

Angel Loan Fund Program (ALF)
Business Enrollment Application

Program Requirements

All applicants must be certified as a Qualified Business through the Minnesota Angel Tax Credit Program (ATC). Application and subsequent approval for enrollment into the Angel Loan Fund Program (ALF) does not guarantee a loan will be made. All loans are subject to the following provisions which must be satisfied prior to loan issuance:

1. **Loan Amount:** The maximum loan amount for each business is based upon the information provided on this ALF Business Enrollment Application. The applicant business is asked to indicate the amount of equity investment they intend to raise during the ALF funding round period and the maximum loan amount is set at 10% of that amount. The minimum equity investment required for an ALF loan is \$200,000, and the maximum equity investment considered is \$2,500,000. For example: If business "ABC" estimates it will raise \$400,000 of equity investment during their funding round, their maximum loan amount will be set at \$40,000. Failure to reach the estimated amount of equity investment during the ALF funding round period will result in a reduction to the loan amount, or possible termination of ALF loan eligibility. If business "ABC" was to only raise \$380,000 of the \$400,000 estimated equity investment, their loan amount would be reduced to \$38,000.
 - a. If a business does not attain at least 70% of the estimated amount of equity investment to be raised (as indicated on this ALF Business Enrollment Application) during the ALF funding round, the business will no longer be eligible for an ALF loan.
 - b. If the business raises more equity investment than indicated on their ALF Business Enrollment Application, they are eligible to apply for an increase in the ALF loan amount. Increases will be made based upon ALF funds availability at the time of application.

In order for an increase to be approved, the equity investment must be made during the ALF
 - c. funding round period as indicated in the ALF Acceptance Letter, and all proof of investment must be received. Equity raised during qualified funding round period cannot exceed \$19.5 million per SSBCI Angel Loan Fund Guidelines.
2. At least one equity investment must be made by an investor that is both certified by the ATC and qualified as an Accredited Investor per the U.S. Securities and Exchange Commission under Rule 501 of Regulation D, however, investments need not be exclusive to investments made to meet the requirements of the Angel Tax Credit Program.
3. The funding round is limited to a 12 month period beginning and ending on the dates indicated in the ALF Acceptance Letter; all equity investments must be made during this period to be eligible.
4. Only one loan will be made per business through the ALF - please indicate any affiliates seeking funding.
5. Loan terms are deferred, non-recourse at 0% interest for 7 years, with a balloon payment due at the end of the term. If the business is sold during the loan term, the original principal plus a 30% risk mitigation fee would be due within 30 days of the date of sale.

Business and Community Development Division

1st National Bank Building ■ 332 Minnesota Street, Suite E200 ■ Saint Paul, MN 55101-2146 USA

www.positivelyminnesota.com

Toll Free: 800-657-3858 ■ Phone: 651-259-7424 ■ Fax: 651-296-5287 ■ TTY: 651-296-3900

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Use of Loan Funds

ALF funds may be used for start-up costs, working capital, business acquisitions and expansions, franchise financing, equipment loans, inventory financing, construction, and commercial, non-passive real estate acquisitions. Projects that include passive real estate are only allowed on a limited basis as determined by U.S. Department of the Treasury guidelines. Financing of existing debt is not permitted unless all program conditions are met as described in the State Small Business Credit Initiative Frequently Asked Questions or Guidelines, and approved by DEED and U.S. Department of the Treasury officials. Please contact Lisa Dargis at Lisa.Dargis@state.mn.us with any questions regarding use of funds prohibitions.

Prohibited Uses

The Loan proceeds cannot be used to:

- repay delinquent federal or state income taxes unless the Eligible Business (as defined by SSBCI Policy Guidelines) has a payment plan in place with the relevant taxing authority; or
- repay taxes held in trust or escrow, e.g. payroll or sales taxes; or
- reimburse funds owed to any owner, including any equity injection for the Eligible Business' continuance; or purchase any portion of the ownership interest of any owner of the Eligible Business.

