

WYOMING COUNTY BUSINESS CENTER, INC
MICROENTERPRISE LOAN FUND
POLICY GUIDELINES AND OPERATING PLAN

Approved 11/14/08
Amended 2/8/12
Amended 7/26/19

Section 1. GENERAL

1.1 Policy Guidelines and Operating Plan. The Policy Guidelines and Operating Plan (the "Plan") is adopted by the Board of Directors of the Wyoming County Business Center, Inc. ("WCBC") and is intended to serve as the primary administrative document for the Microenterprise Loan Fund (the "MLF"). Any changes to the Plan must be approved by the WCBC Board of Directors.

1.2 Objectives. The primary objectives of the MLF are to assist in the establishment and expansion of microenterprise business activity within Wyoming County, create employment opportunities for County residents, and preserve and expand the County's tax base.

1.3 Form of Assistance. The MLF will provide assistance in the form of loans. Eligibility is based on qualifications of credit.

Section 2. ELIGIBILITY REQUIREMENTS

2.1 Eligible Activities.

- (a) The principal business activity which will be primarily impacted by the MLF financing must be located within Wyoming County.
- (b) MLF assistance may be provided for any commercial business activity which meets the MLF program objectives.
- (c) The business activity to be undertaken with assistance from the MLF must directly result in the creation or retention of employment positions or at a minimum, employment for the microenterprise owner(s).

2.2 Ineligible Activities. Activities that primarily consist of investing, speculation, or realty ownership held primarily for sale or investment; any activity which is illegal; and any activity which does not further the objectives of the MLF will be ineligible for MLF financing. Applications will not be accepted if the purpose is to refinance existing debt.

2.3 Eligible Borrowers. Eligible borrowers must be a microenterprise, which is defined as a commercial enterprise having five or fewer employees, one or more of whom own the enterprise. Microenterprise status is determined at the time of the loan application. Borrowers may be clients of the Wyoming County Business Center's FastTrac program or other microenterprises that meet all of the requirements for the MLF set forth herein. The form of the microenterprise may be a sole proprietorship, partnership, corporation, LLC, LLP, or any other legal form of business.

2.4 Eligible Uses of the MLF. The MLF may be used for any justifiable business purpose including, but not limited to fixed assets, current assets including inventory and receivables, and permanent working capital.

Section 3. MLF FUND STANDARDS

3.1 General. The existing or proposed microenterprise must present a reasonable likelihood for long-term viability based on such factors as management, product, marketability, competition, and capitalization. Borrowers must be of generally good character and credit standing and must not be in arrears in the payment of any real property taxes.

3.2 Employment. Where the microenterprise will result in the creation or retention of employment opportunities and for purposes of the calculation of employment opportunities that will be used by the Wyoming County Business Center for reporting purposes, the following will apply:

- (a) Only permanent jobs will be counted; temporary and construction jobs will not be counted.
- (b) Jobs of 35 or more hours per week will be considered as one full-time job. Part-time permanent jobs of less than 35 hours per week will be converted to full-time equivalent jobs by dividing the number of part-time hours by 40.
- (c) Seasonal jobs will be considered to be permanent jobs if the duration of the working period is long enough to classify the job as the employee's principal occupation.

3.3 MLF Fund Financing Amount. MLF Fund assistance must be no greater than the minimum amount necessary to affect the business activity. Applicants must therefore demonstrate that all other private and public sources of debt and equity have either been maximized or are inappropriate, unaffordable, or unavailable.

3.4 Minimum Amount of MLF Fund Assistance. MLF Fund assistance will not be considered where the amount of such required assistance is less than ten thousand dollars (\$10,000).

3.5 Maximum Amount of MLF Fund Assistance. Total MLF Fund assistance provided to a single microenterprise or to any owner of a microenterprise may not exceed the aggregate amount of fifty thousand dollars (\$50,000).

Section 4. LENDING POLICIES

4.1 General. All terms and conditions for MLF loans will be established by the WCBC Board based upon the underwriting criteria. The WCBC Board of Directors will review and discuss each application before making a decision to approve, modify or deny the loan request.

4.2 Term of Loans. The MLF loan term will generally be consistent with the life of the assets being financed, with such periods being consistent with standard commercial

lending policies. For all loans, the term will be determined by the WCBC based upon such factors as the structure of other related loans, the nature of the collateralized assets, and the borrower's projected ability to repay the loan.

4.3 Interest Rate. The interest rate charged for the use of MLF funds will be fixed at the time of the loan closing at a rate determined by the WCBC Board of Directors. No minimum rate is prescribed. The MLF rate shall remain fixed throughout the term of the loan unless a default rate is applied pursuant to the Note and loan documents.

Note: The current MLF guidelines have established an interest rate of two percent for loans to businesses that will locate or expand in Wyoming County.

