

FINANCIAL INFORMATION CHECKLIST FOR ECONOMIC DEVELOPMENT PROJECTS

NORTH DAKOTA DEPARTMENT OF COMMERCE

DIVISION OF COMMUNITY SERVICES

SFN 61491 (06-2018)

Items that are considered during the funding process and negotiated:

- Business Plan: This plan, at a minimum, should include a history of the company; a description of the product, company and industry; management team members resume's; a marketing plan that addresses markets, customers, competition and niche; historical and projected financials that include balance sheets, income statements, and cash flows; and, financing requirements with detailed sources and uses of funds.
- Historical numbers, if not a startup company:
 - a. Three years of historical financials
 - b. Three years of tax returns
 - c. Personal financial statement of owners (over 20% ownership)
 - d. Three years of personal tax returns on owners (over 20% ownership)
- Monthly projections for 3 years with assumptions (including new financing structure):
 - a. Balance sheet
 - b. Income statement
 - c. Cash flow statement

Terms and Conditions included, but not limited to, that are listed in the commitment letter on funding requests, in which the DCS is an "Equity" investor:

- Exit strategy on investment (generally no longer than 5 years, subject to cash availability within the company, which the repayment term could start sooner (ex.: repayment begins in 2nd year with annual repayment over 3 years plus dividends). Repayment of principal investment based on profitability of the company.
- Dividends paid annually, subject to the profitability of the company.
- Rate of return to be determined based on the risk of each project.
- Conversion option: The DCS would have the option to convert its preferred stock to common shares in the event the company went public or was merged or sold.
- Capitalization chart: List of capitalization of the company including number of shares authorized and outstanding (preferred stock and common stock), along with a list of the current investors, type of stock, and amount of investment.
- Prior to funding: The DCS would require letters of commitment from other funding sources.
- Corporate documents:
 - a. Articles of Incorporation
 - b. Bylaws
 - c. Certificate of Good Standing
 - d. Board resolution authorizing equity investment
- Life insurance on key players and owners of the company.
- Salary and dividend limitations.
- Sale and transfer of company: In the event the controlling interest in the company is sold or closed, the remaining stock investment at that time would become due and payable.
- If investment funding is "stage" based on monthly operating and meeting "Performance Standards", a funding agreement would be required listing the funding stages and performance standards that the company would need to meet in order to access the funds.
- Financial reporting requirements:
 - a. Financial statements (monthly, quarterly, annually) including balance sheet, income statement and cash flow, if completed. Also included would be a breakdown of jobs.
 - b. Annually: Accountant prepared financial statements.
 - c. Quarterly aging of accounts receivable and accounts payable.
 - d. Corporate tax return on an annual basis.
 - e. Annual projections.
- Insurance coverage verification of appropriate coverage on all company assets and liability coverage.
- Costs associated with the closing of the equity investment would be paid by the requesting company.

Terms and conditions included, but not limited to, that are listed in the commitment letter on funding requests, which the DCS is a "Loan" investor:

- Financial reporting requirements:
 - a. Financial statements (monthly, quarterly, annually) including balance sheet, income statement and cash flow, if completed. Verification of jobs breakdown.
 - b. Annually: Accountant prepared financial statements.
 - c. Quarterly aging of accounts receivable and accounts payable.
 - d. Corporate tax return on an annual basis.
 - e. Annual projections.
- Personal financial reporting:
 - a. Updated personal financial statement on an annual basis.
 - b. Personal tax return on an annual basis.
- Assignment of life insurance on key persons in the company.
- Personal guaranties are required.
- Hazard insurance requirement.
- Corporate documents:
 - a. Articles of Incorporation
 - b. Bylaws
 - c. Certificate of Good Standing
 - d. Board resolution authorizing the officers to sign on behalf of the company.
- Sale and transfer of company: In the event, the controlling interest in the company is sold or closed, the loan becomes due and payable.
- Salary and dividend limitation.
- Loans will be required to be secured.
- Loan agreement is generally drafted.
- Intercreditor agreement may be used.
- Prior to funding: The DCS would require letters of commitment from other funding sources.
- Financial covenants may be required. Would be negotiated. (ex.: Equity requirement, debt service coverage ratio, current ratio requirement, leverage ratio.)
- The borrower will cover all costs associated with the loan.