

## **RURAL ECONOMIC DEVELOPMENT (R.E.D.) REVOLVING LOAN PROGRAM**

The Washington State Legislature passed House Bill 2260 establishing an Electric Utility Rural Economic Development Revolving Fund Program which the Governor signed into law in 1999.



The Blaine City Council established the Rural Economic Development (R.E.D.) Revolving Fund and a board of directors in August 1999.

### **PURPOSE**

The purpose of this program is to establish and offer loans at zero interest rate to existing businesses and to encourage new business start-ups in the City of Blaine. The source of funds for this loan program is a contribution from the City of Blaine Electric Utility and a Public Utility tax credit authorized by EHSB2260 and enacted by Blaine City Council Ordinance No. 99-2430.

### **GOALS**

The goals of this program are to:

- 1) Achieve job creation or business retention;
- 2) Add or upgrade non-electrical infrastructure;
- 3) Add or upgrade health and safety facilities;
- 4) Accomplish energy and water use efficiency improvements;
- 5) Add or upgrade emergency services.

Since that time, the R.E.D. Fund has loaned out over \$560,000 in small business interest-free loans. These loans have been used for job creation, purchase of inventory, building renovations inside and out, and successful implementation of the City's downtown core turn-of-the-century guidelines.

### **ELIGIBILITY**

All property owners, owners of businesses or individuals whose business is located within the city limits of the City of Blaine are eligible to submit a loan application for purposes that meet the goals of the program as stated above.

## **LOAN PROCESS**

Loan application is initially made through the City of Blaine. The actual loan is provided by Sterling Savings Bank. Call the City of Blaine at (360) 332-8311 for more information.

## **HELPFUL CONTACTS**

Small Business Development Center  
115 Unity Street, Suite 101  
Bellingham, WA 98225  
(360) 778-1762  
Email: [Jennifer.Shelton@wwu.edu](mailto:Jennifer.Shelton@wwu.edu)  
Web: [www.wsbdc.org](http://www.wsbdc.org)

Center for Economic Vitality  
College of Business & Economics  
Western Washington University  
119 N. Commercial St. Suite 175  
Bellingham, WA 98225-4455  
(360) 733-4014  
Web: [www.cevforbusiness.com](http://www.cevforbusiness.com)

**CITY OF BLAINE, WASHINGTON**  
**RURAL ECONOMIC DEVELOPMENT (RED) REVOLVING FUND**

**PURPOSE**

The purpose of this program is to establish and offer loans at below market interest rates to existing businesses and to encourage new business start-ups in the City of Blaine. The source of funds for this loan program is a contribution from the City of Blaine Electric Utility and a Public Utility tax credit authorized by EHSB2260 and enacted by Blaine City Council Ordinance No. 99-2430.

**GOALS**

The goals of this program are to:

- 1) Achieve job creation or business retention;
- 2) Add or upgrade nonelectrical infrastructure;
- 3) Add or upgrade health and safety facilities;
- 4) Accomplish energy and water use efficiency improvements;
- 5) Add or upgrade emergency services.

**ELIGIBILITY**

All property owners, owners of businesses or individuals, whose business is located within the city limits of the City of Blaine or whose business is a customer of City of Blaine Electric Utility, are eligible to submit a loan application for purposes that meet the goals of the program as stated above.

**REVOLVING LOAN FUND**

The RED Funds will be used to leverage additional matching funds from the lending institution. The funds will be issued as loans to eligible businesses at below market rates for the purpose of stimulating economic development and revitalization of existing businesses and the start-up of new businesses.

These RED Funds will be used for the purposes of guaranteeing a conventional loan at below market interest rates. No interest will be received on these guaranteed funds in order to buy down the interest rate for this loan program. All loans will be made through the lending institution, under standard loan procedures of the lending institution.

**TERMS**

Terms are flexible based upon the need of the business.

## **LOAN REQUIREMENTS**

With all loans there will be requirements for compliance with City and State regulations.

## **DEFAULT**

The lending institution will obtain adequate security on all loans, enforceable in the case of default on the part of the borrower. Per the loan agreement, all costs associated with collection will be charged to the borrower.

## **LOAN APPLICATION**

The following documents will be required for all loan requests, unless it is determined that a particular item is not required.

