

2% LOAN LENDER AGREEMENT

THIS AGREEMENT, entered into this _____ day of _____, 20____ by and between the

CITY OF MINNEAPOLIS
(Hereinafter referred to as the City)

and

(Hereinafter referred to as the Lender)

WHEREAS, the City of Minneapolis has established a 2% Loan Program for the purpose of making loans to neighborhood small businesses; and

WHEREAS, the establishment of the 2% Loan Program requires that loan monies advanced from the 2% Loan Program be matched by at least an equal amount from a local lender;

NOW THEREFORE, in consideration of the above premises, the parties hereto agree ~~as follows~~that the following procedures shall govern when a Participating Lender makes a business loan for a business located in the City of Minneapolis in which the City will participate through its 2% Loan Program:

1. ~~That~~The document entitled “2% Loan Program Guidelines,” attached hereto as **Exhibit A** and incorporated herein, governs this agreement and the loans to be made hereunder.

2. ~~That the~~ Lender may, in conjunction with the financial participation of the City, will make ~~eligible~~loans to eligible borrowers for eligible expenses pursuant to the 2% Loan Program Guidelines~~rehabilitation at a ratio of 1:1.~~

3. ~~That, if~~ For each business to which loans are made pursuant to this Lender Agreement, up to half the funds ~~will~~may come out of the City’s 2% Loan Program, up to a maximum of ~~\$5075,000~~, unless (i) the business is a “Small Business,” as defined by Minnesota State Statute 645.445 (Sec. 645.445 MN Statutes), and is located in an “Eligible Area,”- as defined on the City’s Great Streets Eligible Areas map (Great Streets Eligible Area Map - City of Minneapolis)~~commercial district~~, in which case, the maximum amount of the loan to be funded by the 2% Loan Program may exceed ~~\$5075,000~~ and be up to ~~\$75100,000~~ or (ii) the business is a “Small Business” and is located in either a “Priority Eligible Area” or a “Cultural District Priority Eligible Area,” in which case, the maximum amount of the loan to be funded by the 2% Loan Program may exceed \$75,000 and be up to \$125,000. Any additional loan monies exceeding the program maximum limit shall not be the responsibility of the City.

4. ~~That~~Interest will accrue on the City portion on a simple annual rate of ~~be computed in the following manner. At the annual rate of two percent (2%) on the City’s portion. Interest will accrue on the Lender portion at, and~~ current market rates ~~for the monies loaned from the Lender.~~

5. ~~That the term of the loans shall not exceed ten (10) years. The~~ Lender shall make the determination of the appropriate loan term, provided (i) the term of the City portion shall not exceed the term of the Lender portion, (ii) the term of the City portion shall not exceed ten (10) years and (iii) no loan term shall exceed the term of any lease pursuant to which a borrower is operating its business.

67. The City portion shall be fully amortized and not exceed the loan term. The City will allow an up to 6-month interest only payment period if the Lender Portion allows an interest only payment period of equal or greater length. No interest only period shall extend the length of the term of the City portion beyond 10 years. For example, in a loan with a 7-year term, the interest-only period can be 6 months, and the amortization schedule will then be 6.5 years.

678. That tThe City will pre-screen the applicants for loans to determine if their request meets the program eligibility standards, including City threshold underwriting requirements. If the City determines that there are significant risks in the application such as insufficient collateral or poor debt service ability, the City may require additional collateral, reduce the City's loan amount or deny the loan.

789. That pPrior to approving or rejecting a loan request, the Lender shall process the request in the same manner as any other commercial improvement loan request they may receive. Lender shall have responsibility for determining the applicant's credit risk through a credit bureau and any other type of investigation typically used by Lender.

8910. That the Lender shall then approve or reject the loan based on the program requirements, provided that no application can be rejected for any unlawful reason; provided further that the City shall not have the authority to approve or reject a loan on behalf of the Lender. Lender and the City shall together determine the type and amount of collateral the borrower must provide.

9104. That iIf the Lender and the City approve the loans, the City shall tender its check drawn on the 2% Loan Program for half of the principal amount of the loans, up to the applicable maximum amount, at the time of the loan closing and Lender shall determine timing and number of disbursements and make all disbursements to Borrower using standard loan disbursement processes. Lender shall account for City funds in a separate fund in its accounting records in a non-interest-bearing account. All program income and uses of City funds shall be reported to the City monthly.

