y started her business eighteen months ago after working in a variety of positions in the Great Falls. She is relatively new to running her own business, but has a strong background in her chosen field and has proven her ability to conceive of and execute her business thus far.

Owner Y has very few assets, and some personal school and car debt, but has strong credit scores.

### D. Collateral Analysis

There is little to no collateral to contribute to this loan. This is mitigated by the personal guarantees of Owner Y's parents and Owner Y. Owner Y's parents have $92,000 of realizable equity in their home however we are not using their home as collateral due to its location outside of Montana, strong credit scores including scores over 800, and the unlikelihood of GFDA foreclosing on the house in the event that the loan goes into workout or default.

### E. Business Plan Analysis

To date Owner Y has been operating Company X out of her home. Owner Y is looking to secure a location for her business. The basic business offerings will be the same but she is planning to dramatically expand her offerings and the scope of her business.

The substantial expansion of Company X presents the risk of higher overhead and the need for significantly higher sales, but is achievable given Owner Y's projections and the work she has done over the past year to establish her business.

### F. Impact Analysis

The loan is considered high impact because the business is 100% woman owned, is creating the community benefit XYZ, and will be in a downtown Great Falls location which is designated as a moderately distressed low income area. The loan also supports a young entrepreneur with no equity.

**H. Conclusion**

Owner Y will likely have struggles as a new business owner, but she has shown her ability to develop a good business, and she has a solid network and set of experiences from which to build. This is a potentially high impact loan and with the guarantee of Owner Y's parents is a strong candidate for a micro-loan.

## II. Borrower Analysis

### A. Business

| | | | |
|---|---|---|---|
| Name: | Company X | Business Phone: | 123-4567 |
| Address: | 1000 ABC Street | Cell Phone: | 987-6543 |
| City, State, Zip: | Great Falls, MT 59404 | Email: | companyx@email.com |
| Website: | www.companyx.com | | |
| Risk Rating: | 3.25 | | |
| Client Since: | New Client | | |
| NAICS Code: | 100001 | | |
| FIPS Code: | | | |
| Form of Business | S-Corp | | |
| TIN | 10-1001001 | | |
| Date Est. | 01/01/2010 | | |

### B. Borrower and Guarantor Information

| | Name | SS# | Credit Score | Yrs in Industry | Ownership (%) |
|---|---|---|---|---|---|
| Borrower (s): | Borrower 1 | 011-11-1231 | 625 | 5+ | 50% |
| Borrower (s): | Borrower 2 | 222-234-456 | 700 | 2+ | 50% |

Borrower has been in the industry for over 5 years and is a capable manager. Credit is strong and shows no late pays. They do not have any derogatory items on their credit. Their debts consist of a first and second mortgage on their home, and two auto loans.

Personal DCR is 2.13 resulting in a Debt to Income of $46.90% within GFDA policy requirements of less than a 50% DTI.

| Someone - Risk Rating Calculations | |
|---|---|
| **Monthly Income** | **$0** |
| **Monthly Debt Payments / Expenses** | **$0** |
| **Debt to Income** | **#DIV/0!** |
| **Debt Coverage Ratio** | **#DIV/0!** |

More re: mgmt ability, credit, net worth and character…

Net worth is moderate at $39,846 with over a quarter of his net worth held in liquid assets. Borrower's assets consist mostly of their home, automobiles and cash. The borrowers have a considerable amount of liquid assets.

| Net Worth | | | |
|---|---|---|---|
| Borrowers 1 and 2 | PFS & Credit Statement Dated: 1/1/2010 | | |
| Assets | | Liabilities | |
| Cash in Bank Accounts | $3,375 | Credit Cards | $20,721 |
| IRA or Other Retirement | $0 | Auto Loan | $10,166 |
| Cash Value of Life Insurance | $0 | Debt on Real Estate | $122,642 |
| Automobiles | $10,000 | **Total Liabilities** | $153,529 |
| Real Estate | $175,000 | | |
| Total Other Assets | $5,000 | Total Assets | $193,375 |
| **Total Assets** | $193,375 | Total Liabilities | $153,529 |
| | | Net Worth | $39,846 |

**C. Ability to Repay**

Existing business debt includes $XXX from Borrower 1's parents, and about $XXX in credit card debt.

Including the proposed GFDA loan, business debt coverage is very strong at X and Y in 2008 and 2009 respectively. In 2008 Owner Y will essentially be using part of the debt she takes on to make loan payments; if we do not include the GFDA loan the debt coverage drops below 1.00. This strong debt coverage shows that Company X expects to have a healthy cash cushion.

Owner Y has some school debt and a car loan but her personal debt coverage is also strong at 4.32.

