

CWED LOAN FUND
POLICIES AND PROCEDURES MANUAL

**A Program of the
Central Wisconsin Economic Development Fund, Inc.**

DRAFT
July 2, 2012

TABLE OF CONTENTS

SECTION 1	GENERAL PROVISIONS	1
1.1	TITLE	1
1.2	DEFINITIONS.....	1
1.3	PURPOSE.....	1
1.4	OBJECTIVES	1
1.5	AMENDMENTS	2
SECTION 2	ADMINISTRATION	2
2.1	CWED BOARD	2
2.2	PROGRAM ADMINISTRATOR	3
2.3	LOCAL PARTICIPATING COMMUNITIES.....	3
2.4	REGIONAL LOAN REVIEW COMMITTEE	4
2.5	LOCAL LOAN REVIEW COMMITTEE.....	4
2.6	MEETINGS	4
2.7	RECORDS	5
2.8	ADMINISTRATION FUNDING	6
SECTION 3	ELIGIBILITY	7
3.1	ELIGIBLE AREA	7
3.2	ELIGIBLE APPLICANTS.....	7
3.3	ELIGIBLE ACTIVITIES	7
3.4	INELIGIBLE ACTIVITIES	8
3.5	INELIGIBLE BUSINESS.....	8
SECTION 4	ECONOMIC DEVELOPMENT LOAN PROGRAM	9
4.1	REVOLVING LOAN FUND (RLF).....	9
4.2	MICRO LOAN FUND	11
4.3	FAÇADE/HISTORIC REINVESTMENT LOAN PROGRAM	13
4.4	CAPITAL INVESTMENT FUND (CIF).....	15
SECTION 5	APPLICATION PROCEDURES	17
5.1	DISCUSSION OF REQUIREMENTS	17
5.2	TIMING	17
5.3	PRIORITY	17
5.4	ECONOMIC DEVELOPMENT LOAN PACKAGE	17
5.5	REVIEW PROCESS	18
SECTION 6	LOAN CLOSING PROCEDURES	19
SECTION 7	POST LOAN APPROVAL REQUIREMENTS	20

SECTION 8	PERFORMANCE MONITORING	21
8.1	PRIVATE AND OTHER PUBLIC LEVERAGE COMMITMENTS	21
8.2	HIRING OF NEW EMPLOYEES.....	21
8.3.....	DEFAULT.....	21
SECTION 9	USE OF REPAYMENTS, RETAINED INCOME, AND REPORTING	22
9.1	ACTIVE PROGRAM.....	22
SECTION 10	LOAN SERVICING	22
10.1	INTRODUCTION	22
10.2	ADMINISTRATION OF THE CDBG-ED/CWED LOAN FUND PORTFOLIO	23
10.3	MONITORING.....	23
10.4	RECORDKEEPING	23

SECTION 1: GENERAL PROVISIONS

1.1 TITLE

These regulations shall hereinafter be known, cited, and referred to as the Central Wisconsin Economic Development Loan Fund (CWED Loan Fund) Policies and Procedures Manual for the Counties of Adams, Marathon, Portage, and Wood.

1.2 DEFINITIONS

Capital Under Management: Cash on hand and all outstanding loan balances.

CDBG Program Income: All cash originally assigned to the CWED Loan Fund by authorizing resolution of the participating RLF units of local government.

Defederalized repayments: Primary and secondary loan repayments received after the date the loans are assigned to or issued by the CWED Loan Fund.

Program Staff: Program Administrator to perform specified CWED Loan Fund administrative functions.

Local Program Contact: Participating community RLF staff.

Regional Program Funds: Defederalized repayments.

RFL Community: RLF Communities include those communities or organizations who contracted with the former Wisconsin Department of Commerce (prior to joining CWED) to provide municipal revolving loan fund programs. RLF Communities include cities, villages, counties, economic development corporations, and economic development organizations who administered revolving loan fund programs.

1.3 PURPOSE

These regulations have been established to set forth criteria that shall govern economic development activities promoted with regional program funds made available through the Central Wisconsin Economic Development Loan Fund (hereinafter referred to as the Program). CWED loan funds result from the consolidation of state-funded Community Development Block Grant (CDBG) Revolving Loan Funds (RLF) within Central Wisconsin. The Wisconsin Economic Development Corporation shall provide oversight and technical assistance to CWED.

1.4 OBJECTIVES

The CWED Loan Fund shall serve as an economic stimulus in Central Wisconsin.

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

- 1) To encourage the creation and retention of permanent jobs that provide quality wages and benefits

- 2) To encourage the leveraging of new private and public investment into Central Wisconsin in the form of fixed asset investment, particularly in land and buildings
- 3) To increase tax base for communities in Central Wisconsin
- 4) To perpetuate a positive and proactive business climate which encourages the retention and expansion of existing businesses and helps to attract desirable new businesses
- 5) To implement the economic goals and objectives of Central Wisconsin communities and regional economic development strategies
- 6) To maintain and promote a diverse mix of employment opportunities
- 7) To promote agricultural, commercial, and industrial development in Central Wisconsin
- 8) To encourage the development and use of modern technology, and create safe and healthy work environments
- 9) To encourage an environmentally sensitive and sustainable business community.

1.5 AMENDMENTS

The CWED Board may, from time to time, amend the provisions imposed by the policies and procedures contained within this manual.