10112. That for each loan, the Lender shall have the loan recipient execute a two promissory note(s), one for the Lender portion and one for the City portion -and appropriate collateral documentation such as a security agreement, loan agreement, mortgage, personal guarantees, etc., to the Lender except under special circumstances agreed to by the Lender. Both notes shall be made in favor of Lender. The City interest in the collateral or guarantees shall be subordinate to that of the Lender. The Each promissory note, along with other documents, shall state the interest rate and schedule for payment for such note. Lender shall be responsible for perfecting all collateral interests.

11123. That for each loan entered into under the Agreement, the Lender shall require that each loan recipient shall be required to file Form 1, "Loan Application" and "Loan Applicant's Certification" indicating he/she has read and understood the Program Guidelines. Form 1 "Loan Application" shall be executed substantially in the form of Form 1 attached hereto as Exhibit B. Lender shall provide to the loan recipient a Truth-in-Lending Disclosure when applicable.

12134. That iIn conjunction with City's tendering of its check sending funds via wire/ACH for up to half the cumulative principal amount of the loans, the Lender shall execute a "Certificate of Participation" for such loan. A blank copy of said Form 2 "Certificate of Participation," is attached hereto as Exhibit C and is incorporated herein by reference hereto. Unless otherwise explicitly agreed

to in the Certificate of Participation, the City's interest in the collateral or guarantees shall be subordinate to that of the Lender.

~~13145. That u~~Upon closing each loan being funded with City funds, the Lender will collect the City's Origination Fee of 1% of the City loan amount (with a minimum of \$150) from the Borrower and remit said fee to "the City of Minneapolis" ~~in conjunction with requesting the City's Participation Amount.~~

~~14156. That t~~The schedule for loan payments by the recipients shall be determined by the Lender and said payments shall be made to the Lender on a monthly basis in accordance with the promissory notes ~~s~~(s).

~~15. That the Lender shall provide to the loan recipient a Truth in Lending Disclosure when applicable.~~

~~167. That the~~Lender shall remit loan payments to the City on a monthly basis. On a monthly basis, the Lender shall pay to the City that portion of the loan recipient's payments for the prior month which represents the City's proportionate share of the monthly payment.

~~178. That t~~This Agreement shall expire when (i) the 2% Loan Program monies available to the City are exhausted or (ii) the tenth (10th) anniversary of this Agreement, whichever occurs first. Provided, however, either party may terminate this Agreement at any time for any reason by written notice to the other of its intention to do so. Such termination shall be effective upon the effective date set forth in such notice, or, if no date is set forth, upon giving of the notice. If this Agreement is terminated in accordance with the procedures set forth above, said termination shall not affect the rights and obligations of the Lender and the City with respect to loans outstanding on the effective date of such termination.

~~Through Minneapolis City Ordinance 544.120, City and City-derived funds are prohibited from use to pay for billboard advertising as a part of a City project or undertaking.~~

~~19.18.~~ With respect to its obligations under this agreement, the Lender agrees to be bound by the City's Code of Ethics, Minneapolis Code of Ordinances, Chapter 15 as it exists on the date of this Agreement. The Lender certifies that to the best of its knowledge, all City employees and officers participating in this Agreement have also complied with that ordinance. It is agreed by the Parties that any violation of the Code of Ethics constitutes grounds for the City to void this Agreement. All questions relative to this section shall be referred to the City and shall be promptly answered.

~~20.19.~~ The books, records, documents and accounting procedures and practices of the Lender relevant to this contract shall be subject to examination by the City or its designees.

~~21.20. The~~Lender understands that the use or disclosure of applicant or recipient data may be prohibited by the Minnesota Government Data Practices Act or other state and federal laws and regulations on data privacy unless written consent is obtained from such applicants and recipients. Lender will contact the City for direction if it receives any request for release of such data.

~~22.21.~~ The City and the Lender shall not be liable to each other for any amounts due under the loans to the extent failure to pay such amounts results from a default by the loan recipient.

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IN FURTHERANCE WHEREOF, the parties hereto have set their hands as of the day and year first above written.

CITY OF MINNEAPOLIS:

By _____

Miles Mercer, Manager, Business Development

Participating Lender _____

By _____

Its _____

EXHIBIT A

2% LOAN PROGRAM GUIDELINES

EXHIBIT B

LOAN APPLICATION AND CERTIFICATION

EXHIBIT C

CERTIFICATE OF PARTICIPATION