



REGIONAL BUSINESS FUND, INC.

CONSOLIDATED LOAN FUNDS MANUAL
for
CDBG Consolidated Loan Funds
in West Central Wisconsin
(Barron, Chippewa, Clark, Dunn, Eau Claire, Polk and St. Croix Counties)

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GENERAL PROVISIONS

PURPOSE

The purpose of the policies and procedures contained within this manual, hereafter referred to as the Consolidated Loan Funds Manual, is to present the criteria which govern the economic development activities assisted with funds made available through the consolidation of state-funded Community Development Block Grant (CDBG) Revolving Loan Funds (RLF) within west central Wisconsin. West central Wisconsin shall include the full corporate limits of communities located in the counties of Barron, Chippewa, Clark, Dunn, Eau Claire, Polk, and St. Croix.

OBJECTIVES

The Regional Business Fund, Inc. CDBG Consolidated Loan Funds (“Consolidated Loan Funds”) serves as an economic stimulus in west central Wisconsin.

Economic development activities assisted with funds made available through the loan fund are intended to meet the following objectives:

- To encourage the creation and retention of permanent jobs that provide quality wages and benefits.
- To encourage the leveraging of new private and public investment into west central Wisconsin in the form of fixed asset investment, particularly in land and buildings.
- To perpetuate a positive and proactive business climate which encourages the retention and expansion of existing businesses and helps to attract desirable new businesses.
- To implement economic goals and objectives of west central Wisconsin communities and the West Central Wisconsin Community Economic Development Strategy.
- To maintain and promote a diverse mix of employment opportunities.
- To encourage the development and use of modern technology and create safe work environments.

AMENDMENTS AND MODIFICATIONS

The Regional Business Fund, Inc. Board may amend the provisions in this manual. Any amendments must comply with the West Central Wisconsin Investment Strategy approved by participating RLF communities who contributed funds to the Consolidated Loan Funds.

ADMINISTRATIVE ROLES

REGIONAL BUSINESS FUND, INC. (CORPORATION OR BOARD)

The Regional Business Fund, Inc. board manages the Consolidated Loan Funds. It assumes legal responsibilities from the RLF local governments in west central Wisconsin and acts as the oversight board. It adopted and implemented the West Central Wisconsin Investment Strategy and this manual.

The Regional Business Fund, Inc. board has lending authority for the loan funds and delegates to loan committees the authority to approve all loans which comply with the policies and procedures set forth for each loan program.

The Regional Business Fund, Inc. board reviews all loan requests over \$250,000, Technology Enterprise Fund (TEF) loans, special projects and exceptions to loan policies. It ratifies all loans approved by the other loan committees. The board approves all amendments to loan terms and conditions after loans are closed. The board may delegate authority to modify, extend, and restructure loans. The board approves all collection actions including collateral foreclosure, repossession and legal actions.

Regional Business Fund, Inc. selected and entered into an agreement with a Program Administrator to manage the Consolidated Loan Funds.

The Regional Business Fund, Inc. board reviews and adjusts its internal policies to meet the needs of the Consolidated Loan Funds.

The board prepares reports of activities, and approves all litigation costs and deficiency judgements.

The board invests all unused funds in secure low risk accounts that provide high yield and liquidity. To the extent possible, the funds are invested equitably throughout the region in accordance with guidelines promulgated by the Regional Business Fund, Inc. board.

An independent auditor selected by the board audits the fund annually. Audit report findings are made available to all RLF participants, electronic or otherwise.

The board is comprised of 9 members with one member from each county and 2 at-large member. The RLF participants in each county determine how and who makes the appointment for their county area. Appointees should be representative of lending institutions, businesses, and local governments. At least one commercial lender must be on the board and the goal is to have a balanced representation. The West Central Wisconsin Regional Planning Commission (Commission) appoints one at-large member to meet the needs of the TEF and EDA funded business loan funds that will be overseen by the board. One member is elected by the Board as an at-large member to maintain an odd number of members. Terms are staggered and limited. No staff of the Commission or the County economic development corporations (EDC) will be members.

PROGRAM ADMINISTRATOR (PROGRAM ADMINISTRATOR OR COMMISSION)

The current program administrator is the West Central Wisconsin Regional Planning Commission (Commission) for the centralized administration of the consolidated funds. The Commission staff manages the loan portfolio on a day to day basis and takes necessary action to underwrite, recommend, close and collect loans consistent

with the lending policies and approvals of the loan committees, the Regional Business Fund board and the loan program.

The Commission maintains a website and distributes a newsletter to allow communities, loan committees, and the general public to track fund activities.

