MISSISSIPPI DEVELOPMENT AUTHORITY
FINANCIAL RESOURCES SMALL BUSINESS AND EXISTING FORESTY INDUSTRY LOAN PROGRAM

GUIDELINES

The Small Business And Existing Forestry Industry Loan Program (SBEFI), to be administered by the Mississippi Development Authority (MDA), is a loan program designed to encourage the extension of conventional financing and the issuance of letters of credit, by private institutions, to qualified enterprises in the State of Mississippi (the State). MDA will provide low-interest loans to qualified borrowers engaged in qualified small businesses or the existing forestry industry. The following guidelines set out the requirements under the program, and MDA reserves the right to make changes to these guidelines and to waive any restriction not set by statute.

ELIGIBILITY

Qualified Participants:

Small Business/Existing Forestry Industry Loans may be made to the following participants:

1. **Small Businesses** – commercial enterprises with less than:
   - 100 full time employees;
   - Seven Million dollars in gross revenues; or
   - Seven hundred fifty thousand dollars in profit after taxes.

2. **Existing Forestry Industry Enterprises** – manufacturing enterprises with its principle place of business in the state that:
   - Have been operational in the state for a minimum of three years;
   - Perform the initial processing of logs for the production of lumber, poles, or timber; and
   - Has maintained an average of at least fifteen employees within the past thirty-six months of application.
     - Does not include enterprises with the primary business of producing chips, or pulp manufacturer and/or paper manufacturer.
     - Has employed an average of not less than fifteen (15) full time employees based on the most recent thirty-six-month period.

Financial Institutions - An eligible Financial Institution is any commercial bank, savings bank, federal land bank, farm credit bank, agricultural credit association or other farm credit agency, which is domiciled or qualified to do business in the State.

PARTICIPATION REQUIREMENTS

An eligible Financial Institution must originate the SBEFI Loan application for an eligible business on the form attached hereto as Exhibit C; along with a cover letter (Exhibit D).

The Financial Institution must provide MDA with a Servicing Agreement Letter (Exhibit A) to be accepted upon approval of the SBEFI Loan.

The Financial Institution must provide, in writing, all required information for the preparation of SBEFI Loan closing documents.

All closing documents must be properly executed and returned to MDA immediately.

All exhibits to the closing documents must be filed and copies sent to MDA no later than thirty (30) days from the date of closing.

The Financial Institution may charge the business a servicing fee, which may not exceed one percent (1%) of the SBEFI Loan amount. The fee will be a one-time charge collected when the SBEFI Loan is closed. The fee may be paid directly by the business, deducted from the SBEFI Loan proceeds, or financed as part of the Financial Institution's loan.

The Financial Institution shall also be responsible for collecting and remitting to MDA, at loan closing, a servicing fee which represents one percent (1%) of the SBEFI Loan. The fee will be a one-time charge and may be paid by the agribusiness, deducted from the SBEFI Loan proceeds, or financed as a part of the Financial Institution's loan.

The Financial Institution shall be responsible for servicing the SBEFI Loan, which will include all repayments to MDA.

The Financial Institution will also enforce the terms and conditions of all closing documents executed for the SBEFI Loan.

LOAN CRITERIA

SBEFI Loan proceeds for Small Businesses may be used for buildings, provide working capital, acquire machinery and equipment. SBEFI Loan proceeds for Existing Forestry Industry Enterprises may be used to provide working capital, acquire machinery and equipment, make upgrades and improvements to machinery and equipment, and acquire raw materials.

No loan proceeds shall be used to pay off any existing debt for loan consolidation purposes; to finance acquisition, construction, improvement, or operation of real property which is primarily for sale or investment; to provide or free funds for speculation in any kind of property or as a loan to owners.

The amount of a loan to any single SBEFI shall not exceed fifty percent (50%) of the total cost of the project or $1,000,000, whichever is less. The minimum amount for an SBEFI loan will not be less than $250,000.

Interest shall be charge on the SBEFI loan at a rate equal to one percent (1%) above the current published prime rate at the time of SMFI loan approval by the MDA..

The term of the SBEFI Loan shall match the term of the Financial Institution's loan, up to the maximum maturity of five (5) years.