The income projections for Company X are high, particularly compared to 2007. However, Owner Y has some cushion in the event that income is lower than projected. With the proposed GFDA loan Company X needs income of $43,735 in 2008, and $64,981 in 2009 to maintain a DCR of 1.00.

| **Historic** | | **Historic** | | **Historic** | |
|---|---|---|---|---|---|
| **2007** | | **2008** | | **2009** | |
| Net Income | $0 | Net Income | $0 | Net Income | $0 |
| New debt | $0 | New debt | $0 | New debt | $0 |
| New equity | $0 | New equity | $0 | New equity | $0 |
| Add Back: | | Add Back: | | Add Back: | |
| Dep. And Amo. | | Dep. And Amo. | | Dep. And Amo. | |
| Interest | | Interest | | Interest | |
| Principal paid | | Principal paid | | Principal paid | |
| Property distribution | | Property distribution | | Property distribution | |
| | | | | | |
| Deduct: | | Deduct: | | Deduct: | |
| Cap. Ex. | $0 | Cap. Ex. | $0 | Cap. Ex. | $0 |
| Taxes | $0 | Taxes | $0 | Taxes | $0 |
| | | | | | |
| Cash Available for D/S | $0 | Cash Available for D/S | $0 | Cash Available for D/S | $0 |
| | | | | | |
| GFDA Loan | $0 | GFDA Loan | $0 | GFDA Loan | $0 |
| Existing Bank Debt | $0 | Existing Bank Debt | $0 | Existing Bank Debt | $0 |
| | | | | | |
| Total Debt | $0 | Total Debt | $0 | Total Debt | $0 |
| | | | | | |
| DCR | #DIV/0! | DCR | #DIV/0! | DCR | #DIV/0! |

| Projected | | Projected | |
|---|---|---|---|
| 2010 | | 2011 | |
| Net Income | $0 | Net Income | $0 |
| New debt | $0 | New debt | $0 |
| New equity | $0 | New equity | $0 |
| Add Back: | | Add Back: | |
| Dep. And Amo. | | Dep. And Amo. | |
| Interest | | Interest | |
| Principal paid | | Principal paid | |
| Property distribution | | Property distribution | |
| | | | |
| Deduct: | | Deduct: | |
| Cap. Ex. | $0 | Cap. Ex. | $0 |
| Taxes | $0 | Taxes | $0 |
| | | | |
| Cash Available for D/S | $0 | Cash Available for D/S | $0 |
| | | | |
| GFDA Loan | $0 | GFDA Loan | $0 |
| Existing Bank Debt | $0 | Existing Bank Debt | $0 |
| | | | |
| Total Debt | $0 | Total Debt | $0 |
| | | | |
| DCR | #DIV/0! | DCR | #DIV/0! |

The global business debt coverage ratio is 1.20x and within policy.  Globally the business also shows a historical ability to service the proposed debt.

| Business Name | | | | |
|---|---|---|---|---|
| Global Cash Flow | | | | |
| As of Date | | | | |
| Prepared By: | | | | |
| | 2009 | 2008 | 2007 | 2006 |
| **1040 Conversion (as of date)** | | | | |
| Mortgage | | | | |
| Auto Loan | | | | |
| Term Loan | | | | |
| Student Loan | | | | |
| Credit Card | | | | |
| New GFDA debt | | | | |
| New GFDA debt | | | | |
| **Total Personal Debt** | 0 | 0 | 0 | 0 |
| | | | | |
| | | | | |
| Business 1 Income - Withdrawls + Contributions | | | | |
| Business 2 Income - Withdrawls + Contributions | | | | |
| | | | | |
| **Total Business Income** | 0 | 0 | 0 | 0 |
| | | | | |
| CPLTD + Interest | | | | |
| GFDA New debt | | | | |
| Business Credit Card Debt | | | | |
| Other Term loans | | | | |
| | | | | |
| **Total Business Debt** | 0 | 0 | 0 | 0 |
| | | | | |
| | | | | |
| Personal CADA | $ - | $ - | $ - | $ - |
| Business CADA | $ - | $ - | $ - | $ - |
| | | | | |
| **Personal DTI** | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| **Business DSCR** | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| **Personal and Business DSCR** | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

**D. Borrower Reference Check**

[Include discussion of any feedback from references contacted i.e. personal and character references]

## III. Loan Overview

### A. Sources and Uses

The proposed GFDA loan would be used to purchase and renovate a building for the business. The owners do not have cash to contribute to this expansion. They have put a substantial amount of funds into the business in their first two years and have XXX capital which is considered equity in the business. Does/does not meet 10% equity policy.

This business has worked with the Great Falls Development Authority but falls outside of the targeted industries that qualify for GFDA funding. [any other info on the local development organizations and their involvement in the loan, or why they have chosen not to participate].

| | | |
|---|---|---|
| **Sources** | | |
| | GFDA | $ 25,600 |
| | Owner Equity | $ 3,750 |
| | **Total** | **$ 29,350** |
| | | |
| **Uses** | | |
| | Start-Up Costs | $ 18,750 |
| | Working Capital | $ 10,000 |
| | GFDA Fees | $ 600 |
| | **Total** | **$ 29,350** |

### B. Loan Structure

| | |
|---|---|
| Loan Amount: | $25,600 |
| Loan Request: | $25,000 |
| Loan Fund: | IRP |
| Interest Rate: | 10.50% |
| Term: | 5 years of fully amortizing payments |
| Origination Fee: | 2%, $500 |
| Closing Costs: | $100 |
| Annual Fee: | $100 (paid $8.33/month) |
| Monthly Payment: | $545.68 |

The proposed loan would be structured as a 5 year term loan of $25,000 at 10.50% interest. Payments, including GFDA fees would be $545.68 per month.

