

# WINTHROP OPPORTUNITIES LOAN/GRANT PROGRAM

(REVISED 10/1/17)

## OVERVIEW

Winthrop Opportunities is a non-profit organization that was founded in 1963. Our mission is to promote industry and growth in the community.

In conforming to our mission, Winthrop Opportunities provides assistance to both business and community projects within the City of Winthrop and immediate area.

Assistance to **business** projects will be in the form of a *loan*. A project will be considered a business project if it directly benefits a business.

Assistance to **community** projects may be in the form of a *grant*. This policy was established because of the nature of community projects, generally being unable to create revenue to repay a loan. Project designation will be at the discretion of the board as specified below.

## APPLICATION CRITERIA FOR WINTHROP OPPORTUNITIES LOAN PROGRAM

### Purpose

Winthrop Opportunities realizes the need of existing businesses and new businesses for capital. The purpose of this fund is to provide capital for existing business expansions and new businesses, and to diversify the economic base of Winthrop. However, our loan program is not intended to be a primary source of funding for any business projects. The intention of this program is to provide **gap financing**, with participation by a primary lender and/or the business owner. Because Winthrop Opportunities only provides gap financing for businesses, we recommend that you contact a primary lender early in your financial planning.

### Use of Funds

All loans from Winthrop Opportunities may not be used for any other purpose than working capital, expansion, renovation, or start-up financing for a business. Job creation, especially jobs that increase the County Median Wage and that provide benefit are an important goal of the fund.

The following types of for-profit businesses are considered eligible:

- Manufacturing/Assembly
- Tourism
- Technology Innovations
- Professional Offices
- Retail Expansion
- Service Businesses
- Other Business at discretion of the board

The following activities are considered ineligible:

- Housing
- Media
- Lobbying Activities
- Agricultural Production (farm loans)
- Speculative Real Estate
- Construction or Maintenance of Utilities
- Refinancing Existing Debt

The Winthrop Opportunities loan funds are available to qualified borrowers who are able to demonstrate a financing gap created by lack of total funds provided by the business owner and the participating banker.

## **Loan Terms**

The maximum amount of a loan for any business will be at the discretion of the loan committee (Winthrop Opportunities Board), but will not exceed 10% of the project. This formula should reasonably work with the bank financing 75% and the owner contributing at least 15%. This leaves a maximum gap of 10% which may be provided by Winthrop Opportunities.

Winthrop Opportunities contribution will not exceed the personal contributions of the business owner. Terms of the loan and the interest rate will be determined by the project scope. Loans will not be completed until all other financing has been secured and Winthrop Opportunities has documentation of such.

Successful applicants for business financing may be required to attend Small Business Management Classes.

If your project does not fit within these parameters, your project may warrant special consideration.

## **Loan Committee**

The Loan Committee will consist of the Winthrop Opportunities Board. The loan applications will be reviewed on an open, year-round, first come-first serve basis, to be determined by the committee. Applicants will be notified about the decision made by the committee. Decisions regarding loan application will be a matter of record in the Winthrop Opportunity minutes.

The Loan Committee shall review all information which will provide decision making assistance as to the viability of the business applicant. At the discretion of the board, a background check may be completed on the applicant. A business applying for a loan must be located in the Winthrop area or intending on locating in the Winthrop mailing area upon approval of the funds. If a business that has received loan funds through Winthrop Opportunities loan fund moves out of the Winthrop mailing area or does not move into the Winthrop mailing area, the balance of the loan will become due immediately.

Committee members shall review and discuss the strengths and weaknesses of the business and determine their credit worthiness and the satisfaction of meeting the goals of the loan guidelines and criteria. The following criteria shall be used in reviewing loan applications to determine credit worthiness:

- demonstrated repayment ability
- equity commitment by applicant
- management capacity
- innovative technology or product
- available collateral coverage
- credit worthiness (financial history) of applicant
- proposed marketing plan
- leverage of other funding
- job creation/retention
- economic impact on area
- availability of other funds

## **CONDITIONS/PROCEDURES**

To insure the goals and purposes of the loan fund are met, conditions and procedures have been established to provide the loan committee with guidance:

- The expansion shall provide for the creation or retention of jobs in the Winthrop mailing area
- The taxbase of the property affected shall experience an increase
- Loan funds shall be secured by collateral and by personal guarantees and shall be recorded. Mortgage security may be in a subordinate position to that of the participating lender.

### **Procedures:**

- Completion of the application and required information about the business
- Review the financing package with the primary lender and obtain tentative commitment to participate
- Submit all information to the committee through the Secretary.
- Obtain financial commitment from primary lender
- Board review and authorization of Winthrop Opportunities Loan
- Signing of loan agreement, promissory notes, mortgages, and other required documents
- Loan closing
- Disbursement of funds based upon agreed to schedule and documentation of expenditure of other funds
- Loan repayments to Winthrop Opportunities

## **MATERIALS AND INFORMATION NEEDED FOR THE WINTHROP OPPORTUNITIES LOAN FUND COMMITTEE**

In order to apply for funds and aid the decision-making process of the Winthrop Opportunities Loan Fund Committee, the following items and information is required.

### **Winthrop Opportunities Loan Fund Application Checklist**

1. Application form
  2. Business plan
  3. Past three years' financials
  4. Current financial statement (90 days)
  5. Two-year cash flow projections
  6. Debt schedules
  7. Collateral listing to secure loan
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1. The Application form is provided at the end of this packet and is used by the loan committee as a general overview of your project.
  2. A business plan is a description of your business, including your product, your market, your people, and your financial situation and projections. You should consider that a well-prepared business plan plays several important roles: first, it is a useful management tool that can help you plot a course for your company; second, it is a vital sales tool that will impress financial backers and stockholders with your planning ability and general competence as a manager. Other things being equal, a well-prepared business plan will increase your chances of identifying market opportunities and of obtaining the financial commitments necessary for future success.

This business plan will help us better understand your intention for the future of your business.

Following are a list of items that you may wish to include in your plan.

- Name of business, brief history or narrative of the company, location, number of years in business, plus resumes of company management.
  - Information on products and/or services provided, general market area served, and any other appropriate information should be included when describing your business. Identify markets and marketing strategies such as pricing policies method of selling, distributing and servicing of your products you would like to pursue along with how much of the market you anticipate to share and anticipated growth and expansion.
  - Describe major and minor competitors and their strengths and weaknesses. Include sources of suppliers, the manufacturing process, materials used, production methods.
  - Provide detail on the intended use of working capital required. List machinery, equipment, land and buildings to be purchased and the basis the estimate, include recent equipment and/or real estate appraisals where appropriate. Estimated construction costs if appropriate with appraised value of new construction.
3. Include a three (3) year financial history of your business which may be prepared by your accountant.
  4. A current financial statement not over 90 days old.
  5. Cash flow Projection for two years, see example. Also include a narrative explaining major assumptions behind these projections.
  6. Please provide a current debt schedule; a sheet is included.
  7. List collateral which will be offered for security; a sheet is provided.