Disbursements of SBEFI funds will be made to Financial Institutions on behalf of borrowers. Requests for payment must be submitted on the MDA Request for Payment Form (Exhibit B).

All repayments of SBEFI funds to MDA shall match the repayments of the borrower to the Financial Institution and shall be submitted upon the terms stated in the Lender's Authorization forms.

If a Financial Institution collects payments on more than one SBEFI Loan, MDA will allow a lump sum payment on all outstanding loans. An itemized list of the source of funds, including SBEFI Loan numbers, must accompany this payment. Financial Institutions must submit all collections for a one-month period by the fifth of the following month.

SBEFI Loans are subject to an agreement, providing that any and all outstanding obligations may be accelerated and payments called for if, during the term

of the loan, any change of ownership or control of the business concern occurs without the prior written consent of MDA, or if any adverse change occurs without notification to MDA.

PREPAYMENT AND LOAN DEFAULT

The Financial Institution shall notify MDA in writing of any prepayments of the Financial Institution's loan. If the Financial Institution's loan is to be paid in full, the MDA portion of the loan must be paid off first. MDA and the Financial Institution shall receive partial payments on a pro-rata basis.

The Financial Institution's Loan and Note is prohibited from being sold assigned, conveyed, subparticipated, subdivided, encumbered or otherwise transferred.

MDA will consider any loan that has become delinquent, in amount equal to the required payment, to be in default.

AUDIT

Loans made under the MSFI 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.

EXHIBIT A

SERVICING AGREEMENT LETTER
(on bank letterhead)

Mississippi Development Authority
Post Office Box 849
Jackson, Mississippi 39201

RE: Small Business And Existing Forestry Industry Loan Program (SBEFI)

(business enterprise)

Gentlemen:

In connection with the Small Business And Existing Forestry Industry Loan (SBEFI) extended to

(business enterprise) by the Mississippi Development Authority (MDA), *the (Financial Institution)* hereby agrees to act as the collection and service agent for said loan and agrees to the following terms and conditions:

(1) The Financial Institution is entitled to a service fee not to exceed one percent (1%) of the SBEFI Loan to be collected at closing.

(2) The Financial Institution shall be responsible for collecting and remitting to MDA, at loan closing, a servicing fee which represents one percent (1%) of the MDA portion of the loan.

(3) The Financial Institution shall be responsible for collecting and remitting any amounts due to MDA under the terms of the Certificate of Participation and the Authorization Approving Financial Institution's Request for Participation.

(4) The Financial Institution shall remit payments collected on an SBEFI Loan to MDA upon receipt. If payments are collected on more than one loan, payments shall be aggregated and one lump sum payment shall be made to MDA not later than the fifth of the following month with an itemized list of the sources of the funds.

(5) The Financial Institution shall file with MDA, by January 5 of each year, a status report for the previous calendar year. (Form will be provided by MDA in November of each year.)

(6) The SBEFI Loan is subject to audit by the State Auditor, and the Financial Institution agrees to cooperate with the State Auditor in the event of an audit.

(7) MDA will consider any loan that has become delinquent, in amount equal to the required periodic payment, to be in default.

(8) The Financial Institution shall comply with all the terms and provisions of the MDA Small Business And Existing Forestry Industry Loan Program Guidelines.

(9) MDA and the Financial Institution may alter or amend the terms of this agreement by mutual consent in writing.

ATTEST: *(NAME OF FINANCIAL INSTITUTION)*

_____ By _____

(Signature) *(Signature)*

_____

(Title)

ACCEPTED BY MDA:

_____

(Date)

_____

Authorized Representative

Mississippi Development Authority
Small Business And Existing Forestry Industry Loan Program

EXHIBIT B

REQUEST FOR PAYMENT
(on bank letterhead)

Mississippi Development Authority
Post Office Box 849
Jackson, Mississippi 39205

Gentlemen:

The undersigned representative of _____ *(Financial Institution)* hereby authorizes and directs disbursement from the Small Business And Existing Forestry Industry Loan account (SBEFI) established for , loan number_____under the terms of the security documents to be entered into between the Mississippi Development Authority (MDA) and the Financial Institution in the amount of $_____, payable to the following (Obligation).

