

Mentorship Loan Program Overview

PURPOSE: This loan is created to assist small businesses with their start-up business needs; this is done by developing a business mentor relationship that ensures loan requests are developed with enough support to thrive. The Mentorship Loan can help businesses fund critical projects and build business credit and payment history which is critical when seeking larger investments in the future, while connecting business owners to local mentors and business development specialists.

The 1200 Fund defines a mentor as: a guide, an advisor and a cheerleader for the entrepreneur. A SCORE mentor combines expert business knowledge with empathy, understanding and support. A mentor is a friendly ear and offers guidance through difficult times in the client's business or personal life, offering encouragement and suggestions. A mentor understands the business plan and helps the client to follow the plan and helps adjust the plan to meet changing challenges and opportunities.

ELIGIBLE USES: the Mentorship Loan Program offers fixed rate financing for a demonstrated business need. Eligible businesses must be located within the city limits of Duluth and be currently working with a business mentor.

The business can operate out of a leased, mobile, or owned space and must have fewer than 10 employees. Eligible uses for funds include: capital improvements to businesses, inventory, employee related expenses, marketing assistance, technology updates (hardware, software, subscription-based IT related services). Loans are intended to provide financing to start-up businesses, unable to secure traditional funding sources; with prioritization to serving BIPOC and minority-owned businesses. Priority will be given to businesses located in a Core Investment area, including Gary/New Duluth, East and Central Hillside, Central Business District, Kenwood, Lakeside, Lincoln Park, Duluth Heights, Morgan Park, Piedmont, Spirit Valley, and Woodland neighborhoods.

Loan amounts may be between \$3,000 to \$15,000. Funds will be provided to businesses at a 2% interest rate, and at a term of 5-10 years, varying on value of loan requests, with reduced underwriting criteria. The program has no prepayment penalty. Personal guarantees are required. Loan payments will be reported to the credit bureau agencies to help businesses build credit over time. Failure to pay loan payments on time may negatively impact your credit score and could impact your ability to receive funds in the future.

Businesses specializing in Cannabis, THC products, tobacco, vape products, adult bookstores and liquor stores are ineligible for funding through the Mentorship Loan program. Franchisees or national chains will not be considered eligible.

STRUCTURE: City of Duluth Planning & Development staff will provide the initial screening of applicants via review of a pre-application form to determine compliance with the 1200 Fund Loan Criteria. Applicants may work with other local business development agencies to prepare their applications. Loan applications may be approved between 4-6 weeks from the date of submitting a complete application to the city's Planning & Development Office. The approval timeline may vary, depending on number of applications received, completeness of application, and other circumstances that impact final fund determination. Applications are accepted on a rolling basis until the Mentorship Loan funding is exhausted.

Applicants will be required to submit the following documents for review:

- A comprehensive business plan (including a three-year cash flow projection)
- Project plan with scope including cost estimates or quotes from at least two sources, most recent business and personal tax return (documentation with the Secretary of State is also accepted as evidence of business location)
- Projected cash flow statement from the first two quarters of operations
- All applicants must be willing to grant SBDC, or the Entrepreneur Fund the ability to discuss services rendered with the 1200 Fund.
- The applicant must provide mentorship updates quarterly throughout the entire term on the loan.

Loan fees:

All loans carry an interest rate of 2% that will be applied monthly over the life of the loan. A one-time fee for closing will be required to be paid at loan closing, closing fees will be 1% of the loan value being requested.

Payment:

Payment of the loan will begin one month after loan closing until the loan is paid off. Principle balance of the loan will be deferred for a period up to three months, interest only payments will be required during the deferment period. Automatic loan payments to the 1200 Fund are required to participate in this program.

SUMMARY:

- Program provides unsecured funding for businesses located within the Duluth City Limits, including at home businesses.
- For businesses with 10 or fewer employees (FTE).
- Demonstrate a business need.
- Be a for profit business.
- Owned by a resident within the city limits of Duluth.
- Demonstrate being in business for less than 6 months, a business plan must be submitted which includes project scope and timeline for becoming operational.
- Provide projects with defined scope including prices or estimates.
- Completed Application.
- Have federal Employer Identification Number (EIN) or Tax Identification Number linked to your business or social security number.
- Completed W-9 form.
- Franchisees or national chains will not be considered eligible.
- Registered with the MN Secretary of State.
- Currently or within the past 6 months the business must have conducted a Business Consultation with the Small Business Development Center (SBDC) or the Entrepreneur Fund in Duluth. These services are free.
- As defined previously, a current relationship with a business mentor is required. If you need to connect with a business mentor, please consider SCORE and select “find a mentor” at [Score.org](https://score.org) to request free services and make a connection.
- Loans are intended to provide financing to start-up businesses, unable to secure traditional funding sources to better serve BIPOC, and minority owned businesses. Priority will be given to businesses located in a Core Investment area.

THIS PROGRAM WAS APPROVED BY THE DULUTH 1200 FUND BOARD
ON 13TH DAY OF JULY 2023

THIS PROGRAM WAS APPROVED BY THE DULUTH 1200 FUND BOARD
ON 10TH DAY OF APRIL 2025