The Commission maintains separate accounting records, prepares reports on the use of program funds, and advises the Board on default matters.

The Commission may subcontract for other services as needed and/or retain the services of outside legal counsel with Corporation approval.

Regional Business Fund, Inc. loan portfolio must meet at least one national objective set by the US Department of Housing and Urban Development, and enforced by The Wisconsin Department of Energy, Housing and Community Resources.

COUNTY ECONOMIC DEVELOPMENT CORPORATIONS (EDCs)

County Economic Development Corporations in eligible areas of the RBF, Inc. market the funds and assist local businesses. The EDCs and the County RLF Loan Committees may develop priorities for funding that are specific to their communities and counties. Lending authority and administrative roles for the RLF loan committees are summarized below.

LOCAL GOVERNMENTS

Local eligible governments market the funds, assist local businesses with applications and communicate with the EDCs and the Commission about economic development projects and priorities in their communities.

Local governments designate a person of the local government or its loan committee to schedule meetings for all loans reviewed by locally designated micro or facade loan committees. Lending authority and administrative roles are identified under the individual loan committees listed below.

LOAN COMMITTEES

The loan committees review, select and approve loan applications based on the lending authority approved by the Regional Business Fund, Inc. board. Local loan committees may be established in each eligible county area. There may be up to 3 types of local loan committees: RLF & Growth Loan, Micro Loan, and Facade Loan committees. The Regional Business Fund, Inc. board is also a loan committee.

COUNTY RLF AND GROWTH LOAN COMMITTEES

Counties appoint RLF and Growth Loan committee members with input from the participating communities in their counties. The loan committees should have a minimum of 5 members but no more than 7 members. RLF and Growth Loan Committees must have at least 1 commercial lender, along with business and public representation. A majority of the committee members must have the necessary skills to analyze proposals and determine whether they represent prudent investments, possess commercial lending experience and/or credit analysis skills. The loan committee will provide the list of members to the Program Administrator.

Each county determines the governing body in which the committee will be housed in. Counties can choose to have their committee be a committee of Regional Business Fund, Inc., their county EDC, their county board, or other governing body. Any committee who takes any action on behalf of RBF, Inc. must follow the Wisconsin Open Meetings Law, and the governing body shall be responsible for ensuring this occurs.

The RLF and Growth Loan Committees have lending authority up to \$250,000 per loan. The Regional Business Fund, Inc. board reviews any exceptions to the loan policies and is the designated loan committee for all requests over \$250,000. The RLF and Growth Loan committees may recommend transactions it favors to the Regional Business Fund, Inc. board.

The RLF and Growth loan committees can approve micro loans if a request is made before a community receives lending authority or if a community decides not to appoint a micro loan committee. Communities are encouraged to coordinate these efforts.

Cities or villages that contribute funds and are located in more than one county should designate one loan committee to review its loans.

MICRO LOAN COMMITTEES

Individual local governments may establish a loan committee to accept and review micro loan applications in their jurisdictions. This committee has the authority to process loan applications and approve micro loans up to \$30,000 per loan.

The micro loan committees should have at least three (3) members and at least one (1) member must be a commercial lender. Communities may also designate their county loan committee for reviews of their micro loans or may form a joint loan committee with other eligible communities that will review micro loans.

All eligible communities with micro loan committees must provide the Program Administrator the names and contact information of the committee members, and documentation that at least one member is a commercial lender.

FACADE COMMITTEES

Local governments may establish a facade committee or utilize an existing Main Street design committee or historic preservation commission to accept and review applications. Local governments may also allow the facade committees to have final approval for the loan or may require approval by the local government. Additionally, local governments may designate a facade committee that serves several communities. Approved committees/local governments are eligible for lending authority up to \$30,000 per facade and must submit a map outlining the historic downtown area no larger than one square mile.

The primary purpose of the facade committee is to review the facade and building plans for compliance with applicable design. Members of downtown committee should be comprised of design and building professionals, local historians, Main Street members and historic preservation commission members. One member must have a business financial background to review the financials to see that the applicant can cash flow the proposed debt service.

The general design guidelines from the National Trust and Main Street Center will be the program standard. Communities may develop and adopt their own design guidelines that may deviate from the general design standards. Main Street communities may use their own Main Street guidelines.

LOAN COMMITTEE MEETINGS

The Regional Business Fund, Inc. board meets monthly. Local loan committee meetings are held on an as-needed basis. A simple majority of all loan committee members must vote on official actions. All members shall be given prior written notice of each meeting. Meetings may be held by teleconference.

RECORDS

Written records of all program activities, including program meetings, loan applications, and related documents are maintained in appropriate files by the Program Administrator. Authorized personnel maintain all project files in a secure, fireproof place with limited access.