### C. Collateral Analysis

The collateral coverage ratio is 2.02x well above GFDA policy requirements of 1.00. The collateral for this loan is a 1st position lien on all Inventory and business assets and a 3rd position lien on the borrower's primary residence. The borrower submitted a CMA from August of 2009, therefore GFDA will not require a new valuation of his personal residence.

| Collateral Coverage | Value | Realize % | | Realize Value | Source |
|---|---|---|---|---|---|
| Inventory | $150,000 | 50% | | $75,000 | Inventory List |
| Net Collateral Value | | | | $75,000 | |
| Business Assets | $0 | 25% | | $0 | |
| Personal Residence | $405,000 | 80% | | $324,000 | CMA 08/09 |
| 1st Mortgage Wells Fargo | | | | ($239,326) | |
| 2nd Mortgage HELCO Helena FCU | | | | ($58,743) | |
| | | | | $25,931 | |
| Total Collateral Value | | | | $100,931 | |
| Loan Amount | | | | $50,000 | |
| Surplus/(Deficit) | | | | $50,931 | |
| CCR Value = | 100931.0 | / | 50000 | 2.02 | |

**D. Sources of Repayment Information**

| | |
|---|---|
| Primary: | Revenues generated from the normal operations of ABC Business |
| Secondary: | Liquidation of collateral |
| Tertiary: | Personal guarantees of Borrower 1 and Borrower 2 |

**E. References Regarding Repayment**
[Include discussion of any feedback from references contacted i.e. personal bankers or bank partners]

## IV. Business Plan Analysis

*1. Business Summary*

ABC Business is looking to expand their business by purchasing a new facility which will give them room to grow and develop XYZ.

*2. Feasibility of Projected Sales*

*i. Products*

ABC Business is a manufacturer which makes XYZ products. Their primary business is done via retail on-site. They also distribute their products wholesale through a distributor to XYZ.

*ii. Historical and Projected Sales*

| ABC Company | | | |
|---|---|---|---|
| **2006** | **2007** | **2008/2009**** | **2009/2010** |
| $15,000 | | $55,000 | $80,000 |

**Note:  For purposes of financial analysis, the completed years of 2006 and 2007 were included with the first 24 months of projections from the new owner.  Profit and loss data from Jan – July 2008 for the existing store was received and the numbers were verified.

The sales numbers are ambitious, but Owner Y has proven her core markets and has sound assumptions for program expansion.  One office space rental is secured but Owner Y does not yet have tenants to fill the additional three spaces.  Rent of $150 is reasonable and Owner Y expects to be able to fill these offices in June.  Please see break even analysis below for minimum income required to cover expenses and debt.

*iii. Break Even Analysis*
[Evaluate break even in terms of volume of sales and number of clients]

| Break Even Analysis | | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| Retail price | $12.00 | $13.00 | $13.00 |
| Cost | $8.00 | $8.50 | $8.50 |
| Gross Profit Margin | 33.33% | 34.62% | 34.62% |
| | | | |
| Fixed Costs | $25,000 | $35,000 | $37,000 |
| | | | |
| Break Even in dollars | $75,000 | $101,111 | $106,889 |
| Break Even in number of customers* | 1,250 | 1,685 | 1,781 |

* Average customer spends $60 annually.

Up until the end of 2007 Owner Y was working part-time as an XYZ.  She ran Company X part time throughout 2007.  Owner Y has been running Company X full time in 2008, but the first six months include a significant amount of start up time and have not drawn in as much income as is expected for 2009.

Projected break even does not include some variable potential revenue streams including sales and memberships.  The contribution margin for 2007 was likely lower than shown here – prices were slightly lower and COGS were accounted for as expenses.

*iv. Competitors:*

There are a number of organizations in the Great Falls offering similar services.  Company A, Company B, and Company C all offer similar programming.  Owner Y's approach has been to collaborate with these entities where possible.  She sees her business serving an important role in serving a broad population.  Part of her niche is her ability to provide multiple services in a comfortable and relaxed environment for clients and collaborators.  Owner Y's pricing is also slightly below her competitors, and is set at a level to be affordable for Missoulians.

*v. Market and Industry Analysis*
[Market and Industry Analysis may need to be separate categories for some loans]

There is a significant need and demand for Company Y's services in Great Falls.  Although there are a number of other similar services available, most provide limited offerings, and are more expensive than Company X.  Owner Y has had to turn clients away due to over-interest.

*vi. Marketing Plan*

Owner Y is a natural networker and has developed a strong niche within the community and within her industry.  Networking, collaboration and word-of-mouth are important aspects of her marketing.  She also creates flyers and has a website and blog.

*vii. Business References*
[Include discussion of any feedback from business references contacted i.e. customers, vendors, suppliers]

### *3. Feasibility of Projected Expenses*

Expenses are feasible. Owner Y has budgeted significant time and resources to setting up the space and getting the location off the ground. She is very resourceful and has many donations of materials, supplies and time that allow her to keep her expenses low. Rent is her biggest expense, but is an essential component of her business. For items for which she is less certain she shows higher expenses than she is likely to incur, for example $2,000 per year for insurance is the absolute maximum she would have to pay.