SECTION 2: ADMINISTRATION

2.1 CENTRAL WISCONSIN ECONOMIC DEVELOPMENT FUND BOARD (CWED BOARD)

The CWED Board shall manage the CWED Loan Fund. It will accept the CDBG funded RLF funds, assume the RLF loans and legal responsibilities from the local participating RLF communities in Central Wisconsin, and act as the oversight board. It will adopt and implement the Central Wisconsin Region Strategy and this manual.

The CWED Board shall have lending authority for the loan funds and shall delegate to micro, façade, local, regional loan, and natural disaster recovery provision committees the authority to approve all loans which comply with the policies and procedures set forth for each loan program.

The CWED Board shall review and adjust internal policies to meet the needs of the CWED Loan Fund. The CWED Board shall review loan performance and activity reports.

The CWED Board shall enter into an administrative agreement with the Wisconsin Economic Development Corporation for administration of the CWED Loan Fund.

The CWED Board shall select and enter into an agreement with the Program Administrator to manage the CWED Loan Fund.

The CWED Board shall approve all litigation costs and deficiency judgments. The CWED Board shall approve all collection actions, including collateral foreclosure, repossession, and legal actions.

The CWED Board shall approve all investment policies involving unused funds. The Program Administrator shall be responsible for the investment of unused funds per approved Board policies.

An independent auditor selected by the CWED Board shall audit the fund annually. Audit report findings shall be made available to all participating RLF communities, electronic or otherwise.

The CWED Board shall be comprised of one member from each participating RLF community and one member from each county that does not have a RLF community or program. Members of the CWED Board shall be the Chief Elected Official (or his/her designee).

2.2 PROGRAM ADMINISTRATOR

The Program Administrator shall be selected and approved by the CWED Board.

The Program Administrator shall manage the loan portfolios on a day-to-day basis and take actions to underwrite, recommend, close and collect loans consistent with the lending policies and approvals of the loan committees, the CWED Board, and the loan program.

The Program Administrator shall maintain separate accounting records, prepare reports on the use of program funds, and advise the Board on default matters.

The Program Administrator shall maintain contact with local participating communities on all business loan requests.

The Program Administrator shall subcontract for other services as needed, and shall retain the services of outside legal counsel as directed by the CWED Board.

The Program Administrator shall assist local program contact to explain the Program to prospective applicants, furnish written information, assist applicants in completing applications, and process all requests for funds.

The Program Administrator shall review all financial statements and loan amortization schedules; review and approve documentation of Program expenditures; maintain a separate accounting record, and report to the Wisconsin Economic Development Corporation as required regarding the receipt and use of Program revenues.

The Program Administrator, with the assistance of the local RLF contact, shall verify the installation of all fixed equipment financed with Program funds.

The Program Administrator shall invest all unused CWED funds in accordance with CWED Board investment policies. An attempt will be made to spread these investments throughout the region.

The Program Administrator shall prepare reports as directed by the CWED Board.

2.3 LOCAL PARTICIPATING RLF COMMUNITIES

Local participating RLF communities shall market the funds, assist local businesses with applications, and communicate with Program Administrator about economic development projects and priorities in their communities.

Local participating RLF communities and/or their local development organizations shall be able to approve all CWED program loans, up to amounts set by the CWED Board.

Local participating RLF communities shall identify a person of the local government/EDC or its loan committee who will schedule loan meetings for all loans reviewed by the appropriate committee. Lending authority and administrative roles are identified under the individual loan committees listed below.

2.4 REGIONAL LOAN REVIEW COMMITTEE

Each participating RLF community shall recommend appointments from the local loan review committee to also serve on the regional loan committee. CWED Board shall review and approve appointments. The goal is to have equal representation of two representatives per participating county. It is the intent that representatives will include a balanced cross section of expertise from lending, accounting, legal, and business ownership. The Regional loan review committee shall also include two representatives from the participating RLF community submitting a loan application.

When the number of counties participating in the CWED organization reaches eight (8) counties, two regional loan committees shall be created. The regional loan committees shall generally be separated into northern and southern county groupings. Northern and southern members shall be determined by the CWED Board when CWED reaches eight (8) member counties.

The regional loan review committee shall consider all loan requests over \$200,000. The regional loan review committee shall also consider loan requests for special projects or loans which contain exceptions to the loan policies. The regional loan review committee shall approve all amendments to loan terms and conditions after loans are closed, per bylaws. The regional loan review committee may delegate authority to modify, extend, and restructure loans.

2.5 LOCAL LOAN REVIEW COMMITTEE

Existing participating RLF community loan committees may remain in effect or may combine with another participating RLF community. The local loan committee shall review RLF, Micro, Façade/Historic Reinvestment, Capital Investment, and MVP loans.

The loan committees shall consider loan applications based on the lending authority approved by the CWED Board. The loan committees shall be responsible for the review and approval or denial of loan applications. Members shall adhere to requirements established by each program. A majority of the committee, as defined by the bylaws, must approve any action. No loan shall be made without the approval of an authorized loan committee. The loan committee shall approve all amendments to loan terms and conditions after loans are closed.

2.6 MEETINGS

Pursuant to the CWED bylaws, the CWED Board and Committee members shall be given prior notice of each meeting. A majority of those present and constituting a quorum (50% of the respective Board or Committee) shall be required for official Committee or Board action to take place on any application or any other business. Notices and meetings shall be held in accordance with open meeting and records law. Meetings may be held on an as-needed basis by teleconference and members may also vote using electronic means.

In the event a Board or Regional Committee member is unable to participate in a meeting, the member may identify an alternate to serve in his or her stead with written notice to the CWED President or Regional Committee Chair.

