

Minnesota Innovation Loans for Entrepreneurs (MILE) Business Loan Application

MILE is a pilot program that provides interest-free loans to early-stage businesses developing or producing high-tech products or services in Minnesota. Loans range from \$20,000 to \$50,000, require a 1:1 match, and have a 4-year term with no repayments in the first year. This program is an initiative of the Minnesota Investment Fund. See page nine for eligibility and evaluation criteria.

Applicant Information

1. Business Name: _____
2. Business Address: _____
3. Contact Person & Title: _____
4. Phone: _____ E-mail: _____
5. Business Website: _____
6. Business Legal Organization (e.g., LLC, S Corp, etc.): _____
7. Year Business Organized: _____ Date Operations Began: _____
8. DUNS Number: _____ (if available) Industry (6-digit NAICS Code): _____
9. State of organization per articles of incorporation/organization: _____
10. State of headquarters location: _____
11. If headquartered outside of Minnesota, on what date will the business relocate to MN? _____
12. FEIN (required): _____ Minnesota Tax ID (if available): _____
13. Number of Employees (Full-Time Equivalent) **inside** of Minnesota: _____
Most Recent Payroll: \$ _____
14. Number of Employees (Full-Time Equivalent) located **outside** Minnesota: _____
Most Recent Payroll: \$ _____

15. Primary business activity of applicant:

aerospace agricultural & food processing biotechnology energy efficiency & conservation information technology materials science medical devices pharmaceuticals process control telecommunications other _____

16. Primary business is **not** any of the following: sales at a physical retail sale space, professional or consulting services, direct financial or insurance services, medical or legal services or real estate
True False

17. Loan amount requested: \$ _____ (Minimum \$20,000 – Maximum \$50,000)

Applicant Questions

1. The business must meet **one or more*** of the following state economic development objectives to qualify for a MILE loan. Which of the following objectives applies to this project (check all that apply)?

- 1) Create new jobs or retain existing jobs;
- 2) Improve in the quality of existing jobs as measured by the wages, skills, or education associated with those jobs;
- 3) Increase in the property or income tax base;
- 4) Investment of public dollars induces private funds;
- 5) The project can demonstrate an excessive public infrastructure or improvement cost beyond the means of the affected community and private participants in the project;
- 6) The project provides higher wage levels to the community or will add value to current workforce skills;
- 7) Supports the development of microenterprises, as defined by federal statutes, through financial assistance, technical assistance, advice, or business services;
- 8) Whether assistance is necessary to retain existing business;
- 9) Whether assistance is necessary to attract out-of-state business;
- 10) Promotes or advances the green economy as defined in Minn. Stat. 116J.437.

*(*Project eligibility is based on an evaluation and finding that conditions found in 8 and 9 do not exist alone for this project. Some conditions found in 1-7 must also exist)*

2. Will your use of MILE proceeds result in an increase in property tax?

Yes No If Yes, attach a letter indicating the property tax increase from the county assessor's office.

3. Does the business or its properties have any outstanding local, state or federal tax liabilities?

Yes No If Yes, attach a statement.

4. Are there current or unsatisfied judgments or injunctions against the business or its owners?

Yes No If Yes, attach a statement.

5. What is the projected number of additional full-time equivalent Minnesota employees two years from today? _____
6. What is the projected cash wage for employees reported in question five?

Number of employees	Cash wage per hour
	less than \$13.27
	\$13.27 to \$14.99
	\$15.00 to \$19.99
	\$20.00 or more

To qualify for a MILE loan all future employees must receive total compensation of at least \$13.27 per hour. Total compensation includes cash wages and non-mandated benefits. For information describing what is considered non-mandated benefits view the Wage and Benefit Guidelines at www.mn.gov/deed/mile.

7. Is there current or pending litigation involving the business?
 Yes No If Yes, attach summary.
8. Within the past five years, has there been any violation(s), citation(s), or complaint(s) of discrimination filed against the company in a state or federal court or before any state, federal or local government agency?
 Yes No If Yes, attach a copy of the violation(s), citation(s), or complaint(s) and the disposition of each.
9. Is this business minority-owned and managed?
 Yes No
- Minority-owned business means a business which is (a) at least 51 percent owned by one or more minority group members, or, in the case of any publicly-owned business, at least 51 percent of the stock of which is owned by one or more minority group members, and (b) whose management and daily business operations are controlled by one or more minority group members. Minority group members are United States citizens who are Asian, Black, Hispanic, Pacific Islander, or Native American.*
10. Is this business women-owned and managed?
 Yes No
- Women-owned business means a business which is (a) at least 51 percent owned by one or more women, or, in the case of any publicly-owned business, at least 51 percent of the stock of which is owned by one or more women, and (b) whose management and daily business operations are controlled by one or more women.*
11. Is this business veteran-owned and managed?
 Yes No

