



# CARES ACT REVOLVING LOAN FUND PROGRAM

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Guidelines and Instruction



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**CITY OF OREM**

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## **GUIDELINES FOR THE CARES ACT REVOLVING LOAN FUND APPLICATION**

Note: Funding for the CARES Act Revolving Loan Fund (CARES Act RLF) is provided through the U.S. Department of Commerce, Economic Development Administration (EDA). Certain requirements are placed on the program due to federal sources of its funding, such as the provision for “necessary expenses for responding to economic injury as a result of the Coronavirus” as part of the Coronavirus Aid, Relief, Economic Security Act, Pub. L. 116-136 (March 27, 2020) (CARES Act).

### **PURPOSE**

The purpose of the CARES Act Revolving Loan Fund Program is to provide low-cost, short-term gap financing to small Orem businesses that have suffered economic injury caused by the coronavirus (COVID-19) pandemic. Loan funds are to assist small businesses with funding for fixed assets, including machinery and equipment, furniture and fixtures, and working capital for the purpose of financing operating expenses, including needed supplies, inventory, materials, space, etc.

### **ADMINISTRATION**

The CARES Act RLF program will be administered by the City.

### **ELIGIBLE TYPES OF FINANCING**

The CARES Act RLF will be eligible for use as a source for the following financing:

1. As a source of financing for the acquisition of fixed assets such as machinery or equipment used at the Orem place of business
2. As a source of working capital

### ***ACQUISITION OF MACHINERY/EQUIPMENT/FURNISHINGS***

The CARES Act RLF may be used as a source of financing for the acquisition of new fixed assets such as machinery and equipment which, when added to the business’ existing base, will create new jobs for low and moderate income persons through the improved ability of the business to compete for sales.

All applications for RLF financing for the acquisition of new or used fixed assets such as machinery and equipment should be accompanied by documentation verifying current value and useful life of such property as well as a statement documenting the machinery and equipment’s useful life, if applicable. Verification will be required that CARES Act RLF funds have been used to purchase the exact machinery and equipment described in the approved application prior to the disbursement of CARES Act RLF funds.

### ***WORKING CAPITAL***

A CARES Act RLF loan may be made to an Orem business for the purpose of financing operating expenses (including needed supplies, inventory, materials, space, labor, etc.).

At a minimum, the applicant must provide personal guarantees from each principal with a 20% or greater interest in the company. Evidence must be presented in the body of the application for funds that the provision of this type of financing will result in the creation of additional jobs.

## **ELIGIBILITY REQUIREMENTS AND LENDING TERMS**

All plans must demonstrate they are economically viable. The objective of creating permanent private sector jobs require that the plan's overall feasibility and job creation potential be emphasized.

Application for refinancing of existing debt will not be considered.

The focus of the CARES Act RLF is to support strong, local companies who require financing for expansion and who were negatively impacted by the COVID-19 pandemic. Existing Orem businesses and companies moving into the City will be eligible. The guidelines and minimum criteria for eligibility are outlined below:

### **Application Deadline**

- Year round. Applications due by the end of the month prior to the month in which application will be considered by the Loan Approval Board (LAB). 0% interest to low-interest rates only available until June 30, 2022.

### **Eligible Borrowers**

- Owner-user businesses
- For-profit companies

### **Eligible Types of Businesses** (including but not limited to)

- Industrial/Manufacturing
- Commercial
- Service
- Technology
- **Loans will not be made to companies who compete locally for their main client base**

### **Eligible Use of Proceeds**

- Fixed assets including but not limited to:
  - Machinery and Equipment
  - Furniture and fixtures
- Working capital

### **Maximum Amount**

- \$125,000

### **Rate of Interest**

- 0% interest to low-interest, decided by the LAB based on risk factors.

### **Term of Loan**

- 6 months to 3-year call.

### **Collateral**

- The CARES Act RLF must take collateral position in assets financed or assets pledged. Typically, the City secures collateral through a lien on the owners' (with 20% or more interest in the company) homes. Generally, second lien positions will be accepted and sometimes third where SBA is involved in the other portions of the financing.

#### Personal Guarantees

- Required from all principals holding a 20% or greater interest in the company.

#### Job Creation Criteria

- Emphasis on job-creating projects. One job created for every \$35,000 CARES Act RLF money. 51% of jobs must be made available to persons of low to moderate income. All new jobs must provide an income of at least minimum wage.

#### **SPECIAL CONSIDERATIONS**

Although all loans that meet the minimum requirements will be considered, preference will be given to applicants that:

1. Have shown they will exceed the minimum requirements of job creation while maintaining the ability to meet debt service
2. Have shown that CARES Act RLF funds are fully secured. The greater the security of CARES Act RLF funds, the higher priority given to the application
3. Create jobs in the basic sector which will spinoff additional new jobs in the service and retail sector
4. Demonstrate public and/or community benefit

# CARES Act Revolving Loan Fund Checklist

## (For Documents and submittals)

This document is a checklist of all of the documents that will need to be submitted throughout your application. The linked documents need to be filled out and attached to the application, and the unlinked documents (that you should have on hand) need to be attached as well.

THIS IS A 2-PAGE DOCUMENT

- [Business Plan](#)
- Copies of any affiliate/subsidiary firms/franchise agreements
- Corporations –
  - [Corporate Authorization Resolution](#)
  - Copy of Corporation's Articles of Incorporation
  - Copy of Corporation's Bylaws
- Partnerships –
  - Copy of Partnership Agreement
  - Copy of Partnership Authorization for Borrowing
- Finances –
  - Current Financial Statement
  - Business' Financial Statements from the past 3 years
  - Business' Pro Forma Balance Sheets and Income Statements for the coming 3 years
  - Business' Pro Forma Cash Flow Projection on a monthly basis for the coming year
  - Business' Pro Forma Cash Flow Projection for two additional years on a yearly basis
  - [List of Current Obligations](#)
  - [List of Projected Obligations](#)
  - [Schedule of Previous Government Financing](#)

- [Purchase Order Summary](#)
- Principal's (with over 20% ownership) Current Financial Statements
- Principal's (with over 20% ownership) Personal Income Tax Returns for the past 3 years
- [Credit Report Form](#)
- [Job Information Form](#)
- [Current Employees Report](#)
- [Projected Employees Report](#)
- [Environmental Review Questionnaire](#)
- [Acknowledgement and Agreement](#)