Bank Name: _____

Address: _____

_____

_____

The nature and purpose of the Obligation for which payment is requested is described below:

_____

_____

_____

The undersigned hereby certify that the Obligation has been properly incurred, is a proper charge against the SBEFI Loan and has not been the basis of any previous withdrawal; that no "Event of Default" as defined in the Loan Agreement exists and that the Financial Institution has no notice of any mechanic's, materialmen's or their liens or rights to liens or other obligation which should be satisfied or discharged before payment of the Obligation is made.

Insofar as the Obligation for which the foregoing payment is requested was incurred for materials or supplies in connection with the construction and/or equipping of the business

project, the undersigned further certify that such work was actually performed in general compliance with the SBEFI Application.

Date	Borrower
Date	Financial Institution
	Title

EXHIBIT C

MISSISSIPPI DEVELOPMENT AUTHORITY
FINANCIAL RESOUCES
SMALL BUSINESS AND
EXISTING FORESTY INDUSTRY
LOAN PROGRAM

APPLICATION

1. **INFORMATION ON THE FINANCIAL INSTITUTION:**

Name of Financial Institution:		Date of Application:
Street:	P.O. Box:	Phone Number:
City:	State:	Zip Code:
Name of Principal Contact:		

2. **INFORMATION ON THE SBEFI:**

Name:		Social Security Number:
Street:	City:	County:
State:	Zip Code:	Phone Number:

1. Description of Applicant:

2. Has the company been in operation last thirty six (36) months in the State of MS? Yes____ or No_____

3. During the last thirty six (36) months has number of full time employees been less than 15. Yes____ or No_____

4. Principle place of business.

5. Date company began operation in the State of MS.

Type of Business:	Gross Annual Revenue: $ _____ Net Annual Profit After Tax: $ _____	Existing Business _____ New Business _____	Address of Project: County Location:

For statistical purposes only, is the Applicant a minority? Yes ____. No ____.

If an existing business is being purchased, was the business initially financed with SBEFI Funds?

Yes ____. No ____. If so, provide the name and the SBEFI Loan number assigned to the loan:

Borrower's name: _____ SBEFI Loan Number: _____

Is there any relationship between the owner and the purchaser? Yes ____. No ____. If so, explain:

3. **PROJECT INFORMATION**:

Purpose of the Loan (provide full description):

Total Project Cost: $_____

Number of full time employees:	Financial Institution's loan to be guaranteed by:
At time of application _____	Small Business Administration _____
If loan is approved _____	Farm Service Agency _____

4. **SOURCES AND USE OF FUNDS**:

USE OF PROCEEDS	TOTAL AMOUNT	FINANCIAL INSTITUTION	MDA
Land Acquisition *			
Building			
Renovation			
Machinery & Equipment			
Furniture & Fixtures			
Working Capital			
Debt payment			
Fees			
Other _____			
TOTALS			

*If land is to be purchased as part of this project, an appraisal must be included with this application.

5. **LOAN REQUEST SUMMARY**:

	FINANCIAL INSTITUTION	MDA
Amount		
Term		
Rate		
Annual Debt Service		

6. **COLLATERAL**:

Description of Collateral:

7. REQUIRED **ATTACHMENTS TO APPLICATION**:

1. Cover letter to MDA (Exhibit D)

2. Original Servicing Agreement Letter on bank letterhead signed by bank officer

3. List of collateral with supporting documents such as appraisal, legal description, maps, cost list, bid sheets, etc.

4. Narrative: Financial Institutions credit write up and analysis with all supporting documentation such as credit reports, tax returns, cash flow budget, balance sheet, income statement, ownership agreement, etc.

5. Plan for servicing borrower.

6. Verification of all debts greater than $10,000.

EXHIBIT D

Should be on Financial Institution Stationary

Mississippi Development Authority
Post Office Box 849
Jackson, Mississippi 39205-0849

Re: *Name of Financial Institution*

Customer Name

Gentlemen:

Enclosed is an application for ***Customer's Name*** to apply for Small Business And Existing Forestry Industry Loan Program (SBEFI) The request of $_____ *then explain the terms of the loan.*

Collateral *listed for the loan*_____.

The following documents are enclosed for your review.

1. SBEFI Loan Application
2. Original Servicing Agreement Letter
3. Required attachments to the application.

Should you have any questions or need additional information, please give me a call at *phone #*_____.

Sincerely,

Loan Officer

Enclosures