**U.S. Department of Treasury**
**State Small Business Credit Initiative**
**APPLICATION ATTACHMENT**
**Section 4C — Narrative Regarding Leverage Calculations**

The Loan Participation Program will assist borrowers in financing start-up costs, working capital, business procurement, franchise fees, equipment, inventory, as well as the purchase, construction, renovation, or tenant improvements of an eligible place of business.

Based upon the historic performance of LCRDC's existing revolving loan funds they expect to obtain an overall leverage of $11:$1 prior to December 2016. LCRDC estimates the leverage ratio will be $5:$1 under the Loan Participation Program. As loan terms are estimated at 5 years with a rate of 6.0% the fund should revolve sufficient funds to loan out an additional $13.4 million prior to December 2016. Based upon a continued leverage of new loans of $5:$1 this should create an overall leverage of $11:$1.

LCRDC currently serves a 10 county area with a total population of 141,864. Although within its region the City of Bismarck with a population of 61,272 is not eligible for LCRDC funding. Therefore, LCRDC has been servicing a population of 80,214. Over the past 8 years LCRDC has averaged over $1 Million in loans in its service area. The consortium has a population of 317,076. Based on population alone the volume of loans should increase by nearly 4 times to $4 million per year. Also, the consortium includes both areas of the state that are expanding rapidly. The first is cities of Williston, Dickinson, Minot and Watford City which are in the midst of rapid growth due to the oil production from the Bakken Oil Formation. There is an enormous demand for capital for expanding infrastructure, buildings, and equipment for businesses in this area of the state. The second includes the cities of Fargo and West Fargo which are at the leading edge of technology and research. Many of these companies have a significant need to develop, implement and market their products.

The Small Business Lending in the United States 2009-2010 report published by the Office of Advocacy, U.S Small Business Administration states that 16,266 small business loans totaling $758,946,000 were made in the State of North Dakota in 2009. This is an average loan size of $46,658. The average dollar of loan per employee was $2,899.

The consortium of cities led by the City of Mandan represents over 317,000 of the 672,000 residents of the State or nearly 50%. The consortium includes 7 of the 10 ten cities by population and 1/3 of all cities with a population of greater than 1000 people.

Based $758MM in loans made statewide and the consortium representing half of the States total population and 1/3 of the larger municipalities there will be a high demand for the SSBCI loan funds in the service area.

The consortium projects to participate in 265 loans which represent less than 2% of all loans funded in the State of North Dakota. They also project an average loan of $100,000 which is significantly higher than the historic loan amounts.

Based upon the area of representation as well as the historic need for this type of financing the consortium estimates that it will fund the initial allocation of funds within 2 years and will revolve the funds at least one additional time within five years.

The summary of the project is as follows:

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|---|---|
| NUMBER OF LOANS | 265 |
| AVERAGE SIZE | $100,000 |
| TOTAL LENDING | $26,500,000 |
| TOTAL LENDING MATCH | $143,500,000 |
| LENDING MATCH RATIO | $10.89:$1 |

Detailed monthly and summarized annual projections are attached.