

BUSINESS CAPITAL FUND (BCF) REVOLVING LOAN FUND RESOURCE GUIDE AND APPLICATION

An RLF Providing Affordable and Flexible Business Loans That Create and Retain Business and Jobs in Buffalo, Jackson, Pepin, Pierce, and Trempealeau Counties

What is the Revolving Loan Fund (RLF)? The Business Capital Fund (BCF) is a revolving loan fund (RLF) developed by the Mississippi River Regional Planning Commission to address a gap in private capital markets for fixed rate, low down payment, low interest financing. The Fund is targeted to businesses in Buffalo, Jackson, Pepin, Pierce, and Trempealeau Counties. The Fund serves as a stimulant for commercial lending and not a substitute for private capital.

How was the fund created? Initially the Business Capital Fund was capitalized at \$667,000 in 1990. A \$500,000 federal grant (75%) was provided from the U.S. Department of Commerce-Economic Development Administration and another \$167,000 (25%) in matching contributions was raised from local units of government, lending institutions, utilities and businesses. An additional grant was awarded to the MRRPC after the flood of 1993 that allowed Pierce County to be served by BCF lending.

What is the goal of the fund? The overall goal of the fund is to improve the area economy by providing "Gap" financing for business expansions that create jobs. The Business Capital Fund is self-perpetuating through loan repayments by borrowers. The designation of the Business Capital Fund as a revolving loan fund is derived from this lend and repayment activity. This revolving characteristic will allow it to serve as a long-term loan source for expanding business well into the future.

How will this fund achieve its goal? It will meet its goal by providing reasonable loan terms, low down payment requirements and below market rate financing. These favorable terms from the Business Capital Fund will allow a participating lending institution to take a business loan risk they normally would not take. In so doing a business expansion results and jobs are created that under ordinary circumstances would not have occurred. In all instances the BCF loan will be in conjunction with a larger private loan.

Why is the fund needed? Small businesses create the most jobs, but suffer from a shortage of gap financing. Eighty percent of the new jobs in the nation and the great majority of jobs in western Wisconsin are created by businesses employing less than 100 people. Ironically those businesses which create the most new jobs are the least able to obtain reasonable financing for job creating plant expansions. Because of the shortage of gap financing, small businesses are frequently unable to match the term of financing with the length of life of the asset.

How is the fund managed? The Mississippi River Regional Planning Commission (MRRPC) is the federal grant recipient. The MRRPC has delegated loan decision and administrative responsibilities to the nine-member Board of Directors of the Business Capital Fund Corporation. This Board of Directors at various times includes representation from financial institutions, local units of government, utilities, and local development organizations.

Are There Any Federal Requirements? Loan recipients are required to adhere to several Federal regulations such as National Environmental Policy Act, Civil Rights Act, Davis Bacon Act, Flood Disaster Protection Act, and National Historic Preservation Act. A certificate of non-relocation is also required. The MRRPC staff serving as the RLF administrator will inform the borrower of the above and any other Federal regulations they are required to adhere to.

Is There an Application Fee? All loan closing costs will be paid for by the borrower. A \$100 fee is required to cover administrative costs of the Business Capital Fund to review and act on each application. If the loan is approved by the Business Capital Fund Loan Board an additional \$100 fee is required to cover administrative expenses for monitoring special provisions of the loan relating to employment commitments, civil rights, and the environment.

Who to contact for additional information? Mississippi River Regional Planning Commission, 1707 Main Street, Suite 435, La, WI 56401, Telephone: (608) 785-9396, Fax: (608) 785-9394, Email: plan@mrrpc.com, Website: mrrpc.com

What Standards and loan criteria will the fund use?