### *4. Feasibility of Projected Operations*

Owner Y is the sole owner and employee of Company X. She has a number of volunteers working with her and hopes to formalize some of this volunteer support into internships in the future. Owner Y would eventually like to hire one or more employees, but for now will take on all the work of Company X herself. This will be a large project for one person, but Owner Y is committed to making this work.

She has an accountant helping her with book keeping, and she is getting set up with Quickbooks. She has good relationships with various contract workers and hires them for various needs.

### *5. Feasibility of Projected Financials*

Owner Y has adequate cushion for operations, maintaining a cash balance each month to cover at least two months of operating expenses throughout 2008 and at least three months of expenses throughout 2009.

Her sales numbers are ambitious, but are based on sound assumptions, including 18 months of proven demand for her services. There is a risk that Owner Y will not be able to attain her projections, but she is very resourceful and is driven to make this business succeed.

## V. Community Impact Analysis

The loan is considered high impact because the business is 100% woman owned, is creating the community benefit XYZ, and will be in a downtown Great Falls location which is designated as a moderately distressed low income area.

| Impact | Description | Points | Rating |
|---|---|---|---|
| **Location** | | | 1 |
| Low Income Place | % Benchmark Median Family Income = | | |
| | Poverty Rate = | | |
| | Unemployment Rate = | | |
| | Ratio of Local to U.S. Unemployment = | | |
| Rural | | | |
| Other Location Impacts | | | |
| | | | |
| **Jobs** | | | 1 |
| Jobs Retained | | | |
| Jobs Created | | | |
| $ Lent per Job Created | | | |
| Jobs Created per Population | | | |
| Employees from Targeted Populations | | | |
| | | | |
| **Borrower** | | | 1 |
| Household Income | | | |
| Owners from Targeted Populations | | | |
| | | | |
| **Industry** | | | 1 |
| | | | |
| **Environment** | | | 1 |
| | | | |
| **Other** | | | |
| **Total Impact Rating (1-5 average of 6 categories above)** | | | 1 |
| **Core Impacts Rating (1-5 average of top three categories above)** | | | |

## VI. Loan Agreement

1. Initial Management Follow up within 30 days.
2. Monthly requirements: (1st 6 months)
   - Monthly P&L and balance sheet with YTD balances
3. Annual requirements:
   - Annual business tax returns
   - Annual personal tax returns from each partner
   - Year-end financial statements (internally prepared)
   - Updated personal financial statement from each partner

## VII. Attachments

- 24 month cash flow projections
- Previous year and year-to-date balance sheets and profit & loss statements
- Historic and projected side-by-side financials
- Risk Rating

**VIII. Contingencies**

- Lease agreement of 5 years to match loan terms
- Additional meeting with SBDC director to discuss marketing plan

**IX. Recommendation**

Recommended for approval as presented

________________________________________
GFDA Loan Officer, Loan Officer

# Great Falls Development Authority
## Commercial Loan Risk Rating

Company ______________________ Date ______________________ Loan Officer ______________________

| Score | Actual | Metric | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|---|---|
| 0 | | Firm/Industry | | Industry Leader | Favorable | Future Typical | Uncertain Future | Tenuous |
| 0 | | Management Ability | | Very Capable | Capable/ Cooperative | Some Weaknesses | Questionable | Poor |
| 0 | | Financial Information | | Audited Statements | Satisfactory/ Informative | Acceptable | Poor/Late | Late/None |
| 0 | | Financial Strength | | 3 Yrs Positive Cash Flow | Profitable/ Upward Trend | Average | Losses/ Leveraged | Negative Cash Flow |
| 0 | | Collateral | | Highly Liquid | Good Collateral Margin | Adequate | Marginal | Insufficient |
| 0 | | Company Debt to Net Worth | | <1 | 1 | 2 | 2.1 - 4 | > 4 |
| 0 | | Individual Debt Service Coverage[2] | | > 3 | 2.5 – 2.99 | 2-2.49 | 1.26 – 1.99 | < 1.25 |
| 0 | | Current Ratio[3] | | > 2 | 1.5 – 2.0 | 1.0 – 1.49 | .5 - .99 | < .5 |
| 0 | | Susceptibility to Recession | | Recession Proof | Minimal Impact | Some Difficulty | Difficult to Overcome | Very Difficult to Overcome |
| 0 | | Attention Needed by Officer/SBDC | | Little | Less than Average | Normal | Close Attention | Substantial Attention |
| | | Most Likely Sources of Repayment[4] | Primary | Bank Takeout Financing | Proven Cash Flow | Anticipated Cash Flow | Anticipated Cash Flow | Anticipated Cash Flow |
| | | | Secondary | Proven Cash Flow | Bank Takeout Financing | Liquidation of Collateral | Liquidation of Collateral | Liquidation of Collateral |
| 0 | | | Tertiary | Liquidation of Collateral | Liquidation of Collateral | Non-Business Owner Income | Guarantor Investment or Repayment | Write Off |

Risk Score (Average of Above): **0.00** Financials Dated: ____________ PFS Dated: ____________

FOOTNOTES:

1. Company Debt to Net Worth = Total Liabilities/(Total Assets – Total Liabilities)
2. Individual Debt Service Coverage = The Individual's Total Monthly Income/Total Monthly Personal Debt (this is a measure of how leveraged the individual is)
3. Current ratio = Current Assets/Current Liabilities (this is a measure of short term debt coverage)
4. In "Most Likely Sources of Repayment" category: 1 = bankable, 2 = likely to be bankable within 1 year, 3 = likely to be bankable in 3-5 years, 4 = unlikely to become bankable in less than 5 years, 5 = unlikely to become bankable. The final score is the average of the three categories.

