



**VERMONT ECONOMIC
DEVELOPMENT AUTHORITY**

**MORTGAGE
INSURANCE
PROGRAM**
SUBCHAPTER 2



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The Vermont Economic Development Authority (VEDA) was created by the General Assembly in 1974. Its purpose is to promote economic growth and increase employment through a variety of financing programs for eligible and qualified projects. The twelve members of the Vermont Economic Development Authority Board are Vermont residents, nine of whom are appointed by the Governor; the three ex-officio members are the State Treasurer, the Secretary of the Agency of Commerce and Community Development and the Secretary of the Agency of Agriculture.

SUBCHAPTER 2 – GUIDELINES

Under this program, the Authority aids eligible and qualified businesses by insuring loans made by commercial banks. Loans may be made for the acquisition of land, buildings, machinery and equipment or working capital in connection with an eligible facility.

“Eligible Facilities” are defined as those being suitable for: quarrying; mining; manufacturing; processing (including the further processing of agricultural products); assembling or warehousing; conducting research and development; use as the national or regional headquarters of a multi-state business; travel and tourism related projects and related recreational activities; collecting or processing of waste material or controlling pollution; converting post consumer materials into industrial feed stocks, or manufacturing products from these feed stocks; the business of information technology or the collection or managing of data; a captive or commercial insurance underwriter; a mortgage, commercial or consumer credit provider; or use as a small business incubator facility.

The Authority’s Subchapter 2 policy guidelines currently provide that the commercial loan for which insurance is being sought may fund no more than 80% of the cost of the project and the insured loan must be adequately secured by assets of the borrower. Personal guarantees of the borrower’s principals are required as security for the Authority’s obligation under the insurance contract. The Authority has elected to restrict its exposure in this program to a maximum of \$2 million per project and potential beneficiaries of the program should contact the SBA and USDA-Rural Development to explore possible financing assistance before making application to VEDA. The Authority reserves the right to revise the policy guidelines or modify them for a particular project, as the Authority deems appropriate.

Applications for financing must be received by VEDA at least three weeks prior to the next scheduled monthly meeting of the Authority. Applicants (banks seeking insurance protection) are advised to discuss their proposed projects with the VEDA Staff prior to submitting the application.

Applications must be accompanied by a \$1,000 (non-refundable) application fee. The Authority may charge an insurance premium of up to 5% at closing or an annual fee based on the insured loan’s outstanding principal balance.

Currently the Authority’s annual insurance premium is 1.5% of the annual insured amount. Principals of the borrower and the participating banker may be asked to be in attendance on the day of VEDA’s meeting. Meetings are generally open to the public, subject to certain exceptions.

1 SUMMARY PAGE

- a. Name of applicant (bank), address and telephone number
- b. Name of borrower, address and telephone number
- c. Project costs:
 1. Working capital
 2. Land
 3. Land improvements
 4. Building
 5. Machinery and equipment
 6. Professional fees
 7. Other (contingency, construction interest, etc.)
 8. Total
- d. Amount and source of funds (include terms and interest rates of loans):
 1. Bank
 2. Public agency (SBA, Municipality, etc.)
 3. Local development corporation
 4. Equity
 5. Total
- e. Brief project description
- f. Available collateral and its appraised valuation
- g. Number of borrower’s employees:
 1. Before project
 2. After project
- h. Name, title and telephone number of individuals who prepared this application
- i. Name, title and telephone number of individuals who will be the primary contact with VEDA at the bank and the borrower
- j. Name and address of borrower’s registered agent (legal representative for notification purposes) in Vermont
- k. Signature and title of applicant’s representative; date of application

2 PRINCIPALS

Personal resumes of all principals and/or officers of borrower, outlining education and employment history, particularly as it pertains to the present project. Include title and percent of ownership of each principal.

3 BUSINESS HISTORY

Narrative of borrower's business or corporate history.

4 PROJECT DESCRIPTION

Describe assets to be purchased, built or financed with the loan to be insured by VEDA. This exhibit should include, at a minimum:

- a. The amount and cost of land and a description of the project building or building addition. Include construction estimates and, if the project involves the purchase of land or buildings, include a copy of the purchase agreement. In certain circumstances an "as built" appraisal may also be required.
 - b. A description of the machinery and equipment to be purchased with the proceeds of the project. Include manufacturers' names and model numbers and price quotes.
 - c. If the project includes the purchase of an existing building or used machinery and equipment, include an appraisal performed by a reputable appraiser experienced in valuing assets of the type being purchased.
 - d. Discussion of the need for working capital (if mortgage insurance is being sought for a working capital loan), including existing sources, amount required and specific use of funds.
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5 BUSINESS PLAN

The Business Plan for the borrower should include, but need not be limited to, the following elements:

- a. Business environment:
 1. Size and character of the past, present and future markets for the borrower's products
 2. Principal competitors and their market shares
 3. Principal customers and suppliers (include names of individuals to contact, their addresses and telephone numbers)
 4. Competitive advantage of borrower (e.g., price, performance, delivery, service, etc.)