A documentation file is established and maintained by the Commission for each loan recipient and contains the following:

Loan Application. All applications, business financial statements, personal financial statements, credit reports, resumes, business plan documents, and other supporting loan information submitted to Regional Business Fund, Inc, including all applicable correspondence.

Loan Approval. Documentation including recommendations and evidence of loan approval to show any action taken on the loan.

Loan Closing. All legal documents, including but not limited to debt and security instruments, loan agreements, and other applicable documents made in accordance with loan disbursement procedures. On a case-by-case basis, Counsel shall be retained to ensure file compliance and proper documentation.

General Information. Standard loan recipient reporting and contact should be made to properly assess credit risk and any deficiencies that may exist. In all cases, one or more of following should occur on an annual basis.

- (a) Financial statements prepared by a qualified accountant and submitted in a form acceptable to the Program Administrator.
- (b) Letters and progress reports.
- (c) Site visit and/or management conference calls. A summary of any visits or calls is logged for future reference.
- (d) Amortization reconciliation and repayment monitoring to target unwanted credit behaviors and to assist in uncovering larger issues.

- (e) Loan reviews shall be performed through a culmination of collecting and analyzing the above mentioned. A report summary should be completed to address the following credit topics: punctuality of payments, collateral considerations, sales growth, financial health of the business, presence of material liens or lawsuits, violations of loan covenants, and suggested corrective actions.

In the event a business is experiencing difficulty complying with the terms and conditions of the loan agreement, note or other legal contract, the Program Administrator will attempt to work with the borrower to correct identified deficiencies through mutually agreeable actions, including restructuring the loan to protect the fund's interest while meeting the business' needs.

In the event the findings of the loan review uncover serious deficiencies, particularly the imminent threat or occurrence of default, the Program Administrator shall consult with Counsel to discuss and act on legal matters connected with the transaction at hand.

ADMINISTRATION FUNDING

Funds may be withdrawn from the loan fund to cover reasonable administrative expenses. Up to three percent of managed capital may be used for administration. Managed capital is defined as the total cash on hand and all outstanding loan balances. Other funds may be used in situations when funds are insufficient to cover administrative costs.

To generate additional revenue to cover administrative costs, the Corporation may also establish loan origination fees, closing fees, servicing fees, and other fees to cover charges directly related either to processing an application or to servicing a loan.

GENERAL ELIGIBILITY CONSIDERATIONS

ELIGIBLE AREA

The area served by the Regional Business Fund programs shall generally lie within the corporate limits of Barron County, Chippewa County, Clark County, Eau Claire County, Dunn County, Polk County, and St. Croix County, Wisconsin, and includes the full corporate limits of municipalities located both within the region and an adjacent county that lies outside of the region. Communities with CDBG funded RLFs that have not consolidated their funds are not eligible.

ELIGIBLE APPLICANTS

Applications may be submitted by the sole proprietor, managing partner or member, or Chief Executive Officer of any business wishing to establish a new operation or expand an existing operation in eligible areas of west central Wisconsin. Applicants shall submit an application using the most current form available online or from the Program Administrator.

Special project applications may also be submitted by the Chief Executive Officer of any local unit of government or community-based organization located within the participating county areas. Community-based incubator loans may not exceed 5% of all program funds.

All start up businesses and businesses less than 2 years old must submit a business plan.

Applicants must demonstrate that the proposed project is viable and that the business will have the economic ability to repay the funds.

Applicants will comply with all applicable local, state, and federal laws and codes.

Applicants must agree to remain physically located in west central Wisconsin during the term of the loan.

To qualify for funding, eligible businesses must complete an application and submit all relevant supporting documentation. Only when all the necessary documentation has been submitted, will the application be processed and presented to a loan committee for formal action.

All Applicants must be current in all tax payments at all levels, including any fees to be assessed by the municipality, or be current in an approved plan to pay taxes or fees.

No member of the Regional Business Fund, Inc. board, or any other official, employee, or agent of the Corporation or of the loan committees, or anyone, who exercises decision-making functions or responsibilities in connection with the implementation of this program, is eligible for financial assistance under this program.