# Great Falls Development Authority

## Commercial Loan Risk Rating

Closed Businesses Only

Company ____________________ Month/Year Business Closed ____________________

| Score | Metric | | |
|---|---|---|---|
| 1 | All three sources of repayment are in place. | | Primary Borrower Repayment |
| | | | Guarantor Repayment |
| | | | Sufficient Collateral to cover the loan |
| 2 | Two of the three sources of repayment are in place. | | Primary Borrower Repayment |
| | | | Guarantor Repayment |
| | | | Sufficient Collateral to cover the loan. |
| 3 | Only one of the three sources of repayment are in place. | | Primary Borrower Repayment |
| | | | Guarantor Repayment |
| | | | Sufficient Collateral to cover the loan |
| 4 | Zero of the three sources of repayment are in place. | | Primary Borrower Repayment |
| | | | Guarantor Repayment |
| | | | Sufficient Collateral to cover the loan |
| 5 | Anticipate Write-off | | |

Risk Rating ____________ Date ____________ Loan Officer ____________

GREAT FALLS MONTANA DEVELOPMENT AUTHORITY

## GFDA Loan Committee Minutes: Date

## Location: GFDA Conference Room

**Members Present:**

**Staff present:**

1. **Consent Agenda – Committee President:**

2. **Loan Portfolio Report – Staff Presenting**:

3. **New Loan Proposals – Presenting Loan Officer:**
   a. **Proposed Loan**
      i. Name of Borrower:
      ii. Amount Requested:
      iii. Term and Rate Presented:
      iv. Contingencies:

   b. **Committee action:**
      i. Amount approved:
      ii. Additional Committee Contingencies:
      iii. Reason for Denial:

| Committee Member | Present | Approve | Deny | Abstain | Conflict of Interest |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

4. **Public Comment – Dan Majerus**
   a. Opportunity for public comment(s) – none.

5. **Adjourn at 10:00 a.m.**

HIGH PLAINS FINANCIAL, INC.

# HPF Board Meeting and Loan Committee Meeting Minutes: Date

## Location: GFDA Conference Room

**Members Present:**

**Staff present:**

1. **Consent Agenda – Committee President:**

2. **Loan Portfolio Report – Staff Presenting**:

3. **New Loan Proposals – Presenting Loan Officer:**
   a. **Proposed Loan**
      i. Name of Borrower:
      ii. Amount Requested:
      iii. Term and Rate Presented:
      iv. Contingencies:

   b. **Committee action:**
      i. Amount approved:
      ii. Additional Committee Contingencies:
      iii. Reason for Denial:

| Committee Member | Present | Approve | Deny | Abstain | Conflict of Interest |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

4. **Public Comment – Committee President**
   a. Opportunity for public comment(s) – none.

5. **Adjourn at 10:00 a.m.**

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January 15, 2010

<contact name>
<address block>

Ms. Mrs. or Mr. last name:

This will confirm our recent conversation in which I informed you of Great Falls Development Authority's decision to deny your application for a business loan. We are sorry we were not able to extend you credit at this time. As I informed you, the principal reason(s) for our decision was based on the following factors:

- Inability to service proposed debt

Our credit decision was based in whole or in part on information obtained in a report from the consumer reporting agency listed below. However, the reporting agency did not make the decision and is unable to supply you with specific reasons for why we have denied credit to you. You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency. Under the Fair Credit Reporting Act, you have the right to obtain a free copy of this report if you submit a written request to the agency named below no later than 60 days after you receive this notice. Under the Fair Credit Reporting Act you also have the right to dispute with the consumer reporting agency the accuracy or completeness of any information in the report. If you wish additional information regarding the information on your credit bureau report please contact:

Kroll Factual Data
5200 Hahns Peak Drive
Loveland, CO 80538
(800) 929-3400

You should know that the Federal Equal Credit Opportunity Act prohibits creditors, such as ourselves, from discriminating against credit applicants on the basis of their race, color, religion, national origin, sex, marital status, age, because they receive income from public assistance program, or because they may have exercised their rights under the Consumer Credit Protection Act.

If you feel you were denied unfairly and would like to appeal the loan application denial, please submit a written appeal to Brett Doney, President at the address on the bottom of this page.

Sincerely,

<name of loan officer>
Loan Officer

Document-12

January 27, 2010

Borrower Name
Borrower Address

RE: Conditional Loan Commitment

Borrower names:

Great Falls Development Authority (GFDA) or High Plains Financial (HPF) has approved your loan requests as follows:

- Loan Amount: Up to $AMOUNT (plus or including) 2% origination fee of $AMOUNT and estimated closing costs of $AMOUNT. The 2% origination fee is due upon signing this commitment letter.
- Rate: 9% fixed
- Term: # of years, fully amortizing note or balloon in # of years
- Payment: Monthly principal and interest payments of approximately $AMOUNT (final payment amounts will be slightly different based on costs and fees financed into the principal of the loan).
- Specific Purpose: Provide financing for vehicle purchase and equipment purchase.
- Collateral/Security: EG. 2nd position on personal residence at 6401 Hazelwood Court, Lolo, MT 59847, 1st position lien on 2005 Chevrolet, 1st position lien on 2008 BigTex, and an assignment of life insurance.
- Guarantees: Guaranteed 100% by all owner names with more than 20% ownership plus all guarantors and cosigners.
- Disbursement: Disbursement will be in the form of check payable to the title company managing the property and sale and purchase.

