

PURPOSE

The primary purpose of the Newton Development Corporation (NDC) Loan Fund Program (IRP Program) is to promote new business start-up, expansion, and/or retention projects in the Newton area. In fulfilling its purpose, NDC seeks to foster capital investment, as well as, job creation and retention. In addition to business projects, the NDC IRP Loan Fund fosters community objectives by providing financing for qualifying community-based projects.

TYPE OF BUSINESS ASSISTANCE

The Newton Development Corporation IRP Fund Program is a “gap financing” program, which provides direct financial assistance to small businesses that cannot obtain reasonable financing on a conventional basis.

COMMERCIAL LENDER REVIEW

All projects are required to be initially reviewed with a commercial lender to determine the financial institution’s participation in the project and the identification of a financial gap.

GENERAL REQUIREMENTS

A Loan Applicant must:

- Be of good character and/or good standing
- Demonstrate ability to operate the business successfully
- Possess adequate capital to operate the business on a successful basis
- Demonstrate sufficient past and/or future earnings to repay the loan
- Provide adequate business collateral to assure the loan repayment

ELIGIBLE APPLICANTS

To be eligible for the NDC IRP Program, a business must meet the generally accepted definition of a small business: for-profit, independently owned and operated, and not dominant in its field of operation. IRP Program projects are reviewed on a competitive basis with emphasis on those projects whose primary operation involves manufacturing, commercial services, or wholesaling/retailing of commercial goods. In addition to qualifying

businesses, communities and community-based organizations may apply.

USE OF FUNDS

Eligible Use of Funds:

- Acquisition of real estate (to include land, building, etc.)
- Building construction or improvement
- Purchase of machinery or equipment
- Working capital

Ineligible Use of Funds:

- If credit is otherwise available on reasonable terms and conditions
- If the loan is to solely pay off a loan to another creditor to reduce its risk
- A loan for agricultural or speculative purposes
- A loan to an enterprise primarily engaged in lending or investing activities or whose principal income is derived from gambling activities
- If the loan encourages monopoly, or is inconsistent with the accepted standards of the free competitive enterprise system
- If the loan is used to relocate a business from one commuting area to another

COLLATERAL

Loans must be adequately collateralized to assure repayment of the loan including personal guaranties. Collateral for a loan may consist of a security interest or lien on one or more of the following:

- Accounts Receivable
- Inventory
- Machinery and Equipment (75% LTV)
- General Intangibles
- Real Estate (100% LTV)
- Fixtures on Real Estate
- Chattel Paper

Additional collateral may be required if the project assets are not sufficient in relationship to the total project costs(s).

LOAN TERMS

Loan repayment terms are 36 (to 60) months with equal monthly payments followed by a final balloon payment. Loans are typically amortized over 7-10

years depending upon assets purchased and used to secure the loan.

PROJECT REVIEW

Applications are reviewed on a competitive basis with consideration given to the following areas:

- Type of business
- IRP Program financial leverage (minimum of two non-IRP dollars for each IRP dollar requested)
- Local economic impact
- Business Plan
- Requested loan term and conditions
- Applicant’s financials, to include credit reports, collateral and cash flow analysis
- Applicant’s participation; typically at 10% of total project cost for existing business; 20% for a new business.

APPLICATION PROCESS & FEES

Develop a Business Plan* to include:

- Summary of the project
- Organizational structure/mgmt.
- Marketing plan
- Schedule of project cost(s)
- Proforma financial statements (i.e., Balance Sheets, Income Statements, and Cash Flow Statements)
- Historical financial statements, to include tax returns (3 recent years)
- Review Business Plan with a business counselor
- \$500 or 1.5% whichever is higher
- Closing costs (legal, recording, etc.)

* Small Business Workshop and Fast Trac classes teach the basics of business/financial plans. Call NDC for more information. Participation in the classes is required for those without previous small business ownership experience.

ANNUAL LOAN FEE

- 1% of loan balance at year end will be assessed.

LOCAL ADMINISTRATION

The IRP Program is administered by the Newton Development Corporation with the NDC IRP Committee responsible for program supervision. As such, the NDC IRP Committee reviews loan applications for compliance with the organization's IRP Plan and makes the decision as to IRP participation in a project. The NDC IRP Committee is also responsible for loan servicing issues (i.e., loan extensions, collateral, subordination, etc.)

OBJECTIVE

The goal of the NDC IRP Fund is to improve the economic well being of the Newton area through sound economic development strategies and practices, to include:

- Increased new business start-up, expansion and retention activities
- Increased diversification of the economic base and development of exporting and minority opportunities
- Sustained/increased employment opportunities (new jobs/ job advancement)
- Increased capital investment, and property and sales tax revenues

Complete the financial assistance application

If your business and/or project are eligible, and a financial gap is identified, then contact us at:

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SMALL BUSINESS IRP LOAN FUND GAP FINANCING PROGRAM

This brochure is for informational purposes only. Other terms and conditions may apply. The assistance programs offered by the Newton Development Corporation are provided on a nondiscriminatory and equal opportunity basis.

The Newton Development Corporation is an equal opportunity provider and lender.