4.4 Repayment Terms. The WCBC will determine the schedule of loan repayments on a case-by-case basis based on the applicant's projected ability to repay the loan, the projected value of the collateral and other security, and the overall risk assumed by the MLF. Repayment terms may involve standard forms of loan amortization, periods of accruing interest or interest only payments, extended amortization schedules with balloon payments of principal, and/or such other terms as may be determined by the WCBC to be appropriate.

4.5 Security. The WCBC will determine the required security for each loan on a case-by-case basis based on such factors as the risk of default, the nature and value of the security, and the position of the MLF in relation to other lenders. In determining the appropriate security, the following will apply:

- (a) The WCBC will generally require a security interest in all assets financed with the MLF. Additional collateralization of assets of the borrower may be required at the WCBC's option.
- (b) All MLF loans will require the personal guarantee of each individual who owns at least a 20% interest in the borrower.
- (c) For loans to closely-held limited liability entities (including corporations and limited liability companies), the WCBC may require collateralization of selected personal assets of one or more of the owners.
- (d) For loans to individuals, partnerships, limited liability companies or corporations that have affiliated interests and/or identities of ownership with other business entities, the WCBC may require additional guarantees.

4.6 Subordination.

- (a) The WCBC will generally allow a subordination of MLF debt and collateral to private institutional lenders where necessary to facilitate the maximum financial participation by the private lenders.
- (b) The priority/standing of the MLF's financing relative to other public or quasi-public lenders will be negotiated on a case-by-case basis.
- (c) The WCBC will generally require a subordination to MLF financing of notes payable to any officer, owner, or similarly affiliated party to the borrower where

appropriate and feasible. Such subordination may include subordinate security interests and/or repayment restrictions.

Section 5. APPLICATION PROCESSING

5.1 Loan Applications. Applications for MLF financing must include all of the information required by the MLF Application Form (attached hereto as Appendix A, as may be amended from time to time), and any additional information as may be reasonably requested by the WCBC.

5.2 Application Fee. A \$200 fee made payable to the Wyoming County Business Center shall be submitted with the application for MLF financing. The fee will be credited to the loan closing cost.

5.3 Application Processing. The processing of loan applications will be the responsibility of the WCBC and will generally consist of the following:

- (a) Review of applications for completeness and procurement of appropriate additional information;
- (b) Determine economic feasibility, perform credit analysis, and assess risk;
- (c) Determine amount and terms of MLF financing, including appropriate security;
- (d) Perform appropriateness review-and
- (e) Prepare written report to the WCBC Board of Directors summarizing the review process and providing recommendations as appropriate.

5.4 Loan Approval. The WCBC Board of Directors shall have sole authority to approve MLF loans. Such authority shall include the commitment to lend MLF funds, the interest rate(s) to be charged, the repayment terms, and the requisite security for the loan. The WCBC Board may, by resolution or other action duly taken at a Board meeting, delegate to the WCBC President the authority to negotiate specific loan requirements as specified in the resolution or action. The application of other appropriate conditions of lending and covenants of the borrower shall be the responsibility of the WCBC Attorney with input from the WCBC Board of Directors and/or executive staff.

5.5 Loan Disapproval.

- (a) Loan applications may be disapproved by the President of the WCBC based on a lack of application completeness or a failure to meet the eligibility criteria pursuant to Sections 5.3(a) and 5.3(b) of this Plan respectively. In such instances, the applicant will be notified in writing of the reason(s) for disapproval.
- (b) Loan applications may be disapproved by the WCBC Board of Directors for any reason or reasons which represent a reasonable determination that the approval of the MLF application would not meet the objectives of the MLF program and/or

would not represent an appropriate or prudent use of MLF funds. In such instances, the applicant will be notified in writing of the reason(s) for disapproval.

Section 6. POST-APPROVAL PROCESS

6.1 Borrower Requirements. Borrowers will be required to agree to utilize selected technical assistance programs offered by the WCBC and Small Business Development Center and allow the WCBC to access information necessary to perform periodic evaluations of the business, and provide reports and information as required.

6.2 Commitment Letter. Within ten calendar days from the date of the WCBC's approval of an MLF loan, a commitment letter shall be sent to the applicant which includes at a minimum, the following information (see sample at Appendix B):

- (a) The amount of the loan approved, the applicable interest rate, the term of the loan, the terms of repayment, and the expiration date of the commitment.
- (b) The required use of the loan funds.
- (c) The MLF's requirements for collateral and additional security - including guarantees, pledges of assets, assignment of life insurance, etc.
- (d) Summary information regarding employment requirements if applicable.
- (e) Requirements regarding the acceptance or procurement of technical assistance.
- (f) Any other conditions of lending.
- (g) A listing and explanation of any fees to be charged and other closing costs which will be the responsibility of the borrower.
- (h) A listing of those conditions and requirements of the borrower which must be fulfilled precedent to a loan closing.
- (i) Any other information that could reasonably be expected to influence the borrower's decision to accept the terms of the loan commitment.

