

DEVELOPMENT CORPORATION OF HASKELL

Guidelines for Assistance

Revised 6/11/12

Mission Statement

The mission of the Development Corporation of Haskell, Inc. (DCOH) is to use sales tax revenue to effectively stimulate Haskell's economic growth by using the following procedures established by this policy in an effort to create jobs and enhance the quality of life in the community and maximize the public's return on invested tax dollars.

General Application Guidelines for Loans or Grants

The DCOH reserves the right to determine the eligibility and viability of all projects and the terms and conditions of any loan or grant based on the goals and objectives of the DCOH and the availability of funds of the DCOH at the time of the request.

All requests for assistance from individuals, businesses, or organizations for various projects will be submitted in writing and will be received through the Executive Director or the President of the Board of Directors of the DCOH. Along with the written request, each applicant will submit financial information for the previous three (3) years, a business plan, and any other information requested by the DCOH that will assist the DCOH in determining an applicant's financial viability and the project's viability. Any guarantor's must also submit the same information.

All requests must be for projects located within the city limits of the city of Haskell, Texas unless there is prior approval from the City Council of Haskell to over rule this limitation.

After approval of assistance of any type from the DCOH, the business or project may not be moved from the city of Haskell without prior written consent of the DCOH.

Note to Applicants: All applications for loans or grants will be reviewed with the first criteria for approval being: How many full time and part time jobs will the project create?

As a general rule, the DCOH will not provide funding in the form of loans or grants which in combination with tax abatements, local sales tax refunds, loans, infrastructure improvements, or training expense (provided by other governmental entities) total more than 50% of the entire costs of a project.

Requests for funds must be turned in by noon, seven (7) calendar days before the regular DCOH monthly board meeting which occurs on the second Friday of each month.

Guidelines for Loan Assistance

Loan assistance is only available to for profit businesses that will add jobs or maintain jobs in the city of Haskell, Texas.

Loan assistance may be provided to proposed projects: 1) through reimbursement of all or part of the interest paid on a loan from a financial institution, 2) through loan guarantees from the DCOH to local financial institutions, or 3) through direct loans that (for legal and practical purposes) are evaluated based by the Board on eligibility of the project, feasibility of the project, and financial viability of the project.

All eligible requests will be presented to the DCOH Board for approval or denial. The borrower and/or the financial institution requesting a guaranteed loan or interest buy down or reimbursement will be required to attend the Board meeting and speak on behalf of the project. A minimum of 20% equity is required in all projects financed. Some projects may require additional equity based on the amount of risk involved in the project.

Direct Loans

Under certain circumstances, the DCOH may approve a direct loan to a project without a private lender being involved in the financing. If a financial institution is not involved in the original loan, the DCOH retains the right to sell a participating interest in the project to local financial institutions and share the collateral securing the project with the participating lender on a pro rata basis.

All loans will be funded from the unobligated fund balance of the DCOH and all repayment of principal and interest plus any fees, late charges, etc. will be returned to the unobligated fund balance. All loans will be made on an accrual basis. Payments will be applied first toward interest due, then to late fees or other fees with any monies remaining then applied to principal. The Executive Director or staff will be responsible for the administration and collection of all loans of the DCOH. Request for loan restructuring will require Board approval.

After loan approval by the DCOH for a direct loan, the business or project may not borrow additional money without the expressed, written consent of the DCOH. All other loans to a business from owners, relatives, other individuals, and all types of entities other than a loan pre-approved by the DCOH to a financial institution will be subordinated to the DCOH loan.

** The DCOH is an equal opportunity lender and does not discriminate with regards to race, color, religion, national origin, sex, marital status, age, or disability. However, the applicant must have the capacity to enter into a binding contract.

** In the event of any conflict with this policy and applicable federal, state, or local statute, the statute will prevail.

