

FUND F –RURAL MICROENTREPRENEUR LOAN FUND (2010) GUIDELINES

PURPOSE:

To support the development and ongoing success of rural Washburn County microentrepreneurs and micro enterprises (businesses generally with ten (10) or fewer employees in need of financing in the amount of \$50,000 or less). The USDA/RD Microentrepreneur Revolving Loan Fund will be used for relending purposes these eligible small businesses.

ELIGIBLE APPLICANTS:

1. New or existing small (10 or fewer employees) business ventures including corporations, partnerships, proprietorships, LLC's.

ELIGIBLE PROJECTS:

1. Industrial/Commercial Development
2. Small Business Expansion
3. Small Business Start-Ups
4. Tourism Projects
5. Refinancing for Purposes of Other Loan, Including RLF Loans that are in Good Standing

QUALIFIED FINANCING:

1. Fixed asset-financing including: Land, buildings, manufacturing equipment, office and work equipment, and infrastructure improvements.
2. Working capital financing.
3. Refinancing of existing debt.

INELIGIBLE ACTIVITIES FOR RLF FINANCING:

1. Activities determined to be for investment purposes.
2. Agricultural production costs.
3. Vehicle used for general purposes or for personal use.
4. Projects that are new construction whether industrial or commercial projects.
5. Housing or residential projects.
6. Illegal activities and legalized activities that in the opinion of the WCIDA Board of Directors adversely affects RLF interests.
7. Any project were in the judgment of the WCIDA Board of Directors a conflict of interests exists, could be created, or could appear to be a conflict of interest.

FINANCING STRUCTURE:

1. Not more than 75% of the total amount that is needed for a project. Maximum amount loaned is \$50,000. Minimum amount loaned is \$5,000.
2. 25% owner equity is required, with the balance of the project financed through other sources.
3. Interest rates will be set by the Loan review Committee with the maximum interest rate equal to the prime rate as published in the Wall Street Journal on the date of loan closing. The minimum interest rate will be 2.5%.
4. Servicing fees will be no more than 1% per year of the outstanding loan balance on the first day of each year of the loan. The loan recipient will reimburse the WCIDA for closing costs, legal cost, and all other third party cost associated with processing and closing the loan.
5. Loan maturities: As general guidelines, loan term will be:
 - a. Existing facility purchase or upgrade – 10 years
 - b. Real Estate (property for business and industry – 10 years
 - c. Equipment – 5-7 years of the depreciable life of the asset
 - d. Working Capital – 5 years
 - e. Refinancing of existing business related debt 5 - years

REPAYMENT TERMS:

Will not exceed 10 years, although fixed interest rates are only set for 5 years. Loans exceeding 5 years will be extended for an additional 5 years after the initial 5-year period. The loan will be reviewed by the Board and they will provide recommendations on term options and interest rates to be charged.

LOAN SECURITY:

1. Generally security will consist of a first lien position on real property. If the same collateral is used in a joint financing situation the RLF may require a parity position with the other lenders.
2. Other types of security may include:
 - a. Letters of credit from an acceptable financial institution
 - b. Machinery and equipment, which have a developed market
 - c. Accounts receivable and inventory for short term loans
 - d. Securities issued by the Federal Government
 - e. Owner equity/cash
3. Personal guarantees from partners or stockholders will be required for all corporate or partnership loans where equity requirements are not fully met by cash.
4. Loan recipients will be required to maintain fire and flood insurance on secured assets. In some cases, credit life or key man insurance will be required with the RLF as the loss payee.