6.3 Loan Closings. The WCBC shall have the responsibility to prepare and/or require the preparation of all appropriate closing documents. The borrower shall be required to pay all WCBC Attorney fees at the time of the loan closing, such fee to represent a portion of the closing costs incurred by the WCBC. Such fee may be paid from the MLF loan proceeds. The WCBC shall determine the appropriate closing documents to be executed based upon the terms and conditions of the loan approval and standard commercial lending policies. Such documents shall generally include the following:

- (a) A loan agreement which includes a description of the loan terms and security, appropriate representations and warranties, the conditions of lending, affirmative and negative covenants - including compliance with applicable federal laws and

regulations, requirements regarding employment creation and reporting, requirements for the utilization and/or procurement of technical assistance, default provisions, and any other provisions which may be appropriate.

- (b) A note or notes to evidence the indebtedness and the terms of repayment.
- (c) The appropriate documents to evidence and record mortgages, liens, guarantees, and such other security as may be required by the terms of the loan.
- (d) Other appropriate documents as determined by the WCBC Attorney.

6.4 Security. The WCBC will be responsible for perfecting all of the MLF's security interests including, where appropriate, the execution of security agreements, the filing of financing statements, the execution and filing of mortgage documents, the execution of guarantees, and any other appropriate actions to adequately protect the MLF's security interests. Intercreditor agreements will be executed where appropriate to further protect the MLF's interests and to facilitate the processing of defaults and foreclosures.

6.5 Loan Disbursements. The disbursement of loan proceeds shall be the responsibility of the WCBC. For such disbursement, the following guidelines shall generally apply:

- (a) Subject to the borrower's compliance with the terms and conditions of the loan agreement, all documents evidencing and securing the loan, and other guidelines for disbursement as described in this Section 6.5, the WCBC may disburse loan proceeds upon the borrower's presentation of vouchers and other such evidence satisfactory to the WCBC which represent paid or accrued expenses of the borrower and which are eligible costs as determined by the WCBC.
- (b) Where other debt or equity financing is to be used in conjunction with the MLF financing, such debt or equity must, in the opinion of the WCBC, be firmly committed for such use. Evidence of the commitment(s) must be submitted by the borrower.
- (c) Where other debt or equity financing is to be used in conjunction with the MLF financing, the WCBC will, at its discretion, determine an appropriate draw schedule for MLF funding based on such factors as the magnitude of risk assumed by the MLF, the nature of the activities being financed and the draw schedule for the other financing. The manner and terms of the disbursement of the MLF financing should normally be included in the approval of the financing by the WCBC Board of Directors. However, in instances where the Board has not prescribed a draw schedule, the WCBC President may approve a draw schedule.

Section 7. LOAN MANAGEMENT

7.1 Delinquencies. The WCBC will contact the borrower within twenty (20) calendar days of any delinquency of payment to inform the borrower of the delinquency and to determine if there is a need to procure additional information or to provide technical

assistance. Delinquencies which continue for ninety (90) days will be referred to the WCBC Attorney and WCBC Board for further action.

7.2 Adjustment of Terms and Conditions. Requests by the borrower for adjustment of any of the terms and conditions of the loan will be reviewed by the WCBC President to determine whether the adjustment is in the best interests of the MLF program. Requests will be processed in accordance with the following:

- (a) Requests to adjust the interest rate, term of the loan, or security for the loan will be reviewed by the WCBC President and presented to the WCBC Board of Directors for action. Any such adjustments will require approval of the WCBC Board.
- (b) Requests to accrue interest or to pay interest only may be approved by the WCBC President for a period not to exceed sixty (60) days. Extensions for any longer period will require the approval of the WCBC Board.
- (c) Requests for changes respecting any covenants or conditions of a financial nature must be approved by the WCBC Board as to content and the WCBC Attorney as to form.
- (d) Requests for any other changes to the covenants or conditions of the loan including, but not limited to such areas as reporting requirements, cost documentation, and maintenance of records may be approved by the WCBC President or referred to the WCBC Board at the President's discretion.

7.3 Annual Financial Review. The WCBC will be responsible for conducting an annual financial review for all borrowers based primarily on the annual financial statements submitted by the borrower. Additional information may be procured as appropriate. The reviews will be presented to the WCBC Board for further action or recommendations as appropriate.

7.4 Compliance Monitoring. The WCBC will be responsible for monitoring the borrower's compliance with all of the conditions and covenants of the Loan Agreement. Such responsibility shall include taking appropriate actions in the event of non-compliance, informing the WCBC Board of Directors and WCBC Attorney of any incidence of default under the terms and conditions of the loan agreement, and providing file documentation as appropriate.

7.5 Default - Condition of Financial Hardship. In asserting its remedies upon a default of the borrower, the WCBC Board of Directors may elect not to pursue and/or liquidate personal assets of the borrower if such action will clearly present an extraordinary financial hardship to the borrower, the borrower's family, or any loan guarantor. Extraordinary financial hardship is generally defined as the creation of a condition of bankruptcy or the loss of personal assets which are necessary to enjoy a minimum level of living comfort.