Veteran owned business means a business which is at least 51 percent owned by a veteran. A veteran means a citizen of the United States or a resident alien who has been separated under honorable conditions from any branch of the armed forces of the United States after having served on active duty for 181 consecutive days or by reason of disability incurred while serving on active duty, or who has met the minimum active duty requirement as defined by Code of Federal Regulations, title 38, section 3.12a, or who has active military service certified under section 401, Public Law 95-202. The active military service must be certified by the United States secretary of defense as active military service and a discharge under honorable conditions must be issued by the secretary.

12. Is this business owned and managed by a person(s) with disabilities?

Yes No

Business owned by a person(s) with disabilities means a business which is at least 51 percent owned by a Person(s) with disabilities. The term "disability" is defined under the Americans with Disabilities Act and means, with respect to an individual:

(A) a physical or mental impairment that substantially limits one or more major life activities of such individual;

(B) a record of such an impairment; or

(C) being regarded as having such an impairment.

13. Is this business headquartered in the Twin Cities seven-county metropolitan area or in Greater Minnesota?

Metro area Greater Minnesota

(Metro is defined as Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington counties)

Required Documentation

Clearly identify and submit the following information with the MILE Business Loan Application form:

Exhibit 1: Business plan and, if available, commercialization plan addressing business strategy, and industry and start-up experience of principal(s), management, advisors, other investors, etc., including milestones to be achieved with the funding

Exhibit 2: Financial statements: balance sheet, profit and loss statements for the current period and if available the past three years

Exhibit 3: Information about prospective matching funding: a) sources b) amount c) timing

Exhibit 4: Description of sources and uses of funds (how MILE funds and matching funds will be used)

Exhibit 5: Proof of patent, license or other intellectual property protection as appropriate

Exhibit 6: Description of collaboration if developing technology licensed from a research institution

Exhibit 7: Description of collaboration or partnerships with other businesses or strategic customers

Exhibit 8: Description of participation in an entrepreneurship, incubator, or accelerator program, or experience in a competitive entrepreneurial business program (e.g., MN Cup, CleanTech Open)

Exhibit 9: Investment plan for securing follow-on capital

Exhibit 10: Strategy for repayment of MILE loan

Exhibit 11: Payroll register for most recent payroll period

Submission Deadline

The deadline for submission is 4:30 p.m. on July 16, 2018. Applications are accepted by email, mail, courier, or in-person. Visit our website at www.mn.gov/deed/mile or contact Stephen Wolff by email at mile@state.mn.us or by phone at 651-259-7415 with any questions.

LATE APPLICATIONS WILL NOT BE CONSIDERED

Email the application to mile@state.mn.us; acceptable file formats include PDF or Word. If provided electronically, it will be printed without color or changes to formatting on letter size paper (8½" by 11"). Maximum file size is 25MB.

Mail, courier, or in-person deliveries are accepted at:

Minnesota Department of Employment and Economic Development
Office of Business Finance, Attn: Stephen Wolff
1st National Bank Building
332 Minnesota Street, Suite E200
St. Paul, MN 55101-1351

Certifications and Acknowledgements

Tennessee 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. As described in MN Statutes 13.591, some or all of the data provided in this Application may become public.

Financial Assistance Certification: I hereby certify that the Minnesota Innovation Loans for Entrepreneurs Program is necessary to my business start-up or expansion and that without the Minnesota Innovation Loans for Entrepreneurs Program my business start-up or expansion project would not happen to the extent outlined in the Application.

The undersigned:

- Certifies that all representations made in this Minnesota Innovation Loans for Entrepreneurs Business Loan Application or information provided herein are true and complete to the best of his or her knowledge;
- 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;
- Grants consent to the Department of Employment & Economic Development to share any private or nonpublic data submitted in the Application with members of the application review committee who are not employees of the State of Minnesota. The data may be shared with non-employee committee members only for the purpose of evaluating this Application. This consent expires after the evaluation process is complete, not to exceed one year from the date of Application submission;
- 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;
- Acknowledges that the applicant is aware that the act of providing false applicant data may subject the applicant to penalties provided by State and Federal laws;
- Agrees to supply the information requested to the MN Department of Employment and Economic Development, Office of Business Finance with full knowledge of the information provided herein.