Required Documents

To participate in the Angel Loan Fund Program, business must submit the following information with the ALF Business Enrollment Application form:

1. Business plan with detailed management background information for each principal of the company and any Board of Directors positions.
2. Three years historical financial information and 2 years projected: Balance sheets, Profit and loss statements and Cash flow statements (audited or reviewed if available).
3. Investment plan for securing follow-on capital to sustain firm;
4. Proof of patent, license or other intellectual property protection as appropriate;
5. Strategy demonstrating a strong sustainable competitive advantage in growing market;
6. Exit strategy for State investment and/or debt repayment;
7. Description of collaborations or experience needed to commercialize technology and accelerate the growth of high-tech start-up company;
8. Description of previous experience raising investment or undertaking a successful exit (if applicable);
9. Copy of ATC certification acceptance email and application materials.

INCOMPLETE APPLICATIONS WILL NOT BE CONSIDERED AND WILL BE RETURNED TO THE APPLICANT.

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Applicant Information

Business Name: _____

Business Address: _____

Contact Person & Title: _____

Phone: _____ E-mail: _____ Company Website: _____

Business Description: _____

Business Legal Organization (e.g. S Corp): _____ Industry (6-digit NAICS Code): _____

Year Business Organized: _____ DUNS Number _____ (if available)

Number of Employees (Full-Time Equivalent): _____ Most Recent Annual Revenues: _____

NOTE: The number of employees includes parent company and all locations.

Amount of equity investment to be raised during this 12 month funding round \$ _____

(Please see Program Requirements above for more detail about loan amounts and estimated equity investment. If this application is approved, the applicant will receive an ALF Acceptance Letter outlining the 12 month ALF funding round period beginning and end dates. All investments must be made during the defined funding period to be considered.)

Describe the use of funds for both the equity investments raised during the funding round, and the anticipated Angel Loan Fund Program Loan:

Does this business have any common ownership with any other Angel Loan Fund applicant company including a parent or holding company?

Yes No If yes, please attach documentation outlining the ownership structure of all related companies and include percentage of ownership interest for all parties.

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The undersigned:

- a. certifies that all representations made in this ALF Business Enrollment Application or information provided herein are true and complete to the best of his or her knowledge,
- b. grants the State of Minnesota and its agents the right to contact individuals and organizations as the State may deem necessary to verify the accuracy and completeness of any and all applicant data,
- c. agrees to execute and deliver written authorizations for the release of data or for any data privacy waivers reasonably required for the State to verify the accuracy or completeness of applicant data,
- d. acknowledges that it is aware that the act of providing false applicant data may subject it to penalties provided by State and Federal laws,

Signature of Authorized Representative: _____

Printed Name: _____

Title: _____ Date: _____

DATA PRIVACY ACKNOWLEDGEMENT:

Tennessen Warning Notice: per MN Statutes 13.04, Subd.2, this data is being requested from you to determine if you are eligible for assistance from the Minnesota Department of Employment and Economic Development. You are not required to provide the requested information, but failure to do so may result in the department's inability to determine your eligibility for assistance. The data you provide that is classified as private or non-public will not be shared without your permission except as specified in state and federal laws.

Data Privacy Notice: per MN Statutes 13.591, Subdivision 1, certain data provided in this Application is private or non public data; this includes financial information about the business, including credit reports, financial statements, net worth calculations, business plans; income and expense projections; balance sheets; customer lists; income tax returns; and design, market, and feasibility studies not paid for with public funds. Per MN Statutes 116J.401, Subd. 3., certain data provided in this application is private data; this includes data collected on individuals pursuant to the operation of business finance programs.

I have read the above statements and I agree to supply the information requested to the MN Department of Employment and Economic Development, Office of JOBZ and Business Finance with full knowledge of the information provided herein. I certify that all information provided herein is true and accurate and that the official signing this form has authorization to do so.