2.7 RECORDS

Written records of all program activities, including program meetings, loan applications, and related documents, shall be maintained in appropriate files by the Program Administrator. Authorized personnel shall maintain all project files in a secure, fireproof place with limited access. Certain records shall be available electronically to provide access to local governments, economic groups, and the Wisconsin Economic Development Corporation.

A documentation file should be established and maintained by the Program Administrator for each loan recipient and contain the following:

- 1) Loan Application All applications, business financial statements, personal financial statements, credit reports, resumes, business plan documents, and other supporting loan information submitted to CWED, including all applicable correspondence, shall be placed in a permanent file.
- 2) Loan Approval This file must contain action taken on the loan and will include recommendations and evidence of loan approval.
- 3) 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.
- 4) Tickler System Notices shall be generated systematically to serve as a reminder on time-sensitive items. Tracking such information is vital in protecting security

interests, ensuring lien perfection, and monitoring loan performance. The following is a non-exhaustive list of items to be indexed in tickler format, when applicable:

- a) Expiration dates pertaining to property, commercial liability, business loss interruption and key-man life insurance policies
 - b) Due dates and requests for financial statements as stipulated in the loan agreement
 - c) Periodic site visits and/or management conference calls
 - d) Lapse dates relating to UCC financing statements should be generated no later than 45 days prior, but not more than 180 days before, UCC filing expiration
 - e) Scheduled dates to perform annual reviews and monitor covenant compliance
 - f) Due dates for any current or outstanding tax obligations (i.e. property, payroll, etc.)
 - g) Dates for any imminent changes in loan repayments or reminders regarding non-compliance deadlines or default "drop-dead" dates
- 5) 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 the following should occur on an annual basis:
- a) Financial statements prepared by a qualified accountant and submitted in a form acceptable to the Committee
 - b) Letters and progress reports
 - c) Site visits and/or management conference calls. A summary of any visits or calls shall be 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 and Local Program Contact shall 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 Local Program Contact and Counsel to discuss and act on legal matters connected with the transaction at hand.

2.8 ADMINISTRATION FUNDING

Funds may be withdrawn from the loan fund to cover reasonable administrative expenses. Administrative expenses shall include, but not be limited to contracted costs associated with hiring an administrative provider and costs incurred by participating community RLF staff. Administrative costs incurred by participating community RLF staff shall be documented and shall be submitted to the CWED Board for review and approval. Administrative costs associated with an approved loan shall be submitted to the CWED Board no later than 30 days after loan closing.

Up to three percent of managed capital may be used for administrative costs. 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 CWED Board 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.

SECTION 3: ELIGIBILITY

3.1 ELIGIBLE AREA

The area served by the CWED loan programs shall lie within the corporate limits of Adams County, Forest County, Juneau County, Langlade County, Lincoln County, Marathon County, Oneida County, Portage County, Vilas County, and Wood County Wisconsin.

3.2 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 Central Wisconsin. Applicants shall submit an application using the most current form available from the Program Administrator or the local RLF Administrator.

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

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

Applicants must agree to remain physically located in the community in which the loan is

originated 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 the applicable 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 Central Wisconsin Economic Development Fund, Inc., 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.

3.3 ELIGIBLE ACTIVITIES

The majority of loan funds shall primarily finance small to medium sized projects with business loans at or below market interest rates that provide an economic benefit to local communities. Projects proposed for funding must address one or more of the objectives. The set-aside (Micro, Façade/Historic Reinvestment and Capital Investment) 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 when federal restrictions are lifted by consolidating funds:

- 1) Acquisition of land, buildings, and fixed equipment
- 2) Site preparation, construction, and 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. Working capital will include training expenses and some relocation expenses
- 7) Downtown facade, historic reinvestment, and streetscape improvements
- 8) Micro financing
- 9) Short-term interim financing
- 10) Capital investments for dairy producers that will result in significant long-term increase in capacity to produce milk
- 11) Other Special Projects

3.4 INELIGIBLE ACTIVITIES

- 1) Refinancing or consolidation of existing debt
- 2) Reimbursement for expenditures prior to loan approval
- 3) Specialized equipment that is not essential to the business operation
- 4) Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business or industrial operation)
- 5) Non-business expenses

- 6) Routine maintenance
- 7) Relocation of a business from one community within the region to another community within the region without extenuating circumstances
- 8) Compensation for a fundamental business weakness or a poor credit history
- 9) Other activities the Corporation or Loan Committees may identify during administration of the program

3.5 INELIGIBLE BUSINESSES

- 1) Gambling activities, including any business whose principal activity is gambling
- 2) Adult Bookstores or adult/companion escort or entertainment services
- 3) Nightclubs and bars without food services, except for facade loans
- 4) Lending institutions
- 5) Rent-to-own businesses
- 6) Businesses not serving the interests of Central Wisconsin
- 7) Real estate investment speculation.

SECTION 4: ECONOMIC DEVELOPMENT LOAN PROGRAM

4.1 REVOLVING LOAN FUND (RLF)

Purpose: The purpose of the RLF is to provide business financing that promotes economic growth in Central Wisconsin through recruitment, expansion, and retention of business and industry. The RLF shall provide financing to fill gaps in the local markets and to stimulate private sector capital investments. The RLF shall not be the primary source of financing for projects and will work in partnership with lending institutions.

The RLF shall provide direct loans and may participate in loans with other lenders. It will not issue guarantees, letters of credit or other contingent financing arrangements. RLF funds that are not yet defederalized shall meet federal requirements of the Community Development Block Grant program.