This approval is contingent on the following:

- Title insurance with verification position of lien for GFDA or HPF
- CMA on property located with a value to maintain GFDA or HPF policy requirements
- Assignment of Life Insurance policy on Borrower
- Any other contingencies listed by committee

The following items need to be furnished / completed prior to closing the loan and disbursing the funds

- Proof of business liability insurance and workers compensation insurance
- Operating Agreement/Bylaws for business
- Copy of titles for vehicles and equipment, if no title exists for equipment a serial number must be provided
- Proof of insurance on vehicles and equipment

With all loan clients GFDA or HPF requires monthly financial reporting for the first six months, and yearly reporting after that period. Annual business and personal taxes must also be provided. In addition, loan recipients agree to draw from the business no more than was projected in the application. Any draws above projections must be discussed with GFDA Loan Officer prior to being taken.

This loan commitment terminates on **anticipated closing date.**

Document-12

Please sign and return this letter to GFDA or HPF via mail or fax within 10 days. If you would like to discuss any of these terms or would like further information on any part of this commitment, please don't hesitate to call me at 771-9026. Thank you for the opportunity to help you with this project.

Sincerely,

GFDA Loan Officer Name, Loan Officer

*Please note that this commitment letter may not contain all of the terms and provisions which may be included in the final loan documents.*

**I hereby acknowledge and accept the terms and conditions as stated above:**

Borrower X Date

Guarantor Y Date

**Document-13**

# Loan Closing Instructions
# Amended 08/2010

Debtor Name: ______________________________ TIN #: __________________

*(The name of who the loan will be made out to)*

Debtor Address: ______________________________

Business Signor/Capacity: ___________________________

Business Name: ______________________________ TIN#: ___________________

*(If different from Debtor Name)*

Business Address: ______________________________

Business Signors/Capacity: ___________________________

Who signs for business, their title

Guarantor Name(s):______________________________ SSN#: __________________

Guarantor Address:______________________________ DOB: __________________

Collateral:

☐ Real Estate, ☐Commercial, ☐ Residential: ______________________________

Address

______________________________________________________

Legal description

☐ Vehicle: ______________________________________________________

Year, make, model, Vin #

☐ Business Assets: ______________________________________________________

List business assets, if specific equipment include serial number

☐ Life Insurance: ______________________________________________________

Policy holder, policy number

☐ Certificate of Deposit: ______________________________________________________

Institution were CD is held, CD number, amount

☐ Other Collateral: ______________________________________________________

Closing Date: ____________ Time:_______ Loan Fund: ________

| | | |
|---|---|---|
| Proceeds Amount | $ ___________ | ❐Buyer will pay closing costs |
| Plus: 2% Origination | $ ___________ | ❐Closing costs will be included in the loan amount. |
| Plus: Closing costs | $ ___________ | |
| **Total Loan Amount** | **$ ___________** | |

Interest Rate: 9.0% Term: 5 yr balloon, 25 yr amortization

First Payment Due: April 15th, 2010 Monthly Admin/TA/ACH fee: 8.33

Household Income (from 1040):$110,392________ # in household: 3

Jobs Created: 0___ Jobs Retained: 18

Disbursements: $__________ Title Company

$______________ GFDA Closing Fees

$__________ Total

**Document-13**

# Loan Closing Instructions
# Amended 08/2010

Special Instructions for closing:

To Complete Loan File:

| | |
|---|---|
| Enter loan in GMS | |
| Enter disbursements in GMS | |
| Give ACH information to Controller & enter pmt in loan pmt sheet | |
| File all liens | |
| Put loan file in order | |
| Print label for file | |
| File in cabinet alphabetically | |
| Move client file on server to “Existing Loan Clients” | |
| Enter loan and impact data into Portfolio spreadsheet with expirations for all filings and insurance. | |

## *Pre-Closing Documents*

| Required | Requested (with Date) | Received | Document | Fees |
|---|---|---|---|---|
| ☐ | ☐ | | Agency concurrence from Rural Development (if it is an IRP loan – not revolved funds) | |
| ☒ | | ☐ | Loan commitment letter | |
| ☒ | ☐__________ | ☐ | Corporation: Articles of Incorporation and Bylaws<br>Partnership: Partnership Agreement<br>LLC and LLP: Operating Agreement | |
| ☒ | ☐__________ | ☐ | Borrowing Resolution | |
| ☒ | | ☐ | Business Entity Search Printed | |
| ☒ | ☐__________ | ☐ | Liability Insurance | |
| ☐ | ☐__________ | ☐ | Flood Certification | |
| ☐ | ☐__________ | ☐ | O&E Report | |
| ☐ | ☐__________ | ☐ | Title Insurance (Fee Dependant on Loan Amount) | |
| ☐ | ☐__________ | ☐ | Life Insurance | |
| ☐ | ☐__________ | ☐ | Hazard Insurance | |
| ☐ | ☐__________ | ☐ | Business Property Insurance | |
| ☐ | ☐__________ | ☐ | Disability Insurance | |
| ☐ | ☐__________ | ☐ | Building Permits | |
| ☐ | ☐__________ | ☐ | Divorce Decree | |
| ☐ | ☐__________ | ☐ | Copy of Lease | |
| ☐ | ☐__________ | ☐ | Copy of Buy-Sell | |