Guaranteed Loans

Loan guarantees can be for any amount, but the maximum guarantee will be for 80% of the loss of principal and interest to the financial institution. The financial institution will use due diligence and practical liquidation methods to minimize losses and will consult with the DCOH Executive Director or Board President as to timing and methods of liquidation. In the case of bankruptcy, the financial institution will file all necessary documentation with the bankruptcy court to protect their interests and the DCOH interest in any collateral. All collection and bankruptcy attorney fees will be the sole the responsibility of the financial institution holding the guarantee.

Interest Assistance

The DCOH may offer interest assistance to qualified applicants. The interest assistance program will be on a reimbursement basis. The business will pay the interest on their loans to a financial institution, and the DCOH will reimburse them on a quarterly basis after review of their quarterly payroll report to make sure they are maintaining the jobs originally promised.

Guidelines for Grants

Grants are available to for profit businesses that will create or retain jobs in Haskell. Grants are available to not-for-profit corporations or groups that through their activities add city sales tax revenue to the city of Haskell. Grants for quality of life projects will be granted based on estimates of the qualitative and quantitative value of the project to the citizens of Haskell as best that they can be defined and estimated by the Board.

Business grants will be only be approved by the DCOH that improve the company's equity position in order for the company to qualify for bank credit. Business grants will be approved based on the number of jobs to be created or retained by the project. These grant funds will be available based on the amount budgeted to the business grant fund by the DCOH for the specific fiscal year (October 1st through September 30th). For every grant, a minimum of one permanent full-time job must be created or retained. Although it is not a certainty due to the availability of funds, the standard grant will be based on \$10,000 for each permanent, full-time job created or retained.

Not-for-profit grants will be approved based on job creation and on city sales tax generated by the project. Grants available to not-for-profit corporations or groups and for quality of life projects will be based on the amount budgeted to this specific grant fund by

the DCOH for the specific fiscal year (October 1 through September 30th). This type of grant will only be made on a matching basis with the maximum amount of the matching portion from the DCOH being 100% (or \$1.00 for \$1.00 matching). The matching amount from the entity requesting the grant can be for in-kind services.

All eligible requests will be presented to the DCOH Board for approval or denial. The corporation or group or quality of life project promoter requesting a grant will be required to attend the Board meeting and speak on behalf of the project.

APPLICATION FOR FINANCIAL ASSISTANCE FOR PROFIT BUSINESS

Applicants, whether through a financial institution or direct, requesting loan assistance must present the following documents and information:

1. A one page narrative of the business relocation or expansion including the number of new jobs created or retained during the agreed upon time frame
2. The most current interim balance sheet and income and expense report of the business.
3. The last three (3) fiscal year end financial statements and/or tax returns on the business (if applicable).
4. Financial statement on all owners of the business that have a 20% or more ownership in the business.
5. A current financial statement on all guarantors.
6. A list of collateral offered as security along with an estimate of its current market value.
7. On a guaranteed loan, the financial institution loan officer's analysis and recommendations of the applicant and the business.
8. On a guaranteed loan, the financial institution's description of the loan's terms and conditions.
9. On a guaranteed loan, the financial institution's credit history on the borrower along with credit reports on all guarantors and co-signers.

If it is a start up business, the following additional or replacement items will be required:

1. A projected balance sheet and income statement for the first year of operation.
2. A monthly cash flow projection for the first year of operation.
3. Pro forma based on the first three (3) years of operation.
4. Additional information may be required by the DCOH on a case by case basis.

APPLICATIONS FOR ALL GRANTS

All grant applications will present the following documents and information:

1. A one page narrative of the project which will include the projected benefit to the city of Haskell in terms of jobs created or maintained, how the quality of life will be enhanced by the project, or potential increase in sales tax revenue to the city of Haskell. The request should address the requested matching amount along with the source of the entity's matching amount or the in-kind services which will make up the entity's matching amount. The narrative should also address why the grant is critical to the success of the project.
2. Current financial status of the business (current financial statements and projected financial statements), financial status and past experience of the not-for-profit corporation or entity, or financial status and past experience of the company promoting the quality of life enhancements.
3. Additional information may be required by the DCOH on a case by case basis.