- b. Marketing plan:
 1. Organization of the sales force
 2. Distribution channels
 3. Advertising/promotion strategy
 - c. Production plan:
 1. Production capabilities including programs for:
 - a) Production control and scheduling
 - b) Inventory control
 - c) Quality control
 2. Availability and price of raw materials
 3. Provision for training of employees
 4. Contingencies for future expansion or contraction
 - d. Management structure. Include key personnel and their functions
 - e. Terms of trade credit
 - f. Analysis of business location factors including consideration of:
 1. Labor pool
 2. Transportation
 3. Utilities
 4. Expansion possibilities
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6 FINANCIAL PLAN

Provide detailed historical and projected financial information for the borrower, including:

- a. CPA prepared financial statements for the past three years including income statements, balance sheets and sources and uses of funds and associated footnotes.
 - b. If the borrower is a subsidiary or is closely affiliated with another corporation, supply financial statements for the parent corporation or affiliate for the last three years.
 - c. Projected income and balance sheets for the present fiscal year and three years forward. Start-up or development stage businesses should also provide a monthly cash flow statement for the first year or until the business is projected to reach break-even. List all material assumptions included in the projections. Also supply projected financial statements for parent or affiliated companies whose operations are closely interrelated with those of the borrower.
 - d. Personal financial statements for all principals with ownership equal to or greater than 20% of the borrower.
 - e. Sources and terms of funds to be borrowed for working capital and other planned asset acquisitions not included in the VEDA project.
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7 PROJECT TIMETABLE

Timetable for completion of project.

8 EMPLOYEE COMPENSATION AND BENEFITS

In an attempt to gather more in-depth and accurate information on job creation, we request that the borrower provide certain information to assist VEDA in ascertaining its impact on and value to the Vermont economy. We understand that projected employment data is difficult to predict and that future employment data may not meet projections, but request that the borrower make a reasonable estimate of future employment that corresponds to its current financial projections. (Please account for part-time employees on a full-time equivalent basis.)

Please complete the attached Employee Compensation and Benefits table.

9 LENDER COMMITMENTS

Letters of commitment for funding from all other participating lenders or guarantors, including banks and other private or public institutions or entities. Include relevant resolutions of boards or committees, executed by appropriate individuals. Also, a complete presentation of the terms and conditions of the loan for which VEDA insurance is being sought should be made.

10 BANKING RELATIONSHIPS

Provide a list of all loan obligations which the borrower currently has outstanding, and for each loan indicate the original and current principal balance; the type of loan and collateral pledged; the terms and conditions thereof; and the name and telephone number of the loan officer.

11 LOCAL APPROVAL FORM VEDA Form 4A

Findings of Planning Commission, Board of Selectmen or other appropriate body (required only if this project includes the construction or renovation of real property).

12 BANKRUPTCY/LITIGATION

Borrower should provide a brief written description of the details of any bankruptcy, receivership, compromises with creditors, any pending litigation, criminal charges or criminal convictions other than minor motor vehicle violations, against the borrower, its officers, directors or

principal stockholders. If none of these circumstances pertain, include a statement to that effect.

13 PROJECT PLANS COMPLY CONFIRMATION

VEDA's enabling legislation limits financing for real estate projects to those which are able to establish compliance with applicable local and state environmental, zoning, planning and sanitary laws and regulations. The submission of an application for VEDA financing constitutes a representation that, to the best of the borrower's knowledge, the project and its plans will comply with all such laws and regulations. Prior to or contemporaneous with closing of a transaction, evidence such as an opinion of legal counsel or an engineer's or architect's certificate, as appropriate, shall be submitted establishing final project plan compliance with applicable laws and regulations.

14 CERTIFICATE OF AUTHORITY TO DO BUSINESS IN VERMONT

If borrower is an out-of-state domiciled company, include Certificate of Authority to do Business in Vermont.



Employee Compensation and Benefits

	Before Project (at time of application)	Within 3 Years
# of full-time hourly employees	_____	_____
Average hourly wage <i>without</i> benefits:	\$ _____/hr	\$ _____/hr
Average hourly wage <i>with</i> benefits:	\$ _____/hr	\$ _____/hr
# of salaried employees:	_____	_____
Average annual salary <i>without</i> benefits:	\$ _____/yr	\$ _____/yr
Average annual salary <i>with</i> benefits:	\$ _____/yr	\$ _____/yr
Employee benefits as % of total payroll:	_____ %	_____ %

	FY _____	FY _____	FY _____
Total payroll last three years:	\$ _____	\$ _____	\$ _____

Please describe benefits offered to employees:

VEDA No. 4A
VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(To be completed by Municipal Planning Commission, Town Board of Selectmen or other appropriate municipal entity.)

Name of Board or Commission _____

Description of Proposed Project or Industrial Park _____

Municipality in which Proposed Project or Industrial Park is to be located _____

The undersigned _____

(Board or Commission)

of the City / Town of _____, Vermont, after a study of the proposed project site, a review of municipal ordinances and applicable land use plans and a general study of the effects of the Proposed Project or Industrial Park upon the municipality and region in which it is to be located, herewith submit the following findings at the request of the Vermont Economic Development Authority:

1. That the Proposed Project or Industrial Park (will) (will not) violate existing zoning ordinances, regulations or local land use plans, and will be located in a district zoned _____.
2. That the Proposed Project or Industrial Park (is) (is not) in accord with a duly adopted municipal land use plan.
3. That the Proposed Project or Industrial Park (will) (will not) involve unusual costs to the community.

If affirmative – estimate costs:

Water Mains \$ _____ Street Extension \$ _____

Sewer Mains \$ _____ Other costs (itemized) \$ _____

4. That the Proposed Project or Industrial Park (is) (is not) in the best interests of the community for the following reasons and (is) (is not) supported/approved by the above Board/Commission: _____

Date: _____ Signatures: _____