# Loan Closing Instructions
# Amended 08/2010

| | | | | |
|---|---|---|---|---|
| ☐ | ☐ ________ | ☐ | Copy of Approved Franchise Agreement | |
| ☐ | ☐ ________ | ☐ | Copy of Liquor License | |
| ☐ | ☐ ________ | ☐ | A/R Inventory Aging Report | |
| ☐ | ☐ ________ | ☐ | A listing of serial numbers and descriptions of equipment to be used as collateral | |
| ☐ | ☐ ________ | ☐ | A list of the VIN, make, model and year of any vehicle to be taken as collateral | |
| ☐ | ☐ ________ | ☐ | Legal description of any real property that will be used for collateral | |
| ☐ | ☐ ________ | ☐ | Verification of Bank Turn Down (SBA and IRP loans) | |
| ☐ | ☐ ________ | ☐ | Updated balance sheet to verify inventory or A/R | |
| ☐ | ☐ ________ | ☐ | Appraisal (Fee only applies if GFDA pays for appraisal) | |
| ☐ | ☐ ________ | ☐ | Environmental Assessment (Phase I) | |
| ☐<br>☐<br>☐ | ☐ ________<br>☐ ________<br>☐ ________ | ☐<br>☐<br>☐ | Other:<br>________________________<br>________________________<br>________________________ | |
| **Total Fees From Pre-Closing Documents** | **$** | | | |
| | | | | |

## *Closing Documents*

| Required | Produced | Filed | Document | Fees |
|---|---|---|---|---|
| ☒ | ☐ | | Closing Statement | |
| ☒ | ☐ | | Management Assistance Agreement | |
| ☒ | ☐ | | Loan Documents from attorney of appropriate loan software | |
| ☒ | ☐ | | Amortization Schedule | |
| ☒ | ☐ | | Check Approval Form/Checks | |
| ☒ | ☐ | | Automatic Clearinghouse Authorization which authorizes GFDA to take automatic payments from borrowers bank account | |

# Loan Closing Instructions
# Amended 08/2010

| | | | | |
|---|---|---|---|---|
| ☐ | ☐ | ☐ | Deed of Trust (for residential real estate of 40 acres or less) | $11 per page 1-5, $7 per page >5 |
| ☐ | ☐ | ☐ | Mortgage (for residential real estate of over 40 acres) | $11 per page filed |
| ☐ | ☐ | ☐ | Real Estate Trust Indenture (for commercial real estate) | $11 per page filed |
| ☐ | ☐ | ☐ | UCC Financing Statement (if business assets are being used as collateral) | $7 per UCC |
| ☐ | ☐ | | Control agreement if CDs are used as collateral | |
| ☐ | ☐ | ☐ | Assignment of Account | |
| ☐ | ☐ | ☐ | Assignment of Liquor License | $20 |
| ☐ | ☐ | ☐ | Assignment of Life Insurance Policy | |
| ☐ | ☐ | | Hypothecation/Third Party Pledge Agreement | |
| ☐ | ☐ | | Non-Borrower Guarantees | |
| ☐<br>☐<br>☐ | ☐<br>☐<br>☐ | | Other:<br>__________________________<br>__________________________<br>__________________________ | |
| | | | **Total Fees From Pre-Closing Documents (from above chart)** | **$** |
| | | | **Total Fees from Closing Documents** | **$** |
| | | | **Total Closing Costs (Enter total on closing instructions on page 1 of this document)** | **$** |

## *Documents Received After Closing*

| Received | Lapse/ Renewal Date | Document |
|---|---|---|
| ☐ | | UCC Filing |
| ☐ | | Titled Lien Receipt |
| ☐ | | Recorded Deed of Trust / Mortgage |
| ☐ | | Trust Indenture |
| ☐ | | Proof of Insurance with GFDA or HPF as loss payee |
| ☐ | | Life Insurance Assignment |
| ☐ | | Other: |

**Document-14**

# Great Falls Development Authority

## Loan Change and Watchlist Action Plan

| **Client Information** | | |
|---|---|---|
| Name of Client | | **Date:**<br><br>**Loan Balance:** |
| Business Name | | |
| Collateral | | |
| Filing Position | | |
| Collateral Coverage Ratio | | |
| Last updated Financials | | |
| Business Phone | | |
| Cell Phone | | |

| | | | |
|---|---|---|---|
| Loan Officer | | Signature | |

| **Type of Assistance Needed** | | |
|---|---|---|
| ❐ SBDC Meeting | ❐ Loan Officer Meeting | ❐ Lending Team Approval |

| **Deferral Requested** | | **New Subordination Requested** | |
|---|---|---|---|
| ❐ Yes | ❐ No | ❐ Yes | ❐ No |

| **Summary of the Issue**<br>For deferrals include reason for deferral, number of months and new loan maturity date if changed. For subordination agreements include old and new collateral coverage ratios and reason for subordination. |
|---|
| Health Status: |
| |

| **Assistance Requested** | |
|---|---|
| ❐ Revised Cash Flows | ❐ Operations |
| ❐ Marketing Assistance | ❐ Funding/Refinancing |
| ❐ Accounting Assistance | ❐ Other (explain below) |

| **Lending Team Action Plan** | | |
|---|---|---|
| Action | Target Date | Date Completed |
| | | |

