

Angola Investment Fund Account

Investing in the Future



**Policy & Procedures for the
Angola Investment Fund Account**

October 2013

ANGOLA INVESTMENT FUND ACCOUNT POLICIES & PROCEDURES

1. PURPOSE:

The purpose of the Angola Investment Fund (Account) is to create high-skill, high wage jobs and stimulate private investment within the City of Angola by providing low-interest loans and or equity investment to individuals and businesses that are seeking to start or grow a business enterprise. The Fund is also designed to leverage technical assistance from the Small Business Development Center (SBDC) and Elevate Ventures, seed and venture capital to support business start-up and growth in Angola.

2. APPLICATION & ADMINISTRATION:

Applicants to the Angola Investment Fund (AIF) must submit the attached application form, including all attachments. Applications to the Fund will be processed in a timely manner with final determination provided by the AIF Board. Applications and attachments will be considered confidential and reviewed in Executive session. Specific review and approval process for applications to the Fund are as follows:

- a. Completed applications with attachments will be submitted to the Angola Investment Fund or the Steuben County Economic Development Corporation, along with nonrefundable application fee payable to the City of Angola. AIF or designee will conduct appropriate background and credit checks for individuals and corporations making application. Applicant shall be responsible for costs associated with background and credit checks. Application with attachments may be reviewed by the Small Business Development Center and/or Elevate Ventures for merit and to provide suggestions and/or technical assistance to strengthen application.
- b. Applications with attachments are presented to the Angola Investment Fund Board for review. The Board will conduct an interview of individuals making application, and may conduct site visits if applicable. Based upon strength of the application with attachments, interview and site visit, if applicable, the Board shall make its recommendation for Approval, Continuation or Denial. The recommendation shall include terms of the loan and or equity investment.
- c. The AIF Board will accept and review applications with attachments, the Board shall:
 - 1) Approve the Loan or Equity Investment as Recommended;
 - 2) Request a continuation to request additional information; or
 - 3) Deny the Loan and or Equity Investment Application.

3. ELIGIBILITY & EVALUATION

The Fund is targeted at economic-base activities as a mean to attract new wealth to the City of Angola, and as a means to create high-paying, high-skilled employment opportunities for Angola residents. As such, entities must fall within one of the following industrial sectors, as defined by the North American Industrial Classification System (NAICS):

221114 – Solar Electric Power Generation

221115 – Wind Electric Power Generation

221116 – Geothermal Electric Power Generation

221117 – Biomass Electric Power Generation
311000 – Food Manufacturing
312100 – Beverage Manufacturing
315000 – Apparel Manufacturing
316000 – Leather and Allied Product Manufacturing
321000 – Wood Product Manufacturing
322000 – Paper Manufacturing
322200 – Converted Paper Product Manufacturing
325200 – Resin, Synthetic Rubber and Synthetic Fiber & Filaments Manufacturing
325400 – Pharmaceutical and Medicine Manufacturing
326100 – Plastics Product Manufacturing
326200 – Rubber Product Manufacturing
327200 – Glass and Glass Product Manufacturing
331200 – Steel Product Manufacturing
332000 – Fabricated Metal Product Manufacturing
333000 – Machinery Manufacturing
334000 – Computer and Electronic Product Manufacturing
335000 – Electrical Equipment, Appliance and Component Manufacturing
336000 – Transportation Equipment Manufacturing
337000 – Furniture and Related Manufacturing
339100 – Medical Equipment and Supplies Manufacturing
510000 – Information
541500 – Computer System Design and Related Services
541600 – Management, Scientific and Technical Consulting Services
541700 – Scientific Research and Development Services

Applications will be evaluated by the Board based on the following scoring criteria:

- a. Quality of Business Plan
- b. Achievability of three year Financial Pro-Formas
- c. Historic Performance of Company (if applicable)
- d. Industry Sector Growth Opportunities
- e. Availability and Terms of Other Capital including equity investment
- f. Resume of Principals
- g. Credit and Background Checks
- h. Job Creation
- i. Average Salaries and Wages
- j. Capital Investment

All applicants must be located within the extraterritorial planning jurisdiction of the City of Angola. Preference will be given to those companies whose owners or principals reside within the corporate boundaries of the City of Angola.