Eligibility: The RLF shall address all requests not addressed by other funds. Applicants may apply for the RLF if no funds are available in the micro loan program, but may not apply for both a microloan and a RLF loan at the same time. Businesses that have received micro loans and have a satisfactory repayment history can apply for RLF funding for expansion projects.

The RLF shall look at projects that provide a public economic benefit to a community. Determining public benefit varies within the four county areas. There are both direct and indirect benefits that can be considered by the loan committees. The committees shall evaluate proposed loans weighing the economic impacts. Examples follow:

Examples - Direct Benefits

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

Examples - 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.

RLF Terms and Conditions: Loan terms and conditions shall be 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 shall include the following:

Loan Size. Loan amounts are subject to fund availability and the scope and type of project being undertaken. Generally, loans shall range in size from \$25,000 to \$200,000 and should represent no more than 40% of a project's total cost, except under special circumstances at the discretion of the loan committee. Loan amount shall not exceed amount of funds provided by the senior lender. No maximum dollar loan limit shall be established, however, all requests in excess of \$200,000 must be approved by the Regional Loan Review Committee.

Owner Equity. A minimum of 10% equity injection of total project cost is required.

Interest Rate. The interest rate shall be established by the CWED Board.

Loan Terms.

- Working capital loans shall not exceed a term of 5 years
- Loans for machinery, equipment, and fixtures are typically structured over 5 to 7 years and shall not exceed a term of 10 years, or the life of the pledged assets, the lesser thereof.
- Real estate loans shall not exceed a term of 10 years, but may be amortized for a maximum of 20 years.
- Balloon payment may be utilized.

Collateral. The RLF Loan Committee shall seek the best collateral position possible, including personal assets. Real estate and equipment are common assets pledged.

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.

Job Creation. Typically, one full-time job is created for each \$20,000 loaned.

Repayment. Monthly payments required. 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 shall not be any prepayment penalties.

Business Location. Must maintain business within the municipality for the term of the loan.

RLF Loan Application Process: Applications shall be completed and submitted to the local RLF Administrator. Once the local RLF Administrator determines that an application is complete, the Program Administrator and the business shall be notified.

RLF Loan Review/Approval: The local RLF Administrator shall compile the application and supporting documents required to underwrite the loan and verify that loan request meets program criteria and follows prescribed standards. The local RLF Administrator or Program Administrator shall schedule a loan committee meeting depending on type and amount of loan request. The applicant shall be notified as to the date and time of the loan meeting. The applicant is required to attend the loan review meeting. The local RLF Administrator shall send the complete application, with all attachments and documentation, to the Program Administrator.

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

- 1) the recipient can repay the proposed assistance
- 2) project costs are reasonable
- 3) all sources of project financing are committed
- 4) private capital is invested
- 5) the project is financially feasible
- 6) to the extent practicable, the return on the owner's equity investment will not be unreasonably high
- 7) does not enable a business to compete unfairly with existing businesses in the community offering similar goods or services.

The Program Administrator shall issue commitment letters for approved loans only after review and approval by the committee chair. If the commitment is accepted by the business, the Program Administrator shall notify the local RLF Administrator. The Program Administrator shall close, disburse, and service the loan.

RLF Loan Review/Denial: If the loan committee denies a loan application, the Program Administrator or local RLF Administrator shall issue a denial letter, stating reasons for denial.

4.2 MICRO LOAN FUND

Purpose: The Micro Loan Fund is designed to provide small loans to start-up, newly established, or growing small businesses. A key objective of the program is to assist business owners who have traditionally had difficulty accessing debt financing.

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 the loan will be repaid. The applicant should have some management skills or relevant industry experience to support the project's purpose.

Use of Funds: Funds may be used for working capital, inventory purchases, machinery and equipment, furniture, fixtures, supplies, leasehold improvements, minor building renovation/rehabilitation, or natural disaster recovery.

Micro Terms and Conditions: Loan terms and conditions shall be based on need and ability to repay. It is the intent of the Micro loan to be as flexible as possible while operating in accordance with prudent lending policies.

Loan Size. \$5,000 to \$25,000

Matching Funds. Private funds must be invested with a minimum of 20% matching requirement.

Interest Rate. The interest rate shall be established by CWED Board.

Loan Terms. Not to exceed 7 years. Working capital loan terms not to exceed 5 years. Consideration shall be given to the type of assets pledged.

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

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

Repayment. Monthly payments required. 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 shall not be any prepayment penalties.

Business Location. Must maintain business within the municipality for the term of the loan.

Micro Loan Application Process: Applications shall be completed and submitted to the local RLF Administrator. Once the local RLF Administrator determines that an application is complete, the Program Administrator and the business shall be notified.

Micro Loan Review/Approval: The local RLF Administrator shall compile the application and supporting documents required to underwrite the loan and verify that the loan request meets program criteria and follows prescribed standards. The local RLF Administrator shall schedule a loan committee meeting and notify the Program Administrator. The applicant shall be notified as to the date and time of the loan meeting. The applicant is required to attend the loan review meeting. The local RLF Administrator shall send the complete application, with all attachments and documentation, to the Program Administrator.

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

- 1) the recipient can repay the proposed assistance
- 2) project costs are reasonable
- 3) all sources of project financing are committed
- 4) private capital is invested
- 5) the project is financially feasible
- 6) to the extent practicable, the return on the owner's equity investment will not be unreasonably high
- 7) does not enable a business to compete unfairly with existing businesses in the community offering similar goods or services.