ELIGIBLE ACTIVITIES

The majority of loan funds primarily finance small to medium sized projects that provide an economic benefit to local communities with business loans at below-market interest rates. Projects proposed for funding must address 1 or more of the objectives. The special program funds (micro, façade, and TEF) loan programs may have restrictions on eligible activities but the following is a list of all activities that will be eligible in one or more of the loan programs:

1. Acquisition of land, buildings and fixed equipment
2. Site preparation and construction & reconstruction for non-speculative projects
3. Installation of fixed equipment
4. Clearance, demolition, removal, rehabilitation or construction of buildings and improvements
5. Payment of assessments for sewer, water, street, and other public utilities if the provision of the facilities help business expand
6. Working Capital which finances short-term operating expenses, including training expenses and some relocation expenses
7. Downtown facade, historic reinvestment and streetscape improvements
8. Regional based venture fund for technology businesses
9. Micro financing
10. Short-term interim financing

11. Loans to Non-profit or For-profit organizations that benefit specific businesses. These could include business incubators, downtown organizations needing funding for streetscape planning and improvement projects, and other non-profits that benefit a specific business expansion that creates jobs.
12. Debt refinancing under very limited conditions and with stringent requirements. Refinancing debts may be allowed in connection with viable projects where it is necessary to create or retain existing jobs. Refinancing may be needed to spread substantial debt payment over a longer period of time to improve net cash flow consistent with the useful life of the assets being refinanced, or the payment of short-term debt when required in situations customarily financed over long periods of time (e.g. financing the purchase of real estate, machinery, or equipment with short-term debt or cash expenditures) when conventional lenders would not extend reasonable longer terms to the business, or it is necessary to place a permanent loan subsequent to an interim loan for financing the construction of a project.
13. Match loans to communities provided there is a direct benefit to an identified business
14. Disaster loan funds
15. Other Special Projects

INELIGIBLE ACTIVITIES

- Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business or industrial operation)
- Non-business expenses
- Routine maintenance
- Relocation of a business from one community within the region to another community with the region without extenuating circumstances
- Compensation for a fundamental business weakness or a poor credit history
- Other activities the Corporation or the Loan Committees may identify during the administration of the program

INELIGIBLE BUSINESSES

- Gambling activities including any business whose principal activity is gambling
- Adult Bookstores or adult/companion escort or entertainment services
- Nightclubs and bars without food services, except for facade loans
- Businesses not serving the interests of West Central Wisconsin
- Real estate investment speculation unless a proposed project will assist a specific business tenant, special purpose building and can be substantiated with a multi-year signed lease agreement with the opportunity for the tenant business to purchase the building in the future.

BUSINESS LOAN PROGRAMS

1. Revolving Loan Fund (RLF)

Purpose: The purpose of the revolving loan fund is to promote economic growth in west central Wisconsin through recruitment, expansion, and retention of business and industry. The RLF provides financing to fill gaps in the local markets and to stimulate private sector capital investments. The RLF is not meant to be the primary source of financing for projects, but works in partnership with lending institutions.

The RLF provides direct loans and may participate in loans with other lenders. It does not issue guarantees, letters of credit or other contingent financing arrangements.

Eligibility: The RLF addresses all requests not addressed by the special program funds and may be used in combination with the facade fund or the TEF. Applicants may apply for the RLF if no funds are available for the micro loan program but may not apply for a microloan and RLF loan at the same time. Businesses who have received micro loans and have a satisfactory repayment history can apply for RLF funding for expansion projects.

The Revolving Loan Fund (RLF) looks at projects that provide a public economic benefit to a community. Determining public benefit varies within the eight county area. There are both direct and indirect benefits that can be considered by the loan committees. The committees evaluate proposed loans weighing the economic impacts. Examples follow.

Direct Benefits

1. Job creation and retention, especially jobs that pay strong wages and provide benefits
2. Increased tax base and private investment
3. Creation of services not currently available in a community

Indirect Benefits

1. Spin off effects that strengthen the economic base
2. Creation of a visible symbol of positive economic change in a community or the region
3. Long term economic and employment growth potential
4. Adds value to and expands the market for area resources
5. Diversifies the local economy
6. Invests in new technology
7. Helps reverse the brain drain

Use of Funds: Working capital, inventory purchases, machinery and equipment, furniture, fixtures, supplies, leasehold improvements, building renovation/rehabilitation, real estate acquisition, and natural disaster recovery.

Terms and Conditions: Loan terms and conditions are based on need and ability to repay. It is the intent of the RLF to be as flexible as possible while operating in accordance with prudent lending policies. Standards include the following:

Loan Size. Loan amounts are subject to funds availability and the scope and type of project being undertaken. Generally, loans shall range in size from \$25,000 to \$150,000 and should represent no more than 25% of a project's total cost, except under special circumstances at the discretion of the loan committee. No maximum dollar loan limit has been established, however all requests in excess of \$250,000 must be approved by the Corporation.

Interest Rate. The interest rate is established by the Regional Business Fund, Inc. The interest rate is 4.0% and fixed for the term of the loan.

