MISSISSIPPI DEVELOPMENT AUTHORITY

MISSISSIPPI EXISTING INDUSTRY PRODUCTIVITY LOAN PROGRAM

GUIDELINES

MISSISSIPPI EXISTING INDUSTRY PRODUCTIVITY LOAN PROGRAM

The Mississippi Existing Industry Productivity Loan Program ("Existing Industry Loan Program"), administered by the Mississippi Development Authority ("MDA") is designed for making loans to existing industries or to local governmental entities to assist existing industries to deploy long-term fixed assets through new technology, which will improve productivity and competitiveness and for purchasing or refinancing land, buildings or equipment. Funding for this program is derived from state general obligation bonds.

ELIGIBILITY

ELIGIBLE PROJECTS

Loan funds can be used to finance long-term fixed assets ("Fixed Assets") or refinance land, buildings and equipment, provided that the company can demonstrate that refinancing is necessary to maintain or expand the facility. This financing is for are assets which, through new technology, will improve productivity and competitiveness of the company. The benefits of such asset will have to be documented.

Loan proceeds may not be used for working capital or rolling stock.

QUALIFIED BORROWERS

Companies - To obtain assistance under the Existing Industry Loan Program, the company must be a manufacturing enterprise that has operated in the State for not less than two (2) consecutive years. A manufacturing enterprise is one that is exclusively or predominately engaged in activities of an industrial or commercial nature wherein labor or skill is applied by hand or machinery, to materials belonging to the manufacturer so that a new, different, or more useful article is produced for sale. The company must be financially sound, present evidence that the company can repay the debt, and must not have defaulted on any previous loan from the State or Federal Government.

Local Government Entities – Counties or incorporated municipalities may apply for a loan fund to assist a manufacturing enterprise in deploying long-term fixed assets.

LOANS

CONDITIONS

An existing company that accepts a loan shall not reduce employment by more than twenty percent (20%) through the use of the long term fixed assets for which the loan is provided.

The company must inject a minimum of up to ten percent (10%) equity into the project.

TERMS

The maximum amount of a loan shall not exceed $2,000,000 while the minimum amount is $250,000.

The term of the loan shall be the determined useful life of the asset to be financed or twenty (20) years, whichever is less.

The rate of interest on a loan will be at a fixed rate. The base rate will be 200 basis points over the Wall Street Journal Prime Rate with a floor of three percent; however, the rate of interest can be adjusted an additional 200 basis points above or below the base rate depending on the credit risk e.g. (collateral, loan terms, company's financials) associated with each loan.

REPAYMENT

Principal and interest payments will be due on a monthly basis, with a fixed amount to be paid over the life of the loan.

LIENS

Each loan will be secured by a lien to provide adequate security for MDA to recover its investment in case of default on the loan. Liens may be in the form of personal guarantees, liens on the equipment installed or a security interest in other assets. It should be noted MDA will require a one percent (1%) good faith deposit on all loan applications.

Individuals or entities with twenty percent (20%) or more ownership in the company will be required to provide personal guaranties and life insurance.

Local governmental entities applying for loans under this section shall pledge for repayment its homestead exemption annual tax loss reimbursement or sales tax revenue, respectfully.

APPLICATION

The application to be submitted by a company must include:

- The purpose of the proposed loan including a list of eligible items and the cost of each;
- Documentation on how the financing of the Fixed Assets will improve productivity and competitiveness;
- The estimated cost of the total project with a detailed breakdown of all public or private sources of funding;
- The time schedule for implementation and completion of the project, evidencing an expeditious completion of the project;
- Company balance sheets, income statements and statements of cash flow for the previous three (3) fiscal years and current statements dated within ninety (90) days of application and/or three (3) years of tax returns.
- A two (2) year business plan for the project;
- List of principal stockholders, partners, or parties who have ownership of twenty percent (20%) or more.

The applications submitted by a local government entity must include the same information for the company that would be submitted if the company applied plus the following:

For local government entities:

(i) Certified proof of publication of the Resolution of Intention of the government entity to apply for an Existing Industry Loan Program. The Resolution must be published once a week for at least four (4) consecutive weeks in a newspaper having general circulation in the county. (Exhibit A);

(ii) Upon receiving the results of the publication of the Resolution of Intention, the government entity will need to provide MDA with an execution Resolution of No Protest. (Exhibit B);

(iii) Most recent audited financial statements.

MDA may require additional information as needed. Two copies of the application must be submitted.

CONDITIONS FOR DISBURSEMENT OF FUNDS

LOAN CLOSING

Based upon the terms and conditions established by MDA, MDA will prepare all security and loan documents, including but not limited to, the Loan Agreement and Promissory Note, (collectively "Loan Documents"). Prior to disbursement of any funds, all Loan Documents must be fully executed.

The Borrower will also be responsible for paying for all costs associated with the closing of the loan, including document preparation, title searches and filing fees.

REIMBURSEMENT PROCESS

The MDA will release loan funds on a reimbursement or services rendered basis for approved eligible costs of the project as incurred. The Borrower shall certify to MDA that the expenses were incurred and were in accordance with the project as approved by MDA. Funds will be released periodically upon receipt of supporting documentation from the Borrower based upon a schedule established by MDA.

AUDIT

Loans made under the Existing Industry Loan Program are subject to audit by the State Department of Audit.

WAIVER

These guidelines may be amended by MDA at anytime. MDA, in its discretion, may temporarily waive any requirement of the guidelines to the extent that the result of such waiver is to promote the public purpose of the Act and is not prohibited by State Law.

ADDITIONAL INFORMATION

Program inquiries and applications should be directed to:

Mailing Address:
Mississippi Existing Industry Loan Program
Financial Resources Division
Mississippi Development Authority
Post Office Box 849
Jackson, Mississippi 39205
Telephone: (601) 359-3552

Delivery Address:
501 North West Street
6th Floor
Jackson Ms 39201