The Program Administrator shall issue commitment letters for approved loans only after review and approval by the committee chair. If the commitment is accepted by the business, the Program Administrator shall notify the local RLF Administrator. The Program Administrator shall close, disburse, and service the loan.

Micro Loan Review/Denial: If the loan committee denies a loan application, the local RLF Administrator shall issue a denial letter, stating reasons for denial.

4.3 FACADE/HISTORIC REINVESTMENT LOAN PROGRAM

Purpose: The purpose of this program is to provide an incentive that encourages commercial reinvestment in older properties. Targeted properties include a commercial building or a group of commercial buildings, most of which are greater than 50 years old.

Eligible Applicants. Property owners or businesses located in a commercial building or a group of commercial buildings, most of which are greater than 50 years old, are eligible for this program. 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 ability to cash flow the projected debt service and to operate a business successfully. Property taxes on the property must be current.

Eligibility. Eligible loan activities include facade renovation, signs, exterior doors, windows, awnings, exterior graphics, exterior lighting, and other facade or landscape improvements that meet established design guidelines. 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.

Ineligible Uses. Loans shall not be used for 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 such as the National Historic Trust's "Keeping Up Appearances" or suitable design or other guidelines prepared and adopted by local governments.

Facade/Historic Reinvestment Terms and Conditions: Loan terms and conditions shall be based on need and ability to repay. It is the intent of the Micro loan to be as flexible as possible while operating in accordance with prudent lending policies.

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

Matching Funds. Private funds must be invested with a minimum 50% matching requirement.

Interest Rate. The interest rate shall be established by the CWED Board.

Loan Terms. Terms not to exceed 10 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.

Deferral of Payments. Deferments of principal and/or interest payments not to exceed 2 years.

Prepayment Penalty. There shall not be any prepayment penalties

Maintenance. All borrowers shall be required to continue to maintain the properties in the condition and for a time as set forth in the loan documents, but will normally not be less than the term of the financing.

Facade/Historic Reinvestment Loan Application Process: Applications including copies of the design plans, sketches and photographs, project cost estimates, a construction schedule, evidence that property taxes are current, and financial statements shall be completed and submitted to the local RLF Administrator. Once the local RLF Administrator determines that an application is complete, the Program Administrator and the business shall be notified.

Facade/Historic Reinvestment Loan Review/Approval: The local RLF Administrator shall compile the application and supporting documents required to underwrite the loan and verify that the loan request meets program criteria and follows prescribed standards. The local RLF Administrator shall schedule a loan committee meeting and notify the Program Administrator. The applicant shall be notified as to the date and time of the

loan meeting. The applicant is required to attend the loan review meeting. The local RLF Administrator shall send the complete application with all attachments and documentation to the Program Administrator.

The Facade loan committee shall conduct basic financial underwriting prior to approving loans. As an example, the objectives are to ensure that

- 1) the recipient can repay the proposed assistance
- 2) project costs are reasonable
- 3) all sources of project financing are committed
- 4) private capital is invested
- 5) the project is financially feasible
- 6) to the extent practicable, the return on the owner's equity investment will not be unreasonably high
- 7) does not enable a business to compete unfairly with existing businesses in the community offering similar goods or services.

The Program Administrator shall issue commitment letters for approved loans only after review and approval by the committee chair. If the commitment is accepted by the business, the Program Administrator shall notify the local RLF Administrator. The Program Administrator shall close, disburse, and service the loan.

Facade/Historic Reinvestment Loan Review/Denial: If the loan committee denies a loan application, the local RLF Administrator shall issue a denial letter, stating reasons for denial.

4.4 CAPITAL INVESTMENT FUND (CIF)

Purpose: The CIF is designed to provide financing to companies investing in technology or fixed assets that make their business more efficient and competitive without job growth and have the potential to create positive economic benefits throughout Central Wisconsin. The purpose of the CIF is to promote economic growth in Central Wisconsin through retention of existing business and industry. The CIF shall provide financing to fill gaps in the local markets and to stimulate private sector capital investments. The CIF shall not be the primary source of financing for projects and will work in partnership with lending institutions.

The CIF shall provide direct loans. It will not issue guarantees, letters of credit or other contingent financing arrangements.

Eligibility:

The CIF shall look at projects that provide a public economic benefit to a community. Determining public benefit varies within the four county area. There are both direct and indirect benefits that can be considered by the loan committees. The committees shall evaluate proposed loans weighing the economic impacts. Examples follow:

Examples - Direct Benefits

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

Examples - 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.

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

Loan Size. Loan amounts are subject to fund availability and the scope and type of project being undertaken. Generally, loans shall range in size from \$25,000 to \$200,000 and should represent no more than 30% of a project's total cost, except under special circumstances at the discretion of the loan committee. Loan amount shall not exceed amount of funds provided by the senior lender. No maximum dollar loan limit shall be established, however, all requests in excess of \$200,000 must be approved by the Regional Loan Review Committee.

Owner Equity. A minimum of 10% equity injection of total project cost is required.

Interest Rate. The interest rate shall be established by the CWED Board.

Loan Terms.

- Working capital loans shall not exceed a term of 5 years
- Loans for machinery, equipment, and fixtures are typically structured over 5 to 7 years and shall not exceed a term of 10 years, or the life of the pledged assets, the lesser thereof.
- Real estate loans shall not exceed a term of 10 years, but may be amortized for a maximum of 20 years.
- Balloon payment may be utilized.