Maturities.

- Working capital loans have a maximum term of 5 years.
- Loans for machinery, equipment, and fixtures have a maximum term of 10 years or the life of the pledged assets, the lesser of. This applies only if the pledged assets serve as primary security for the loan.
- Real estate loans have a maximum term of 10 years.
- Balloon payment may be utilized with a maximum amortization of 10 years. However, if the project funds are identified by the Small Business Administration as part of the SBA 504 project scope, the maximum amortization is 20 years.

Repayment. Under special circumstances, payment of interest and/or principal may be deferred for a period of time not to exceed twelve (12) months.

Prepayment. There are no prepayment penalties.

Collateral. The Loan Committee seeks to have the best collateral position possible.

Guarantees. Unlimited personal guarantees are required from any person with a 20% or greater ownership interest in the business. Corporate guarantees are required if applicable.

Application Process: Applicants submit applications and attachments to the Program Administrator. Once the Program Administrator determines that an application is complete, the business will be notified.

Loan Review/Approval: The Program Administrator underwrites the loan and creates a credit presentation that includes a project summary, the basic loan terms, applicable financial due diligence, and certification that loan request meets program criteria and follows prescribed standards. The Program Administrator or the identified county representative will schedule a loan committee meeting if the loan request is less than \$250,000. If the loan request is larger than \$250,000, the Regional Business Fund, Inc. board reviews the request at its next scheduled meeting. The Program Administrator sends the recommendation to the appropriate loan committee. Loan committees are encouraged to invite applicants to attend the meetings.

If approved, the loan committee signs or initials the written recommendation prepared by the Program Administrator and notes any changes from the recommendation. The Program Administrator issues a commitment letter and closes, disburses and services the loan.

2. Growth Loan Fund

Purpose: The purpose of the Growth Loan Fund is to support the growth of existing newly founded companies in west central Wisconsin that have financial needs that cannot be met by traditional financial institutions. These are companies that are too old for the Micro Loan program, but their financing needs are not large enough to structure through the RLF program. The Growth Loan Fund is meant to be a primary source of financing, as there is no matching funds requirement. However, it is expected that the owners have funded at least a portion of the business startup with owner cash.

Eligibility: Applicants are required to have been in active operation for at least 24 months, with at least \$250,000 in sales in the last 12 months. A business plan and financial projections must be provided, clearly outlining the sales growth strategy. Applicants may not apply for the RLF or Micro Loan at the same time, but existing Micro Loan or RLF borrowers can apply to the Growth Fund at any time if they meet the other eligibility requirements.

Use of Funds: Working capital, inventory purchases, machinery and equipment, furniture, fixtures, supplies, leasehold improvements, building renovation/rehabilitation, and real estate acquisition.

Terms and Conditions: Loan terms and conditions are based on need and ability to repay. It is the intent of the Growth Fund to be as flexible as possible while operating in accordance with prudent lending policies. Standards include the following:

Loan Size. Loans shall range in size from \$10,000 to \$60,000.

Interest Rate. The interest rate is established by Regional Business Fund, Inc. The interest rate is 4.0% and fixed for the term of the loan.

Maturities.

Working capital loans have a maximum term of 5 years.

Loans for machinery, equipment, and fixtures have a maximum term of 7 years or the life of the pledged assets, the lesser of.

Real estate loans have a maximum term of 10 years.

Repayment. Under special circumstances, payment of interest and/or principal may be deferred for a period of time not to exceed twelve (12) months.

Prepayment. There are no prepayment penalties.

Collateral. The Loan Committee seeks to have the best collateral position possible.

Guarantees. Unlimited personal guarantees are required from any person with a 20% or greater ownership interest in the business. Corporate guarantees are required if applicable.

Capital Access Program. All approved applicants must enroll in the Capital Access Program to receive funding.

Application Process: Applicants submit applications and attachments to the Program Administrator. Once the Program Administrator determines that an application is complete, the business will be notified.

Loan Review/Approval: The Program Administrator underwrites the loan and creates a credit presentation that includes a project summary, the basic loan terms, applicable financial due diligence and certification that loan request meets program criteria and follows prescribed standards. The Program Administrator or the identified county representative will schedule a loan committee meeting. The Program Administrator sends the recommendation to the appropriate loan committee. Loan committees are encouraged to invite applicants to attend the meetings.

If approved, the loan committee signs or initials the written recommendation prepared by the Program Administrator and notes any changes from the recommendation. The Program Administrator issues a commitment letter and closes, disburses and services the loan.