Signature of Authorized Representative: _____

Print Name and Title: _____ Date: _____

Borrower's Certification for Use of Proceeds

The Borrower hereby certifies the following:

1. The loan or investment proceeds will be used for a "business purpose." Business purpose includes, but is not limited to, startup costs, business procurement, franchise fees, equipment, inventory, proof of concept activities, intellectual property development and protection, market feasibility studies, competitive analysis, commercialization planning, prototype design and development, working capital (e.g., training, payroll, marketing, consultants, etc.), equipment loans, inventory financing, 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:
 - Make passive real estate investments; or
 - Repay delinquent federal or state income taxes unless the business 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 business' continuance; or
 - Purchase any portion of the ownership interest of any owner of the business; or
 - Finance existing debt; or
 - Pay for any expenditures incurred prior to receiving a MILE acceptance letter
3. The borrower is not:
 - 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
 - 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
4. Use of funds may be verified by audit and proof of expenditures and payment shall be provided by the borrower to the State. Proof of the match requirement shall be satisfactorily submitted by the borrower to the State prior to loan disbursement(s). Borrower hereby acknowledges that no more than fifty percent (50%) of eligible expenditures submitted for reimbursement may be disbursed by the State pursuant to the terms and conditions of a duly executed loan agreement and promissory note.

Signature of Authorized Representative: _____

Print Name and Title: _____ Date: _____

Consent to Release Private Business Employment and Wage Data

To qualify for financial assistance from the DEED Office of Business Finance, your business must agree to create or retain a minimum number of jobs within a specific period of time. These jobs must also pay at or above specified wage levels.

To verify that these requirements have been met, the Office of Business Finance uses quarterly wage records submitted by businesses to the Minnesota Unemployment Insurance Program.

Because Unemployment Insurance records are private, we need your permission to access records about your business. The records we seek to access include:

- Aggregate Minnesota employment levels for your business
- Aggregate Minnesota employment levels at the relevant project site
- Information about your compliance with Unemployment Insurance tax and reporting requirements

It is important to note that we will not receive the names or social security numbers of your employees.

If you sign this form, your records will be securely transmitted by Unemployment Insurance Program staff to the Office of Business Finance. The Office of Business Finance will receive your Unemployment Insurance records on an ongoing basis until your business subsidy agreement expires or is terminated. We will not release any data from your Unemployment Insurance records to any other parties.

You are not legally required to grant us access to your Unemployment Insurance records. You also have the right to withdraw your permission at any time. Please note, however, that refusal to grant access to your Unemployment Insurance records may limit your eligibility for financial assistance.

If you have questions about this form, please contact Bob Isaacson, Executive Director, Office of Business Finance at 651-259-7458 or bob.isaacson@state.mn.us.

I give my permission for the Unemployment Insurance Program to release the records about my business (as described in this form) to the DEED Office of Business Finance. I understand that these records will be used by the Office of Business Finance to verify the satisfaction of requirements associated with my business subsidy agreement.

Signature of Business Official	Business Name	Date
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Printed Name of Business Official	Position
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E-mail	Phone
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Employer Identification Number (EIN) Used for Project Site

Other Employer Identification Numbers (EINs) Used by Business

Program Overview

MILE loans

- Are interest-free, non-recourse (no personal guarantees or collateral), and no equity is distributed to or received by DEED
- Range from \$20,000-\$50,000; the maximum loan amount is based upon the information provided in this Application and will not be adjusted after the MILE acceptance letter is issued
- Have four year loan terms, with no repayments during the first twelve months and graduated amortization thereafter (monthly repayment amounts increase annually)
- Require a 1:1 cash investment match, which may be in the form of equity or debt
 - the match needs to be received by applicant within a 180 day window consisting of 60 days before through 120 days after the closing date of the Application period
 - debt or equity from insiders is not eligible to use as the required match
 - insiders are defined as officers, principals, 20-percent or more owners, individually or combined with family members, or a family member (siblings, spouse, ancestors and lineal descendants) of any of these persons
 - loan disbursements by the state will not exceed fifty percent (50%) of the qualified expenditures with the expectation that the other fifty percent (50%) comes from your matching funding
- Are for businesses whose primary activity is in a technology-related industry
- Are limited to one per business
- Have twice per year Application acceptance periods (depending on funding availability)
- Are only awarded, due to limited funding, to the highest scored Applicants
- Eligibility criteria, required documentation, and application scoring information are available on the following pages

Use of Loan Proceeds

MILE loan proceeds may be used for proof of concept activities, intellectual property development and protection, market feasibility studies, competitive analysis, commercialization planning, prototype design and development, start-up costs, working capital (e.g., training, payroll, marketing, consultants, etc.), equipment loans, inventory financing, construction, and commercial, non-passive real estate acquisitions.