Collateral. The CIF Loan Committee shall seek the best collateral position possible, including personal assets. Real estate and equipment are common assets pledged.

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.

Job Retention. Creation of new jobs not required. Minimum job retention is 90%. The lending authority may vary from the job retention standard in cases where the applicant demonstrates the need.

Repayment. Monthly payments are required. 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 shall not be any prepayment penalties.

Business Location. Must maintain business within the municipality for the term of the loan

CIF Loan Application Process: Applications shall be completed and submitted to the local RLF Administrator. Once the local RLF Administrator determines that an application is complete, the Program Administrator and the business shall be notified.

CIF Loan Review/Approval: The local RLF Administrator shall compile the application and supporting documents required to underwrite the loan and verify the loan request meets program criteria and follows prescribed standards. The local RLF Administrator or Program Administrator shall schedule a loan committee meeting depending on type and amount of loan request. The applicant shall be notified as to the date and time of the loan meeting. The applicant is required to attend the loan review meeting. The local RLF Administrator shall send the complete application, with all attachments and documentation, to the Program Administrator.

The CIF loan committee shall conduct basic financial underwriting prior to approving loans. As an example, the objectives are to ensure that

- 1) the recipient can repay the proposed assistance
- 2) project costs are reasonable
- 3) all sources of project financing are committed
- 4) private capital is invested
- 5) the project is financially feasible
- 6) to the extent practicable, the return on the owner's equity investment will not be unreasonably high
- 7) does not enable a business to compete unfairly with existing businesses in the community offering similar goods or services.

The Program Administrator shall issue commitment letters for approved loans only after review and approval by the committee chair. If the commitment is accepted by the business, the Program Administrator shall notify the local RLF Administrator. The Program Administrator shall close, disburse, and service the loan.

CIF Loan Review/Denial: If the loan committee denies a loan application, the Program Administrator or local RLF Administrator shall issue a denial letter, stating reasons for denial.

4.5 NATURAL DISASTER LOAN PROGRAM (NDLP)

Purpose: This program is meant to provide financial assistance to businesses not available through other sources, such as the Small Business Administration (SBA) Disaster Loan Programs, and USDA Rural Development Business Enterprise Grant RLFs. Affected businesses should explore such resources whenever possible to ensure the maximum

benefit of limited public funds. This program may help to fill a gap where some needy businesses do not meet the minimum requirements to receive a SBA loan, or do not have the short term financial wherewithal to meet the SBA terms and conditions.

Summary:

The NDRP will:

- 1) Provide low-cost, easy-to-access financing to small businesses affected physically or economically by the natural disaster;
- 2) Enable small businesses to remain and thrive in the community;
- 3) Allow resources to be deployed as quickly as possible by keeping it local and close to the ground;
- 4) Allow the funds to be strategically targeted in your area where most needed;
- 5) Promote cooperation amongst RLFs, with the end result of a redistribution of RLF funds upwards to the county level which would allow for greater long term utilization in your area rather than the funds reverting back to the Wisconsin Economic Development Corporation.

NDRP is a loan program administered by county RLFs directly assisting small businesses. Counties are empowered to make short term, no interest loans of existing RLF funds to local businesses in response to governor-declared natural disasters using simplified underwriting requirements. Each participating county adopts NDRP changes to their RLF Manual specifying the administrative requirements and loan terms to be made available.

1. Only one loan may be given per legal business entity as determined by registration with Department of Financial Institutions or tax filings.
2. Loans are available to businesses demonstrating actual or reasonably expected economic hardship attributable to the specific recognized natural disaster activating the provision.
3. Loans up to \$20,000 are allowed for working capital and/or equipment. (Assistance is limited to exclude DBRA-treated uses as was the case with FRSB.)
4. Loans are at 0% for up to 24 months with payment in full due on the first day of the 25th month since the disbursement of the first funds. This is the "base term" of the loan.
5. Loans may be refinanced for a period not to exceed 5 years at the end of the base term. Refinanced loans are underwritten as regular RLF loans, will be issued in compliance with the non-NDRP provisions of the RLF manual, and may incur additional fees.
6. Loans require corporate guarantees and unlimited personal guarantees for each owner of 20% or more of the business.

SECTION 5: APPLICATION PROCEDURES

5.1 DISCUSSION OF REQUIREMENTS

Prior to submitting an application, the applicant shall discuss the Program with the Program Administrator and/or Program staff. An application form shall be provided to the applicant. The Program Administrator shall assist the applicant and/or Program staff, as is reasonably necessary, in completing the application. All financial information shall be kept confidential.

5.2 TIMING

Applications may be submitted at any time during the calendar year.

5.3 PRIORITY

Applications shall be reviewed in the order received. Priorities for loans shall be established by the CWED Loan Committee based on the amount of funds available.