3. Micro Loan Program

Purpose: The Microloan Program is designed to provide small loans to start-up, newly established, or growing small business concerns. A key objective of the program is to assist business owners, who have traditionally had difficulty accessing debt financing, by affording them another alternative for obtaining credit.

Eligibility: Each Applicant is expected to have good character, strong commitment to their business idea, signs of feasibility and economic viability, and a credit history to suggest a reasonable assurance that the loan will be repaid. The applicant should have some management skills or relevant industry experience to support the project's purpose.

Eligible applicants should not have annual sales over \$1,000,000 over the past 2 years and should have fewer than 25 employees.

Applicants cannot apply for a second micro loan unless the first micro loan is fully repaid. They may apply for RLF, TEF or downtown loans before repaying a micro loan.

No matching funds are required, but private investment in the project will be a consideration of the loan committee.

Use of Funds: Working capital, inventory purchases, machinery and equipment, furniture, fixtures, supplies, leasehold improvements, building renovation/rehabilitation, real estate acquisition, and natural disaster recovery.

Terms and Conditions:

Loan Size. \$5,000 to \$30,000.

Maturities. Cannot exceed 10 years. Working capital loans cannot exceed 3 years. Consideration will be given to the type of assets pledged.

Interest Rate. The interest rate is established by the RBF, Inc. The interest rate is 4.0% and fixed for the term of the note.

Collateral. Collateral is required and will usually take the form of a security interest in all of the applicant's assets. Real estate, equipment, inventory and receivables are common assets pledged.

Personal Guarantees. Unlimited personal guarantees are required from any person with a 20% or greater ownership interest in the business. Corporate guarantees are required if applicable.

Capital Access Program. All approved applicants must enroll in the Capital Access Program to receive funding.

Application: Applicants submit the application and attachments to the Program Administrator.

The Program Administrator will check the request for eligibility and completeness. Once complete, the Program Administrator will obtain personal credit bureau reports for all owners of more than 20% and perform a search of the Wis. Circuit Court liens. The Program Administrator will notify the designated loan committee of the application.

Review/Approval: The primary contact person for the designated micro loan committee schedules meetings. Committees are encouraged to invite the applicants to attend. The Program Administrator delivers the application packet with a brief summary and checklist to the primary contact person.

The micro loan committee conducts basic financial underwriting prior to approving loans. As an example, the objectives are to ensure that:

- a. the recipient can repay the proposed assistance;
- b. project costs are reasonable;
- c. all sources of project financing are committed;
- d. private capital is invested;
- e. the project is financially feasible;
- f. to the extent practicable, the return on the owner's equity investment will not be unreasonably high; and
- g. does not enable a business to compete unfairly with existing businesses in the community offering similar goods or services.

If the loan is approved, the committee signs and returns a checklist with the terms and conditions certifying the action. The Program Administrator reviews the recommendation for compliance and availability of funding and issues a commitment letter. The Program Administrator closes the loan, disburses funds, and services the loan.

4. Facade Loan Program

Purpose: The purpose is to provide incentives and financial assistance that encourage property and business owners in the historic downtowns of the cities and villages of west central Wisconsin to revitalize downtown commercial buildings.

Eligibility:

Applicants. All businesses or tenants located within historic downtowns of eligible villages and cities in west central Wisconsin are eligible. Startup businesses are eligible but must provide an acceptable business plan and show sufficient management background and an equity position in the business. Applicants must demonstrate an ability to cash flow the projected debt service and to operate a business successfully. Property taxes on the property must be current.

Eligible Uses. Facade renovation, signs, exterior doors, windows, awnings, exterior graphics, exterior lighting, and other facade or landscape improvements. Building code violations such as roofing, structural repair and necessary mechanical systems upgrades are eligible but only as part of an approved facade improvement. Facade funds can only be used for rehabilitation expenses incurred after the application is approved for funding. Applicants can also apply for other loan funds, micro, RLF, TEF or other main street loans/grants for the same project but the facade design must be approved first.

Ineligible Uses. No refinancing, building purchases, inventory, furniture, equipment or working capital. Projects cannot be primarily residential in nature. Projects must have reasonable assurance of repayment.

Design Requirements. Applicants must provide acceptable facade design plans that must comply with approved general design guidelines that will be based on the National Trust and Main Street Center or suitable design guidelines prepared and adopted by local governments.

Terms and Conditions:

Loan Size. \$5,000 to \$30,000

Maturities. Up to 7 years with repayments based on a 15 year amortization

Interest Rate. The interest rate is established by the RBF, Inc. The interest rate is 0% and fixed for the term of the note.

Deferral of Payments. Deferments of principal and interest payments will be allowed up to two years.