**Document-14**

# Great Falls Development Authority

## Loan Change and Watchlist Action Plan

| | | |
|---|---|---|
| | | |
| **Consulting Action Plan** | | |
| Action | Target Date | Date Completed |
| | | |
| **Outcomes** | | |
| **Loan Modification Approved:**________________________________________ President Date | | |

# Watchlist Criteria

Watchlist Triggers:

1. Debt Coverage Ratio below 1.0.
2. Global Debt Coverage below 1.20.
3. Personal Debt to Income above 70%.
4. Off company financial projections.
5. Deteriorating financial trends.
6. Risk Rating above a 3.25.
7. Payments more than 60 days past due without Debt Modification Agreement.
8. Restructure of the loan.
9. Other as defined by Loan Officer.

Requirements for Removal from Watchlist: (All requirements must be met in order to be removed from the Watchlist.)

1. Three months of on time payments.
2. Business Debt Coverage above a 1.0.
3. Global Debt Coverage above a 1.20.
4. Personal Debt to Income below 70%.
5. Risk Rating below a 3.25.
6. All financials and insurance current and in the file.

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Date

Client Name
Business Name
Address
City, State, Zip

Dear Client,

Enclosed you'll find the original Promissory Note for your Loan #7160 marked "Paid."
No further payments will be taken from your bank account for this loan.
Releases of the original UCC filing and Deed of Trust have been submitted.

If you have any questions, please call me at 771-9026. GFDA truly appreciates you and your business achievements.

Sincerely,

Tamariel Christopher
Loan Officer

cc: file
enclosure

# Great Falls Development Authority
## Site Visit Report

**Loan Officer:** ____________________ **Date of Site Inspection:** ____________________

**Business Name:** ____________________

**Name of Person Site Inspection was Conducted with:** ____________________

Payment Status: ____________________

Inspection of Collateral: ____________________

Current Collateral Value: ____________________

Fulfillment of Ongoing Contingencies: ____________________

Loan Officer Comments: ____________________

Additonal Follow Up Needed: ____________________

- [ ] Photo (s)

GREAT FALLS MONTANA DEVELOPMENT AUTHORITY

HIGH PLAINS FINANCIAL, INC.

# ANNUAL LOAN REVIEW
# 2010

Today's Date: _____ Reviewer: _____
Borrower/Owners Name(s): _____
Business Name: _____
Guarantor Name(s): _____
Bank Partner: _____
Loan Number: _____ Date Loan Closed: _____

What is the collateral for this loan?

- ☐ Deed of Trust recorded on _____
  - Lien Position: _____
  - ☐ Subordination recorded on _____ Bank _____
- ☐ Vehicle – Please list all lien filings_____
- ☐ UCC-1 Financing Statement filed on _____ Lapse Date _____
- ☐ Other: _____

Insurance Policies held, list name of providers and terms:

- ☐ Business (Liability and Hazard) _____
- ☐ Principal's Life _____
- ☐ Workers' Comp _____
- ☐ Disability _____
- ☐ Property _____

☐ Lease: Expiration Date ____________

Maturity date of the loan: _____ Is there a balloon due on the loan? ☐No ☐Yes

Previous three years of Tax returns in file:

Personal: ________, ________, ________ Business: ________, ________, ________

☐ Updated Risk Rating Attached ☐ Updated PFS Attached ☐ Current Business DCR ______

| Actual Loss Risk (for Loan Loss Reserve) |
|---|
| |

Collateral shortfall ($$) with explanation: ______________________________

Health Status %: ☐ Healthy = 0% ☐ Watchlist = 50% ☐ Default = 100%

Actual Loss Risk = ____________________ x ____________________ = ________________

Collateral shortfall | Health Status % | Actual Loss Risk

# ANNUAL LOAN REVIEW (CONTINUED)

## Updates to Impact Measures:

***Sales***

Annual Sales for Last year: $_____ Increase? ☐Yes ☐No

Percent of Sales from outside Montana: _____%

***Jobs***

Jobs: _____ Full time _____ Part time

Total Payroll (from taxes): $_______________

***Women/Minorities/Disabled/Quality Jobs***

☐ Updated Wage and Benefit Metric Attached

☐ Wage and Benefits entered in NWAF site and results attached

Does the business offer employee health insurance benefits? ☐Yes ☐No

***Poverty***

Household income of owner for last year $_______________ # of people in household _______

☐ Extremely Low Income ☐ Low Income ☐ Moderate Income

Increase in Income level from previous year? ☐Yes ☐No

☐ Serves low-income end users

## Notes:

Reviewer Signature: ______________________________________ Date: ____________

*(Attach calculation for CCR and DCR)*