5.4 ECONOMIC DEVELOPMENT LOAN PACKAGE

Applicants shall submit a loan package consisting of the following information:

- 1) Application A completed application form as provided by the Program Administrator.
- 2) Business Description A written description of the business, including the following:
 - a) A brief history of the existing or proposed business, including when it started or is to start, type of operation, legal structure, markets, and products.
 - b) Key customers and clients (confidential).
 - c) A brief personal resume of each principal and officer associated with the business, including: number of years of experience; educational background, and personal involvement in the proposed or existing business.
 - d) Three years of financial history (if applicable), preferably reviewed or audited in accordance with generally accepted accounting principles by an independent accountant, including balance sheets, profit/loss statements, and accountant notes (confidential).
- 3) Project Description Explain how the business plans to use the requested funds.
- 4) Commitments from Private and Other Public Lenders Include documentation of commitments from all private and other public lenders making loans to the project. Lender commitment letters should include:
 - a) Description of the type of loan being made by the lender (first mortgage,

- b) permanent financing, construction financing, etc.)(confidential);
 - b) The amount, interest rate, terms, and security of the loan (confidential); and
 - c) Statement that the loan is contingent only on the receipt of Program financing, if applicable.
- 5) Projections Provide balance sheets, income statements, and cash flow statements to clearly show the requested loan is necessary to make the project work (confidential). These should cover a three-year period (or to the projected break-even point) and should be based on the assumption that the business will receive the requested loan. Financial projections shall be prepared preferably by an independent accountant.
- 6) Additional Information Additional information as may be required by the CWED Loan Committee, Counsel for CWED, Program Administrator, or Program staff. Certain information provided in the application materials may be deemed confidential by the local RLF Administrator or Program Administrator.

5.5 REVIEW PROCESS

Specific steps in the review process include the following:

- 1) Preliminary Review The Local RLF Administrator or Program Administrator will review the application for completeness and verify that the proposed project meets minimum requirements provided in Section 3. If the application is not complete, the Local RLF Administrator or Program Administrator shall inform the applicant of the deficiencies.
- 2) Optional Preliminary Review Local Program staff may review the application for completeness and verify that the proposed project meets minimum requirements provided for in Section 3. If the application is not complete, the Local Program staff shall inform the applicant of the deficiencies.
- 3) Formal Review The CWED Loan Committee will meet in person or via telephone to formally review the application within 30 days of receipt of a completed application. The CWED Loan Committee may approve, reject, or request additional information about the application.
- 4) Notice of Award Upon acceptance by the appropriate CWED Loan Committee, the Program Administrator shall contact the business in writing to review and explain the terms of the loan. A loan closing shall be arranged to execute the necessary loan documents.
- 5) Rejection of Award If the application is not approved, the Local RLF Administrator or Program Administrator shall send a letter to the applicant stating the reasons for rejection and offer to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

SECTION 6: LOAN CLOSING 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) Acceptance of Loan Terms Receipt of an executed acceptance of loan terms as provided for in the notice of award.
- 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 Program funds.
- 3) Loan Agreement The Program Administrator shall prepare a loan agreement, which shall be executed by a CWED Board office and the Chief Executive Officer of the business.
- 4) Promissory Note A promissory note shall be prepared by the Program Administrator. The promissory note must be signed by the Chief Executive Officer of the business at the time of loan closing. The note must be dated; it must reference the agreement between the CWED Loan Fund and the business, and it must specify the amount and terms of the loan funds delivered.
- 5) Security Mortgage or lien instruments provided as security for all loans must be prepared by the Program Administrator and executed at the time of the loan closing. The Program Administrator shall record the instrument and place a copy in the project file.
- 6) Repayment Schedule A loan repayment schedule shall be prepared by the Program Administrator and be attached to both parties' copies of the loan agreement.
- 7) Evidence of Program Expenditures Documentation must be provided by the business to evidence Program expenditures. Documentation shall include invoices, receipts for materials, approved requests for payment, final bills of sale, or canceled checks. All documentation shall be reviewed and approved by the Program Administrator.
- 8) Fixed Equipment The local RLF Administrator or the Program Administrator shall verify the installation of fixed equipment.
- 9) Other documentation As appropriate or necessary, the borrower may be asked to provide the following:
 - a) A certificate of status from the Department of Financial Institutions;
 - b) The Articles of Incorporation and Bylaws;
 - c) A resolution or agreement to borrow funds;
 - d) Current financial statements;
 - e) Evidence of having secured other funds necessary for the project;
 - f) An Environmental Assessment for real estate loans, which may either be an Environmental Checklist or a Phase I, II, or III analysis, depending on

- g) the environmental condition of the site; and
- g) Other documentation as required by Program Administrator.

With the above documentation in place, the Program Administrator will schedule a loan closing. All documents will be executed before funds are disbursed, and mortgages and UCC Statements shall be recorded with the Wisconsin Department of Financial Institutions or the equivalent state agency in the business' state of incorporation.

SECTION 7: POST LOAN APPROVAL REQUIREMENTS

7.1 OBLIGATION OF LOAN RECIPIENT

In addition to the above mentioned terms and conditions, all applicants shall agree to comply with the following where applicable:

- 1) The applicant is expected to create or retain the required number of jobs within three years of loan acceptance. Applicant is expected to retain the required number of jobs for five years from the time of creation and/or retention, if required. For each new full-time position not created or retained, the Borrower may be required to pay a penalty of \$500 per full-time position.
- 2) The applicant shall not discriminate on the basis of age, race, religion, color, handicap, sex, physical condition, developmental disability as defined in s. 51.01(5), sexual orientation or national origin in any employment or construction activity related to the use of loan funds.
- 3) The applicant shall use the loan money only to pay the cost of services and materials necessary to complete the economic development activities for which the loan funds were awarded and shall permit the local RLF Administrator or Program Administrator the right of audit/inspection to verify compliance.
- 4) The applicant shall permit inspections by the local RLF Administrator or Program Administrator of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections that include, but may not be limited to, equipment, payrolls, and conditions of employment. The applicant shall comply with requests for inspection within four (4) working days of the request.
- 5) The applicant shall maintain records on the project as may be requested by the local RLF Administrator or Program Administrator. These files shall be maintained as long as the loan is active.
- 6) The applicant shall submit progress reports to the Program Administrator in accordance with the schedule in the loan agreement. These reports shall give an update on the project, shall include minimum current and projected employment levels, and current financial statements.
- 7) The applicant shall maintain fire and extended coverage insurance on the project property during the term of the business loan. Central Wisconsin Economic

Development Fund, Inc. shall be listed as a "loss payee" or "mortgagee" insured on the policy. Term life insurance may be required of the applicant to cover the loan balance through the life of the loan.