- **Loan Sizes** - in the \$7,000-\$85,000 range are preferred. The maximum loan to a single borrower is \$200,000. Micro loans in the \$300-6,999 range are also eligible.
- **Job Creation** - a minimum of one job created or retained for every \$20,000 of RLF financing. The RLF Loan Board may adjust this if they feel the economic benefits of a proposed loan merit such an adjustment.
- **Loan Ratio** - for purpose and protection of the RLF loan portfolio, \$2 of private financing to every \$1 of RLF financing is required.
- **Participating Lender** - money from this loan fund is always in conjunction with a sponsoring senior lender or other investment capital. To apply for a RLF loan a business must also secure private financing. The sponsoring senior lender will also be invited to appear at the County Loan Board meeting to answer questions concerning the loan and the servicing of the County RLF loan if it is approved.
- **Equity** - each project will require a minimum of 10% equity.
- **Uses of Funds** - Real estate, working capital, and equipment all are eligible financing uses. Adequate collateral and security requirements will be sought on all RLF loans. The RLF may take a subordinated position behind a senior lender.
- **Refinancing of Existing Debt** - by businesses will be considered if the business can satisfactorily demonstrate such refinancing is necessary to stay in operation and/or loss of jobs is a likely consequence if more favorable financing terms are not secured. No more than 75% of the RLF portfolio shall be allocated for refinancing. The applicant will be required to provide sufficient documentation indicating the need for refinancing. The documentation will include a narrative giving historical background, current financing statements, and projections detailing forecasts with refinancing and an explanation why conventional refinancing is not practical. The narrative should include a determination of the impacts resulting from the refinancing such as job retention, cash flow projections, or other tangible impacts.
- **Loan Terms** - land and buildings 10-15 years, equipment and machinery expected life, and working capital up to seven years. Balloon payments and a transition to private financing after an agreed upon timetable are likely to be part of a loan.
- **Interest Rates** - Typically 4-6% based on need and economic conditions.
- **Deferred Payments** - the initial loan principal payments, if needed, may be deferred up to two years. Interest only payments are required during the deferred period.

Business Capital Fund Revolving Loan Fund Application: Prior to completing a loan application, contact the Mississippi River Regional Planning Commission (MRRPC) at (608) 785-9396 to see about the amount of loan funds available. Each applicant for a loan shall provide the following information to the Mississippi River Regional Planning Commission. The following information in its entirety makes up a complete application.

- 1) **Business Name**
- 2) **Business Address**
- 3) **Telephone**
- 4) **Contact Person**
- 5) **Contact Person Telephone**
- 6) **Type of Business (Sole Proprietorship, Partnership, Corporation)**
- 7) **Date Business Established**
- 8) **NAICS Code**
- 9) **Employer's Federal Identification Number**
- 10) **Employer's State Identification Number**
- 11) **Owner(s) Information:** Names, percentage of business owned, home address(s) and telephone number(s)
- 12) **Professional Services/References**—the following is needed: **Bank Name**, Address, Contact Person, and Telephone; **Attorney Name**, Address, and Telephone; **Accountant Name**, Address, and Telephone
- 13) **Business Plan** (see business plan outline, right)
- 14) **Signed personal financial statements** dated as part of application for any person who owns 20% or more interest in the business
- 15) **Federal tax returns** filed by the business for the previous three years, if the applicant is a sole proprietorship, partnership, or corporation that does not have audited financial statements
- 16) **Key person insurance or property insurance**, which may be available or has been obtained to secure the loan
- 17) **Information concerning any pending or threatened litigation** or administrative proceeding, any outstanding administration orders, judgments or injunctions or involvement in any bankruptcy
- 18) **Certification of business compliance** with all federal, state, county, and municipal laws affecting the conduct of business within the BCF service area.
- 19) **Statements and reasons from the lending institution(s)** that the RLF loan will not be substituting for commercial lending is required
- 20) **Statement concerning the source of equity for the project**, and how it will be obtained and appraised
- 21) **A job creation commitment letter** from the business stating its understanding that failure to meet this commitment will result in an interest rate increase on the RLF loan or the complete recall of the RLF loan. And a statement from the business that no person will be discriminated against on the basis of race, color, national origin, religion, age, handicap, or sex when being considered for employment
- 22) **Copy of your last commitment letter from your bank** indicating your working capital line of credit
- 23) **Commitment letter from your bank** regarding any financing the bank will provide for this project
- 24) **Copy of lending institution(s) loan board report** on their portion of the financing
- 25) **Statements by lending institution(s)** that they understand the RLF reporting requirements and are authorized to enter into a loan servicing contract with the RLF at time of closing
- 26) **Any environmental questionnaires, reviews, or audits** conducted by the applicant, lending institutions, or their agents shall be provided
- 27) **A statement from the business certifying that it will not relocate out of the County** it resides in during the term of the RLF loan and that in the event of a relocation outside of the County it will immediately prepay the RLF loan. In addition the applicant must sign EDA's certificate of Non Relocation
- 28) **Signature of Declaration from Business owners** declaring that any statements in the application and in its required attachments, or information provided is true and complete in substance and fact
- 29) **Complete Employment and Financing Data Form**