- 1) Applicant's name and address.
- 2) Names, addresses, resumes, references of owners, investors or management of business.
- 3) Articles of Incorporation, By-Laws, Trade Name Affidavit or Franchise Agreements.
- 4) A business plan which contains information regarding the products or services to be offered; methods of accounting, financing, marketing, sales, merchandising and other disciplines proposed to be used for business growth and expansion.
- 5) Letters of commitment from other funding sources.
- 6) Current balance sheet.
- 7) Up to three years of historical balance sheets, cash flow statements and income statements and federal tax returns.
- 8) Pro-forma balance sheets, cash flow statements and income statements for term of the loan but not less than three years.
- 9) Corporate resolution authorizing certain officers to borrow on behalf of the corporation.
- 10) Certificate of good standing from the Secretary of State.
- 11) If personal assets are required as collateral, an appraisal and title insurance may be required.
- 12) Previous two years of tax returns on the business.
- 13) Personal financial statement (an audit report may also be obtained).
- 14) A detailed, itemized description of the use of the loan proceeds, date project will commence, completion date.
- 15) A business plan which describes how the business will repay the loan.

## **LOAN AGREEMENT**

In addition to a promissory note, disclosure statement, and confession of judgment agreement, the borrower will be required to sign a loan agreement that incorporates the following information.

- 1) Project description and scope of work;
- 2) Project schedule and completion date;
- 3) Total project funding, including a description of the amounts, sources, and uses of non-RED and RED funds;
- 4) Bids, invoices or architectural renderings;
- 5) Number of jobs expected to be created;
- 6) Due and payable clauses for business sale or reason;
- 7) Causes and actions in cases of default;
- 8) Repayment clause if the business moves from the community;
- 9) Time of performance provision;
- 10) Explanation of the borrower's reporting requirements;
- 11) Names and addresses of all involved parties.

## **DISCLOSURE**

Financial information on the individual business and their owners will be kept confidential. Only the RED review committee and the City of Blaine staff will have access to these records. The terms, amounts and actual contracts between the RED, City of Blaine and the borrowers will be public record and will be made available upon request.

## **REVIEW PROCESS**

The applicant will submit the information requested by the loan application initially to the City of Blaine. The City's RED Loan Committee will review the loan application and the applicant's credit history. (The applicant may be contacted to meet with the RED Committee if further clarification is needed.) The RED Committee will then issue a written recommendation in respect to the application submitted. The applicant, based upon the RED Committee comments, will then seek final loan qualification and approval from the lending institution.

## **REAPPLICATION**

Should an applicant be denied funding, he/she may reapply in order to address the reasons or condition for which the loan was denied. No provision for appeal to a higher authority exists within this program.

## **RED LOAN COMMITTEE**

The RED Loan Committee will be composed of members from the following groups:

- 1) City Council Member
- 2) Blaine Improvement Group or Chamber of Commerce Member

- 3) Ex-Officio Member from the lending institution. (This member does not have voting privileges and serves to provide lending expertise to the Board.)
- 4) City of Blaine Staff Member
- 5) Banking Institution Member

## **FUNDING**

The R.E.D. Fund has a total amount of \$50,000 in funds on an annual basis or until the State of Washington discontinues this program.

**CITY OF BLAINE LOAN AGREEMENT FOR  
RURAL ECONOMIC DEVELOPMENT (RED) REVOLVING FUND**

THIS LOAN AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between the City of Blaine, WA a Municipal Corporation, hereinafter called "CITY", and \_\_\_\_\_ (name of loan applicant),

**WITNESSETH:**

**WHEREAS**, the CITY has instituted a RED loan program in the City of Blaine in order to assist existing businesses in the City of Blaine, and to encourage new businesses to organize and locate in the City of Blaine by facilitating loans to such businesses at below market interest rates, and

**WHEREAS**, the CITY has entered into a loan agreement with Sterling Bank to provide for loans to eligible applicants pursuant to such loan program, and

**WHEREAS**, the APPLICANT desires to apply for a loan for such purposes and to comply with all requirements, rules and regulations for the submission of an application for such loan, and

**WHEREAS**, the parties hereto to set to writing their agreements in regards to such loan application pursuant to the RED Loan Program of the CITY.

**NOW THEREFORE**, it is agreed between the CITY and the APPLICANT as follows:

1. Eligibility. The APPLICANT certifies that the purpose for making application for such loan is one or more of the following indicated by a check mark.

- \_\_\_\_\_ a) Achieve job creation or business retention.
- \_\_\_\_\_ b) To add or upgrade a nonelectrical infrastructure.
- \_\_\_\_\_ c) To add or upgrade health and safety facilities.
- \_\_\_\_\_ d) To accomplish energy and water use efficiency improvements.
- \_\_\_\_\_ e) To add or upgrade emergency services.