- 8) The applicant must abide by all applicable local, state, and federal laws.

SECTION 8: PERFORMANCE MONITORING

8.1 PRIVATE AND OTHER PUBLIC LEVERAGE COMMITMENTS

The Program Administrator shall monitor the use of the funds and expenditure of private leverage commitments. Documentation may include invoices or receipts for materials and supplies, letters from lenders, final bills of sale, and cancelled checks.

8.2 HIRING OF NEW EMPLOYEES

The Program Administrator shall monitor the recipient's progress in meeting job creation or retention goals, if required. Job creation must be documented through payroll records. To document job creation and retention, the employer should provide before-project and after-project payroll records.

8.3 DEFAULT

- 1) In addition to any other grounds specified in the loan agreement, the following shall also be considered grounds for default:
 - a) Failure of the business to make any payment of principal or interest within 30 days after the payment is due and payable;
 - b) Defaulting on other loans with private or other public lenders;
 - c) Cessation of operations or movement of the business or industry from the Adams, Marathon, Portage and Wood County region; and
 - d) Sale of the business.
- 2) In the event of default, all sums due and owing the CWED Loan Fund shall, at the CWED Loan Fund's option, become immediately due and payable. To exercise this option, the Program Administrator shall send a written notice to the business. The notice shall specify the following:
 - a) The default;
 - b) The action required to cure the default;
 - c) A date by which the default must be cured to avoid foreclosure or other collective action; and
 - d) Any penalties incurred as a result of the default, jobs, etc.

SECTION 9: USE OF REPAYMENTS, RETAINED INCOME, AND REPORTING

9.1 ACTIVE PROGRAM

- (1) Repaid funds are Regional program funds and shall be deposited into the CWED Loan Fund Loan account and used in a manner consistent with the current CWED Loan Fund Program Policies and Procedures Manual. A separate accounting record for each loan shall be kept to account for all funds loaned. The CWED Loan Fund Loan account shall be audited in the same manner as the regular Wisconsin Community Development Block Grant Fund account.
- (2) CDBG Balance CDBG balance on hand transferred from each RLF community must be deposited in one consolidated account separate from the Regional program funds. CDBG balance funds shall be expended in accordance with all requirements established by Federal and State rules and guidelines for administering a CDBG-ED RLF.
- (3) Reporting The Program Administrator shall report to the Wisconsin Economic Development Corporation in the manner prescribed by the Wisconsin Economic Development Corporation regarding the use of Regional program funds and CDBG balance fund.

SECTION 10: LOAN SERVICING

10.1 INTRODUCTION

The purpose of loan servicing is to establish policies and procedures for the monitoring and review of loans and investments made by CWED Loan Fund through the Wisconsin Community Development Block Grant Economic Development (CDBG-ED) Program and the CWED Loan Fund Program (established with funds repaid on previous CDBG-ED and RLF loans). Through loan servicing activity, the Program Administrator will obtain information on the continuing operations of borrowers, ensure compliance with the terms and conditions of loans, and adequately protect the CWED Loan Fund's security requirements.

10.2 ADMINISTRATION OF THE CDBG-ED/CWED LOAN FUND PORTFOLIO

The CWED Board has designated McDEVCO, Inc. as the Program Administrator. McDEVCO, Inc. shall be responsible for day-to-day administration of the CDBG-ED/ CWED Loan Fund 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 on CDBG-ED/ CWED Loan Fund loans and working with problem loans. The CWED Loan Fund may engage outside Program staff (i.e. local Economic Development Directors or groups) to assist McDEVCO in the administration of the Program.

10.3 MONITORING

The Program Administrator shall monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the business to evaluate the

ability of the borrower to continue repayment of the loan. The monitoring will also ensure that all recordkeeping requirements are met, particularly in regard to job creation and expenditures of matching funds.

A loan servicing file shall be established and maintained for each loan recipient that includes all written correspondence; a record of important telephone conversations; a list of applicable loan covenants; certificates of insurance for builder's risk, property-casualty, and life insurance, as applicable; and documentation for job creation and retention.

10.4 RECORDKEEPING

In addition to the above, the CWED Loan Fund financial management records must be comprehensive and designed to provide the following information:

- a) A CWED Loan Fund Register that records all deposits and disbursements to and from the CWED Loan Fund, including funds used for the CWED Loan Fund administration.
- b) A CDBG Loan Repayment Register that records repayments made by each business which has received a CDBG loan. It also tracks the balance of repayments from all CDBG loans from the CWED Loan Fund.
- c) CWED Loan Fund Repayment Register that records repayments made by each business which has received a loan from the CWED Loan Fund. It also tracks the balance of repayments from all loans from the CWED Loan Fund.
- d) A Collection Register for every loan made. Each register contains the business name, loan date, loan amount, terms, and date repayment begins. Payments are divided into principal and interest payments with a declining principal balance.