Eligible project costs include:

- a. Purchase of machinery and equipment
- b. Working capital
- c. Inventory
- d. Acquisition of real estate
- e. Renovation of facilities
- f. Intellectual property

4. CONVERTIBLE LOAN TERMS & CONDITIONS:

The Angola Investment Fund is designed to be a Convertible Loan instrument, with a three-year grace period for principal and interest. Loans may range from \$20,000 to \$50,000 but may not exceed 50 percent of total project financing. Loan amounts may be as high as \$100,000 for projects that project at least 20 new, highly-skilled jobs with average wages in excess of \$60,000. Loans are limited to:

- a. For profit entity with headquarters in the City of Angola, Indiana (including the extraterritorial planning and zoning jurisdiction);
- b. Average annual revenues of less than \$1 million in the past (3) three most recent fiscal years;
- c. Clear and sustainable competitive advantages such as superior technology or access to markets;
- d. Coachable management team with strong commitment and execution capability, willing to work with Elevate Ventures Entrepreneurs-in-Residence (EIR), and other service providers based upon need;
- e. Co-investment from private investors or other public investment sources at a minimum of a 2:1 leverage ratio;
- f. Principals possess necessary and unique expertise and qualifications to support advance manufacturing or technology applications;
- g. Product line is in an industry sector aligned with Angola's goals and with exceptional growth potential, listed by NAICS Code above;
- h. Company's growth has high probability of high-skill, high-wage employment opportunities;

At the conclusion of the initial three-year period, the Angola Investment Fund Board may decide on one of three actions:

- 1) Amortize the original loan amount over a period ranging from five to 10 years at an interest rate set at the Prime Interest Rate (as reported by the Wall Street Journal on the day of commitment), less 2.0 percentage points, but shall not be less than 2.0 percent. At least 10 percent of project funding must come from owner equity with the remaining 40 percent (or more) derived through conventional financing. Loans ranging from \$20,000 to \$30,000 shall not exceed a five-year repayment schedule. Loans between \$30,000 and \$50,000 shall not exceed a seven-year repayment schedule. Loans over \$50,000 shall not exceed a ten year repayment schedule. Loans shall be collateralized in the most secure manner possible, without creating a burden on the applicant's ability to leverage conventional financing – 1) Real Estate Mortgage; 2) Tangible Business Personal Property (UCC #); and/or 3) Personal Guarantee(s). As the Fund loan is limited to 50 percent of project costs, disbursement of loan funds will be made at a rate consistent with the loan agreement, not to exceed more than 50 percent of ongoing project expenses. Project expenses must be supported with creditable evidence such as vendor invoices, payment receipts, etc. For loan agreements drawn over a period of time, consistent with project expenses, that period of time will not exceed six months. Interest-only payments will be accepted over this disbursement period, with principal and interest beginning no later than seven months from the date of closing.

- 2) Convert the original loan amount over to an equity position in the company at a percentage agreed upon at the time of closing. The Angola Investment Fund may choose to sell or retain the equity, however, as a minority shareholder will impede the growth of the company nor shall the Angola Investment Fund impede the sale of the company. Once the loan is converted to equity the Angola Investment Fund cannot reverse the action if the stock does not perform as expected.
- 3) Extend the three-year grace period for principal and interest.

5. REPORTING REQUIREMENTS

All loan and equity investment recipients will be required to submit annual financial statements (balance sheet and income statements) and/or corporate annual report. Statements must be in proper accounting form. Recipients must also allow representatives and/or designee to conduct annual on-site visits to business location(s) to observe how Fund proceeds have been spent, how many people are employed, and other reasonable requests to insure status of loan or equity investment. Reports will be submitted to the Angola Investment Fund Board.

6. FEES AND COSTS

A one-time non-refundable application fee of \$50 will be charged to the applicant at the time of application. In addition, a commitment fee of 1.5 percent of the loan amount is payable to the City of Angola upon the closing of the loan commitment.