Collateral. All loans shall be secured by a mortgage on the property rehabilitated.

Guarantees. Personal guarantees are required. Corporate guarantees are required if applicable.

Maintenance. All borrowers will be required to maintain the properties in the condition they are in upon completion of the facade improvements for the term of the financing.

Application Procedure: The Applicant must review the design guidelines prior to completing an application. Applicants will be directed to a primary contact within each community. Applications include copies of the design plans, sketches, and photographs, project cost estimates, a construction schedule, evidence that property taxes are current, and financial statements, and are submitted directly to the local community or its primary contact.

Loan Review/Approval: The primary contact for an eligible local government or downtown committee determines if the application is complete and schedules the loan committee meeting.

The facade committee or local government certifies that the application is complete and meets all guidelines of the program, and that it was officially approved for financing. Committees or local governments send the complete application with all attachments and documentation on the action taken to the Program Administrator.

Loan Closing: The Program Administrator prepares a letter of commitment and closes the loan.

Monitor Compliance: A maximum of three disbursements is allowed. The final 10% of the total loan amount will be retained until the local government provides written notice to the Program Administrator that the project has met the design guidelines and all lien waivers from the previous draws have been received.

5. Technology Enterprise Fund (TEF)

Purpose: The TEF is designed to provide “patient” debt financing to emerging growth companies that have the potential to create positive economic benefits throughout Western Wisconsin. The TEF is intended to be complementary to equity sources of capital for companies who may not possess the transaction size or market potential to attract venture capital and/or conventional financing. The TEF is an existing fund with its own policy and procedures manual that will be used to administer the fund. A copy of the manual is available through the Program Administrator.

Eligibility:

- Businesses must be located in, or agree to locate to, the counties of Barron, Chippewa, Clark, Dunn, Eau Claire, Polk, and St. Croix;
- Must be a technology specific business possessing and/or developing a proprietary product or other intellectual property that will enhance development opportunities within the area of west central Wisconsin (exceptions granted on a case-by-case basis, subject to portfolio holding limitations);
- Company must have strong market outlook, solid prospects for full-scale commercialization, and a likelihood to attract follow-on funding;
- An experienced and competent management team that has meaningful ownership participation is a definite plus.

Loan Terms and Conditions:

Loan Size. \$100,000 to \$250,000 for working capital

Interest Rate. Variable rate indexed to Prime depending on risks. The fund may also take warrants or certain conversion rights for a percentage of the loan face value to compensate for the risk.

Repayment. Loan term not to exceed 5 years. Repayment options including deferral and interest-only payment are negotiable. Deferral and interest-only period will correspond to project ramp-up to stabilized (break-even) operations --- not to exceed 24 months. Extended non-performance periods and/or balloon maturities are done on an exception basis only. Policy requires a minimum of 6 months of liquidity at the onset of the loan.

Collateral. Collateral required usually in the form of a security interest in all of the company's assets, including the technology associated with or developed during the time of the investment. In cases where another party owns the technology, the company must have a proper licensing agreement in place.

- Debt subordination to senior asset-based lenders is allowed
- Warrants, royalties, or other success fees are also structured to provide appropriate levels of upside participation (IRR \geq 25%).

Guarantees. Personal guarantee(s) are required from any person with a 20% or greater ownership interest in the business. Corporate guarantee(s) where applicable.

Application Procedure: Please refer to the TEF Procedures Manual for more detail on the application and approval procedures. The Technology Advisory Committee of the Regional Business Fund, Inc. reviews the technology and submits a recommendation to the Regional Business Fund, Inc. board.

The Regional Business Fund, Inc. board meets to review and take action on the loan request. The Program Administrator closes loan, disburses funds and services loan. No more than 20% of the Consolidated Loan Funds can be in the TEF.

DISTRIBUTION OF FUNDS

LOAN PROCEDURES

Prior to releasing funds, the following documentation must be in place or provided at the appropriate time during the term of the loan.

- (1) Notice of Loan Commitment and Acceptance. The designated Loan Committee must have reviewed and approved a complete application for an eligible applicant. The Program Administrator drafts the letter of commitment based on the certification/loan recommendation signed and approved by the appropriate loan committee. The applicant must return an executed acceptance of loan terms to the Program Administrator.