Prohibited Uses

MILE loan proceeds cannot be used to:

- Make passive real estate investments; or
- Repay delinquent federal or state income taxes unless the business 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 business' continuance; or
- Purchase any portion of the ownership interest of any owner of the business; or
- Finance existing debt; or
- Pay for any expenditures incurred prior to receiving a MILE acceptance letter

Eligibility Criteria

1. Headquartered in or relocating its headquarters and/or operations to Minnesota within 90 days of application deadline
2. 5 or fewer employees including owner(s) with at least 51% of employees and payroll in Minnesota (the business is not required to have any employees)
3. Operating no more than 5 years
4. Committed to grow in Minnesota
5. Completed a written business plan (limit 20 pages) or commercialization plan (limit 5 pages) within the past two years
6. Debt and equity investment does not exceed \$1 million
7. Primary business activity, whether manufacturing, service, or application, is in a technology-related industry including, but not limited to:
 - a. aerospace, agricultural and food processing, biotechnology, energy efficiency and conservation, information technology, materials science, medical devices, pharmaceuticals, process control, telecommunications, or similar sectors
8. Primary business activity is not brick-and-mortar retail sale space, professional or consulting services, direct financial or insurance services, medical or legal services or real estate sales or development

Evaluation Criteria

Applications that meet the eligibility criteria will be scored based on evaluation in two rating categories:

- A. Project Design: 400 points maximum and must attain a minimum of 200 points
- B. Financial Feasibility: 200 points maximum and must attain a minimum of 100 points
- C. Overall: 600 points maximum and must attain a minimum of 400 points

Each element described below need not be present; however, due to limited funding only applicants receiving the highest scores will receive a MILE loan.

- A. **Project Design. 400 points** will be awarded based on an evaluation of project design including an assessment of need, impact, and the capacity of the applicant to complete the project in a timely manner. Must score a minimum of 200 points.

Capacity (up to 250 points)

Management/Board (up to 100 points)

- Principal with industry and/or start-up experience
- Principal with experience related to technology

- Advisors with start-up experience
- Participation in entrepreneur program
- Capability and commitment to complete loan closing, meet reporting requirements and comply with any other laws

Business Strategy (up to 100 points)

- Partnerships
- Potential for growth
- Developing technology licensed from a research institution
- Viable business plan
- Viable commercialization

Implementation schedule (up to 50 points)

- Realistic schedule to accomplish application goals

Need (up to 100 points)

County unemployment rate score (up to 25 points)

- Rate compared to state rate

Local geographic economic vulnerability and/or distress (up to 25 points)

- Long-term trends and recent economic disruptions

Targeted business (up to 50 points)

- Business identifies as a targeted business

Impact (up to 50 points)

Job growth potential (up to 20 points)

- Potential for job creation

Wage level (up to 20 points)

- Expected wage levels of any new jobs (ranges)

Tax base (up to 10 points)

- Potential increases in property tax base or income tax base

- B. **Financial Feasibility. 200 points** will be awarded based on an evaluation of the effective use of program funds to induce economic development which will include investment analysis, commitment of other funds, and other factors relating to the type of program assistance requested. Must score a minimum of 100 points.

Investment Analysis (up to 50 points)

Due diligence and evaluation by 3rd party (up to 25 points)

- level of success in competitive program or quality of analysis

Revenue and cash flow expectations (up to 25 points)

- Ability to repay loan

Commitment of Funds (up to 100 points)

Match in place or in pipeline (up to 40 points)

Strategy for follow-on funding (up to 40 points)

Demonstrated ability to attract funding (up to 20 points)

Other factors (up to 50 points)

Prior commitment of capital from insider (up to 50 points)

C. **Funding Recommendations**

Eligible applications that attain at least 400 points (and have at least 50% of the points in each scoring section) will be recommended to the commissioner for funding. If funds are limited, the recommendations will be limited to the top scoring applications. Applications not recommended for funding may be revised and resubmitted.