Typed Name of Business Official: _____

Signature of Business Official: _____ Date: _____

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**Sex Offender Certification
(To be used for Borrowers/Investees)**

This certification is required by Section 3011(c)(2) of the Small Business Jobs Act of 2010 from any private entity that receives a loan, a loan guarantee, or other financial assistance using funds received by a participating State under the State Small Business Credit Initiative.

Legal name of entity:

As required by Section 3011(c)(2) of the Small Business Jobs Act of 2010, the private entity hereby certifies to the participating State that the Principals of the private entity have not been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. 16911)). For the purposes of this Certification, Principal means the following: if a sole proprietorship, the proprietor; if a partnership, each managing partner and each partner who is a natural person and holds a 20% or more ownership interest in the partnership; and if a corporation, limited liability company, association or a development company, each director, each of the five most highly compensated executives or officers of the entity, and each natural person who is a direct or indirect holder of 20% or more of the ownership stock or stock equivalent of the entity.

Legal Name: _____

By: _____

Authorized Signatory

Name: _____

Title: _____

Date: _____

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Small Business Borrower/Investee Certification for Use of Proceeds

These assurances reference Section 3005(e)(7) and Section 3011(c)(2) of the Small Business Jobs Act of 2010.
Legal name of borrower or investee:

The borrower or investee hereby certifies the following to the lender or investor:

1. The loan or investment proceeds will be used for a “business purpose.” Business purpose includes, but is limited to, startup costs, working capital, business procurement, franchise fees, equipment, inventory, as well as the purchase, construction renovation or tenant improvements of an eligible place of business that is not for passive real estate investment purposes. The definition of business purpose excludes: activities that relate to acquiring or holding passive investments, such as commercial real estate ownership and the purchase of securities; and lobbying activities, as defined in Section 3(7) of the Lobbying Disclosure Act of 1995, P.L. 104-65, as amended.
2. The loan or investment proceeds will not be used to:
 - a) repay a delinquent federal or state income taxes unless the Borrower has a payment plan in place with the relevant taxing authority; or
 - b) repay taxes held in trust or escrow, e.g. payroll or sales taxes; or
 - c) reimburse funds owed to any owner, including any equity injection or injection of capital for the business’ continuance; or
 - d) to purchase any portion of the ownership interest of any owner of the business.
3. The borrower or investee is not:
 - a) an executive officer, director, or principal shareholder of the lender; or
 - b) a member of the immediate family of an executive officer, director, or principal shareholder of the lenders; or
 - c) a related interest of an such executive officer, director, principal shareholder, or member of the immediate family.

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For the purposes of these three restrictions, the terms “executive officer”, “director”, “principal shareholder”, “immediate family”, and “related interest” refer to the same relationship to a lender as the relationship described in part 215 of title 12 of the Code of Federal Regulations, or any successor to such part.

4. The borrower or investee is not:
- a) a business engaged in speculative activities that develop profits from fluctuations in price rather than through normal course of trade, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business and part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business; or
 - b) a business that earns more than half of its annual net revenue from lending activities; unless the business is a non-bank or non-bank holding company certified as a Community Development Financial Institution; or
 - c) a business engaged in pyramid sales, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants; or
 - d) a business engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted. (Included in these activities is the production, servicing, or distribution of otherwise legal products that are to be used in connection with an illegal activity, such as selling drug paraphernalia or operating a motel that knowingly permits illegal prostitution); or
 - e) a business engaged in gambling enterprises, unless the business earns less than 33% of its annual net revenue from lottery sales.

Legal Name: _____

By: _____

Authorized Signatory

Name: _____

Title: _____

Date: _____

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Please submit completed application and all required documents via postal mail to:

Abdullahi (Moe) Mohamed
DEED Office of Business Finance
1st National Bank Building
332 Minnesota Street, E200
St. Paul, MN 55101

or via email at:

Abdullahi.Mohamed@state.mn.us