

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 or retain 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 financing to meet their needs. 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 business expansions.

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 fee not to exceed \$300 may be charged with the submission of a loan application. If the loan is approved by the Business Capital Fund Loan Board an additional fee not to exceed \$500 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 54601, Telephone: (608) 785-9396, Fax: (608) 785-9394, Email: plan@mrrpc.com, Website: www.mrrpc.com

What Standards and loan criteria will the fund use?

- **Loan Sizes** - in the \$10,000 to \$130,000 range are preferred. The maximum loan to a single borrower is \$300,000.
- **Job Creation** - a minimum of one job created or retained for every \$20,000 to \$42,000 of RLF financing.
- **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 an RLF loan a business must also secure private financing. The sponsoring senior lender will also be invited to appear at the RLF Board meeting to answer questions concerning the loan and the servicing of the 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 recipient sufficiently demonstrates in the loan documentation a "sound economic justification" for refinancing (e.g. the refinancing will support additional capital investment intended to increase business activities).
- **Loan Terms** - land and buildings up to 15 years and amortized on a 20-year basis with the option for refinancing for an additional 5 years, equipment and machinery expected life but not to exceed 10 years 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. If a loan cannot be secured, the RLF loan will be extended.
- **Interest Rates** - Usually 1% plus or minus the current money prime interest rate quoted in the Wall Street Journal.
- **Deferred Payments** - the initial loan principal payments, if needed, may be deferred up to one year. 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, below)
- 14) **Signed personal financial statements** for any person who owns 20% or more interest in the business
- 15) **Federal tax returns** filed by the business for the previous two years.
- 16) **Federal tax returns** filed by persons who own 20% or more interest in the business.
- 17) **Copy of business profit and loss statement** that is less than 60 days old.
- 18) **Copy of business balance sheet** that is less than 60 days old.
- 19) **Key person insurance or property insurance**, which may be available or has been obtained to secure the loan.
- 20) **Information concerning any pending or threatened litigation** or administrative proceeding, any outstanding administration orders, judgments or injunctions or involvement in any bankruptcy.
- 21) **Statements and reasons from the lending institution(s)** that the RLF loan will not be substituting for commercial lending is required.
- 22) **Statement concerning the source of equity for the project**, and how it will be obtained and appraised.
- 23) **A job creation commitment letter** from the business stating its commitment to create or retain jobs. And a statement from the business that no person will be discriminated against on the basis of race, color, national origin, religion, age, disability, or sex when being considered for employment.
- 24) **Copy of your last commitment letter from your bank** indicating your working capital line of credit.
- 25) **Commitment letter from your bank** regarding any financing the bank will provide for this project.
- 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.
- 28) **Complete Employment and Financing Data Form on page 3.**
- 29) **Complete and sign the applicant certification form on page 4.**

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 two 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	Equity	[]	[]	[]
Loan or Equity Amount	\$	\$	\$	\$	\$	\$
Loan Term (Years)						
Loan Interest Rate	%	%	%	%	%	%
Annual Debt Service	\$	\$	\$	\$	\$	\$
Type of Collateral						
Security Position						
Type of Guarantee						

Applicant Certification

The Applicant by signing below:

1. Certifies that the information supplied in this application and all other supplemental information submitted for review is true, accurate, complete and reflects my intended response.
2. Certifies that there are no known occurrences or events that could have an adverse material impact on you or your business. Such as but not limited to lawsuits, criminal actions, bankruptcy, violation of laws, lawsuits, criminal or civil actions, bankruptcy proceedings or regulatory intervention.
3. Certifies that it is in compliance with and current on federal payroll withholding, state payroll withholding, payment of unemployment taxes, federal income taxes, state income taxes and real estate taxes.
4. Certifies that you (personally) and your business are in compliance with and current under the terms and conditions of any loan, loan guarantee, leases, or financing arrangements with any other creditor.
5. Certifies that the Business Capital Fund or its agent is authorized to obtain a credit check, insurance information and background checks on my business or any owner with 20% ownership or more and to discuss the business's condition with its creditors and insurance companies for the purposes of determining credit worthiness for a revolving loan fund loan.
6. Agrees to reimburse the Business Capital Fund or its agent for any reasonable expenses made in connection with this loan request, including, but not limited to, title work, legal fees, appraisals, recording/filing fees etc.
7. Agrees to indemnify, defend and hold harmless the Business Capital Fund Lender, its committees, agents, partners, business advisors or other associated parties against claims and damages relating to or arising from this application or any funds provided in connection with this application, and hereby release and waive any liability, costs, or expenses against them.
8. Agrees that by submitting this application, neither the Business Capital Fund Lender nor any of its partners are under any obligation to approve the loan.
9. Acknowledge, understand and agree that you have applied for a loan that is required to be paid back with interest to the Business Capital Fund and that will be secured by one or more of the following; a business and/or personal guarantee(s), a security agreement, mortgage, or other security instruments.
10. Agrees that in the event credit is extended you, you may be required to complete a direct deposit and payment authorization form allowing for the Business Capital Fund to transfer funds into your business's bank account and for your payments to be electronically debited by automatic clearinghouse (ACH) and deposited into the Business Capital Fund bank account.
11. Certifies that the information supplied in this application and all other supplemental information submitted for review is true, accurate, complete and reflects my intended response.

Signature: _____ **Title:** _____

Printed Name: _____

Signature:

Title: _____

Printed Name: _____

Please submit application to: Mississippi River Regional Planning Commission, 1707 Main Street, Suite 435, La Crosse WI 54601
T: 608.785.9396.