2. Loan Application and Closing. APPLICANT agrees to forthwith submit a loan application to Sterling Bank and to comply with the requirements of Sterling Bank for such loan based upon the standard criteria and procedures of Sterling Bank including the execution and delivery of all loan documents and documents regulating the disbursement of funds from loan proceeds.

3. Project Description and Scope of Work. APPLICANT agrees to use the loan proceeds for the purposes indicated in paragraph 1 above for the business located at \_\_\_\_\_(address of business). The description of the project for which the loan proceeds are to be used, the schedule and completion date for the project are set forth on attached Exhibit "A".

4. Project Funding. The APPLICANT certifies that the subject project is to be funded as follows:

a) Funds borrowed from \_\_\_\_\_ pursuant to the RED Loan Program. \_\_\_\_\_

b) Funds contributed from other sources. \_\_\_\_\_

TOTAL \_\_\_\_\_

The source of funds identified above as "other sources" is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Bids, Invoices or Architectural Renderings. The bids, invoices or architectural renderings, as applicable, for the subject project are attached hereto as Exhibit "B".

6. Due and Payable Clause. APPLICANT agrees that the security documents given by the APPLICANT as security for any loan made with \_\_\_\_\_ pursuant to this agreement shall contain the following restrictions on the sale of the business which is the subject of such loan:

"If the businesses or any interest therein, which is the subject of a loan made pursuant to the Blaine RED Loan Program, is sold or transferred by the APPLICANT without the CITY'S written consent, excluding (a) the creation of a lien or encumbrance subordinate to the security document given to \_\_\_\_\_ for such loan, (b) a transfer by devise, descent or by operation of law upon the death of a joint owner, or (c) the grant of any leasehold interest of three (3) years or less not containing an option to purchase, the CITY may at CITY'S option, declare all sums secured by the security document to be immediately due and payable. Furthermore, if the said business or any interest therein is removed from the City of Blaine without the CITY'S prior consent, the CITY may, at the CITY'S option, declare all sums secured by the security document to be immediately due and payable."

7. Default. APPLICANT agrees that the security documents given by the APPLICANT as security for any loan made with Sterling Bank pursuant to this



agreement shall contain provision for notice to the APPLICANT in the event of default, default interest rate, foreclosure and repossession of business assets in the event of failure by the APPLICANT to cure the default and provisions for collection of the principal loan proceeds plus accrued interest, legal fees and all cost of collection.

8. Time of Performance. APPLICANT agrees to forthwith apply to Sterling Bank for the loan contemplated by this agreement within fifteen (15) days from the date of this agreement, and failure to do so shall cause this agreement to terminate and be of no further force and effect.

9. Reporting Requirements. The APPLICANT shall report in writing to the CITY in thirty-day intervals the progress the APPLICANT makes in the acquisition of its loan pursuant to this agreement and shall make a final written report to the CITY upon receipt of such loan.

10. Names and Addresses of Involved Parties. The APPLICANT agrees to furnish to CITY the names and addresses of all persons having an ownership interest or financial interest in the project funded by loan proceeds acquired pursuant to this agreement.

11. Binding Effect of Agreement. This agreement shall be binding upon and shall insure to the benefit of the parties hereto and the heirs, personal representatives and approved assigns of the APPLICANT.

12. Time of the Essence. Time is of the essence in the performance of the terms and conditions of this agreement and in the event the APPLICANT shall fail to comply in a timely manner with all the terms and provisions of this agreement, the CITY may terminate this agreement upon giving ten (10) days advance written notice thereof to the APPLICANT and failure to cure such default within the said ten (10) days, shall be cause for the termination of this agreement.

13. Notice. All notices herein provided for shall be given by personal delivery or by certified mail, return receipt requested, postage prepaid at the address given below.

DATED effective the day and year first above written.

CITY:

City of Blaine, WA.

BY: \_\_\_\_\_

City Manager  
344 H Street  
Blaine, WA 98230

APPLICANT:

\_\_\_\_\_  
Signature

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

APPLICANT:

\_\_\_\_\_  
Signature

Name: \_\_\_\_\_

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**IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON  
IN AND FOR THE COUNTY OF WHATCOM**

CITY OF BLAINE, )  
 ) No.  
 Plaintiff, )  
 )  
 vs. ) CONFESSIO OF JUDGMENT  
 )  
 \_\_\_\_\_, )  
 )  
 Defendant. )  
 \_\_\_\_\_ )