- (2) Evidence of permits, etc. Documentation must be provided by the applicant that all necessary permits, licenses and any other registrations have been obtained prior to the release of loan funds.
- (3) Loan Agreement. The Program Administrator prepares a loan agreement that is executed by the Board Chair and Secretary or their designees, and the Chief Executive Officer of the business/community/community-based organization.
- (3) Promissory Note. A promissory note is prepared by the Program Administrator which is dated and specifies the amount and terms of the loan. The promissory note is signed by the Chief Executive Officer of the business/community/community-based organization at the time of loan closing.
- (4) Security. Mortgage or lien instruments and personal guarantees are provided as security for all loans. The documents are executed at the time of the loan closing. The Program Administrator records the instrument(s). Documentation are placed in loan files and may include:
 - (a) Mortgage and security agreement
 - (b) UCC searches and filing
 - (c) Guarantee agreement
 - (d) Title insurance or abstract
 - (e) Assignment of life insurance
 - (f) Casualty insurance binder
 - (g) Personal and corporate guarantees
 - (h) Other documentation
- (5) Repayment Schedule. The Program Administrator prepares an amortization schedule.
- (6) Evidence of Program Expenditures. Documentation acceptable to the Program Administrator must be provided by the business to evidence program expenditures.
- (7) Other Documentation. As appropriate or necessary, the loan recipient may be asked to provide the following to the Program Administrator:
 - (a) The Articles of Incorporation and by-laws
 - (b) A resolution or agreement to borrow funds
 - (c) Evidence of having secured other funds necessary for the project
 - (d) Current financial statements

With the above documentation in place, the Program Administrator schedules a loan closing. All documents are executed before funds are disbursed, and mortgages and UCC statements are recorded with the Register of Deeds and the Wisconsin Department of Financial Institutions.

DEFAULT

If the business defaults on any of the terms and conditions of the loan agreement, note, participation agreement, mortgage, security agreement, or other agreement issued in connection with a loan, all sums due and owing, including penalties, shall become immediately due and payable. The Regional Business Fund, Inc. board may commence action to recover the unpaid balance of the note and account. To exercise this option, the Program Administrator shall prepare a written notice to the business. The notice shall specify the following:

- (1) The default.
- (2) The action required to cure the default.
- (3) A date, not less than thirty (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other corrective action.
- (4) Any penalties incurred as a result of the default.

USE OF LOAN REPAYMENTS AND REPORTING

Repaid loans are re-deposited into the Consolidated Loan Funds account and used in a manner consistent with the policies and procedures manual and the West Central Wisconsin Investment Strategy. A separate accounting record for each loan is kept to account for all funds lent. The fund account is audited yearly by an independent auditor. The Program Administrator prepares reports on the use of funds.

LOAN SERVICING

The Program Administrator is responsible for the day-to-day administration of the portfolio, including establishment and maintenance of recordkeeping and tickler file systems, preparing and submitting progress reports, collecting and analyzing financial statements, conducting field visits, monitoring repayments and working with problem loans. The Program Administrator may engage outside staff to assist with the administration of the fund, including legal counsel.

The Program Administrator monitors each loan to ensure compliance with the loan terms and conditions, and to monitor the financial health of the business. The monitoring will also ensure that all recordkeeping requirements are met.

All new loans shall normally have loan payments due every month. A late charge of \$5.00 or 5.0% of the payment amount is assessed for any payment received late by 15 days or more.

All NSF checks have a \$30.00 charge for every check presented for payment which is returned unsatisfied.

The objective of the Consolidated Loan Funds is to contribute a positive economic benefit to the area economy rather than maximizing return on investment. Thus the Regional Business Fund, Inc. has more latitude in dealing with a problem loan than a traditional lender does. If the business could benefit from a loan workout

and the private lenders are also willing to work with the business, the Regional Business Fund, Inc. may utilize various alternatives to assist the troubled business including rearranging the loan amortization.

Collections actions including collateral foreclosure, repossession and legal actions taken to preserve the Consolidated Loan Fund's interest in collateral taken on behalf of the Consolidated Loan Funds shall be approved by the Corporation unless the board delegates certain authorities to local loan committees or the Program Administrator.

RECORDKEEPING

In addition to all other requirements, the financial management records must provide the following information, which may be provided through an internal accounting system maintained by the Program Administrator:

- (a) Accounts that record all deposits and disbursements to and from the loan fund, including funds used for administration, federal funds, CDBG funds to be returned to the state agency, funds available for special programs and the RLF, and contributions from each RLF local government.
- (b) Loan repayment registers that record repayments made by each business receiving a loan from the Consolidated Loan Funds. This register also tracks the balance of repayments from all loans from the fund.
- (c) Collection register for every loan made. Each register contains the business name, loan date, loan number, loan amount, terms, and date repayment begins. Payments are divided into principal and interest payments, with a declining principal balance.
- (d) Program Administrator prepares periodic status reports for RBF, Inc., the Loan Committees, municipalities, and the state agency.