Business Plan Outline

- **Executive Summary** should include: Name and location of business; brief discussion of product, market and competition; expertise of management team; summary of financial projections; amount of financial assistance requested and proposed purpose; and business goals and reasons for undertaking the project.
- **Description of Company:** Date and state of incorporation or formation, history of company, background of the principals and their roles.
- **Market Analysis:** Description of current industry and industry trends, description of the total market and its participants, discussion of the target market and the competition.
- **Description of the Product or Service:** List of patents, copyrights, licenses or proprietary interests; discussion of technical and legal considerations; comparisons to competitors' products or services; description of current and future research and development.
- **Marketing Strategy:** Over strategy; pricing policy and sale terms; method of selling, distributing and servicing; current and estimated sales and market share; advertising, public relations, and promotion.
- **Management Plan:** Form of business organization, composition of board of directors, officers organization chart and responsibilities, resumes of key personnel and listing by key advisors.
- **Operating Plan:** Schedule of upcoming work and key completion dates for next two years, planned facilities or capital improvements for next three years, staffing plan.
- **Financial Data:** Funding request indicating the desired financing, capitalization, use of funds, and future financing; year-end financial statements (balance sheet, income statement, and cash flow statement, for the past three years); current interim financial statements; pro forma cash flow projections, including the proposed financing, for two years; projected balance sheets, income statement, and statement of changes in financial position, including the proposed financing, for two years; description of all assumptions behind the financial projections.

MISSISSIPPI RIVER REGIONAL PLANNING COMMISSION (MRRPC)/BUSINESS CAPITAL FUND RLF— EMPLOYMENT AND FINANCING DATA

CURRENT AND PROJECTED EMPLOYMENT						
			Employment Projections			
Type of Employment	Existing Jobs		First Year		Second Year	
Professional/Mgr/Technical	FT	PT	FT	PT	FT	PT
Skilled	FT	PT	FT	PT	FT	PT
Unskilled/Semi-Skilled	FT	PT	FT	PT	FT	PT
TOTALS	FT	PT	FT	PT	FT	PT
SOURCES & USES OF FUNDS:	RLF	Bank	Equity	[]	[]	Total
Acquire Land	\$	\$	\$	\$	\$	\$
Acquire Building	\$	\$	\$	\$	\$	\$
Improve/Renovate Building	\$	\$	\$	\$	\$	\$
Purchase Equipment/Machinery	\$	\$	\$	\$	\$	\$
Inventory	\$	\$	\$	\$	\$	\$
Working Capital	\$	\$	\$	\$	\$	\$
Other _____	\$	\$	\$	\$	\$	\$
Other _____	\$	\$	\$	\$	\$	\$
Other _____	\$	\$	\$	\$	\$	\$
TOTALS	\$	\$	\$	\$	\$	\$
PROJECT SUMMARY:	RLF	Bank	[]	[]		
Loan Amount	\$	\$	\$	\$	\$	\$
Loan Term (Years)						
Loan Interest Rate	%	%				
Annual Debt Service	\$	\$	\$	\$	\$	\$
Type of Collateral						
Security Position						
Type of Guarantee						