**JUDGMENT SUMMARY**

Creditor: City of Blaine  
Debtor: \_\_\_\_\_  
Principal Judgment: \$ \_\_\_\_\_  
Interest on Principal Amount -  
\_\_\_\_\_ @ \_\_\_\_%: \$ \_\_\_\_\_  
Attorneys' Fees: \$ \_\_\_\_\_  
Less Amounts Paid by Defendants: \$ \_\_\_\_\_  
Total Judgment Amount: \$ \_\_\_\_\_  
Total Judgment shall bear  
interest at the rate of: \_\_\_\_\_% per annum  
Attorneys for Judgment  
Creditor: Jonathan K. Sitkin  
Chmelik Sitkin & Davis P.S.  
Attorney for Judgment  
Debtors: \_\_\_\_\_

1                   **1. Facts Supporting Confession of Judgment.** This Confession of  
2 Judgment is entered into by Defendant \_\_\_\_\_ (“Defendant”) as a result of  
3 a Rural Economic Development loan (“RED Loan”) from the City of Blaine (“Plaintiff”) to  
4 Defendant, whereby Plaintiff loaned to Defendant the principal sum of  
5 \_\_\_\_\_, and a loan agreement (the “Loan Agreement”) was  
6 executed by Defendant and is attached hereto as Exhibit “A” and is incorporated by this  
7 reference.

8                   **2. Confession of Judgment.** Defendant hereby confesses judgment in favor of  
9 Plaintiff for the sum of \$ \_\_\_\_\_, plus \$ \_\_\_\_\_, representing  
10 reasonable costs and attorneys’ fees incurred subsequent to the date of execution of this  
11 document, plus \$ \_\_\_\_\_, representing interest from \_\_\_\_\_, until entry of  
12 this Confession of Judgment minus \$ \_\_\_\_\_, representing payments made by  
13 Defendant after execution of this Confession of Judgment by Defendant. I hereby  
14 authorize the City of Blaine to fill in the foregoing amounts and to submit this to the Court,  
15 without notice upon my default under the Loan Agreement, provided that the amounts are  
16 substantiated by an affidavit filed contemporaneously by the City of Blaine attesting to such  
17 amounts.

18                   **3. Effect of Confession of Judgment.** This statement confessing and authorizing  
19 the entry of judgment is being left in the possession of Chmelik Sitkin & Davis P.S., for  
20 entry with the Whatcom County Superior Court, if Defendant defaults under the Loan  
21 Agreement. Plaintiff is entitled to judgment under and by virtue of the foregoing, in  
22 accordance with the provisions of RCW 4.60. Defendant agrees that venue is appropriate  
23 in Whatcom County, Washington.  
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**4. Understanding of Agreement.** Defendant hereby acknowledges and represents as follows: (i) that he has read this Confession of Judgment and understands its contents; (ii) that Chmelik Sitkin & Davis P.S. represents Plaintiff and does not represent Defendant; (iii) that Defendant has had the opportunity to have this Confession of Judgment reviewed by an attorney of his choice and has been advised to do so; (iv) that Defendant has either consulted with an attorney or voluntarily chosen not to consult with an attorney before signing this Confession of Judgment; and (v) upon default under the Loan Agreement, Defendant authorizes Chmelik Sitkin & Davis P.S. to fill in the foregoing blanks in this Confession of Judgment and to enter it in Whatcom County Superior Court. If the RED Loan is fully paid accordingly to the terms of the Loan Agreement, then this Confession of Judgment will be returned to Defendant.

DATED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Defendant: \_\_\_\_\_ Defendant: \_\_\_\_\_  
\_\_\_\_\_  
Defendant: \_\_\_\_\_

STATE OF WASHINGTON                     )  
  ) ss.  
COUNTY OF WHATCOM                     )

On this day, \_\_\_\_\_, personally appeared before me, and is known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he/she signed the same as his/her free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

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\_\_\_\_\_  
Print Name: \_\_\_\_\_  
NOTARY PUBLIC in and for the State of  
Washington, residing at \_\_\_\_\_.

1 I, JONATHAN K. SITKIN, attorney for Plaintiff the City of Blaine in the above  
2 entitled action, hereby state that the interest has been calculated at the rate of 12% per  
3 annum and acknowledge that payments have been received from Defendants after the  
4 date of the foregoing document in the amount of \$\_\_\_\_\_, which payments have  
5 been credited to Defendants' account and hereby accepted on behalf of Plaintiff, with  
6 respect to the judgment as confessed and authorized by Defendants.

7  
8 DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

9  
10 \_\_\_\_\_  
11 JONATHAN K. SITKIN, WSBA #17604

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