

**WICHITA COUNTY ECONOMIC DEVELOPMENT, INC.  
REVOLVING LOAN FUND PLAN**

**Wichita County Economic Development, Inc.**

**206 South 4<sup>th</sup> Street**

**P.O. Box 345**

**Leoti, Kansas 67861**

**(620) 375-2182**

**Adopted April 25, 2000**

Revised and Approved May 6, 2003, May 17, 2005, June 7, 2005, February 16, 2007, January 7, 2009, August 20, 2010, June 7, 2012. Wichita County Economic Development, Inc. is an equal opportunity provider.

## WCED, Inc. Revolving Loan Fund

### Interest Rate

The Loan Review Committee recommends an interest rate be set on an annual basis for all loans that are submitted to Wichita County Economic Development, Inc.'s Revolving Loan Fund. The rates will be based off of the published New York Prime on January 1<sup>st</sup> of each year.

We recommend the following interest rates:

- 6% (3% under prime) for loans accompanied by an Irrevocable Letter of Credit
- 6.5% (2.5% under prime) for all loans if we have the 1<sup>st</sup> Lien position
- 7% (2% under prime) for all loans that we have the 2<sup>nd</sup> Lien position

Note: All other collateral positions will be considered on a case by case basis. Value of the collateral must be sufficient to secure the position. For all loans a minimum of 5% leverage is required, with a preferred amount of 20%.

All loans will be made in accordance with the Revolving Loan Fund Plan adopted by Wichita County Economic Development, Inc. on April 25, 2000.

Reviewed and accepted April 25, 2000.

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**WICHITA COUNTY ECONOMIC DEVELOPMENT, INC.**  
**REVOLVING LOAN FUND (WCEDRLF)**  
**GUIDELINES**

**PURPOSE**

The purpose of the Wichita County Economic Development, Inc. Revolving Loan Fund (WCEDRLF) is to foster economic development within Wichita County, Kansas. The objective of this fund is to promote rural economic development and/or job creation projects. The WCEDRLF shall be used to stimulate economic growth by leveraging as much private capital as possible for the following economic activities.

**REQUIREMENTS**

To be eligible for Revolving Loan funding, Wichita County Economic Development, Inc. must deem the applicant's project is in the best interest of development for Wichita County. Priority will be given to Wichita County residents.

**ELIGIBLE ACTIVITIES**

All projects must demonstrate that they are economically viable. Business start-up, expansion and retention projects are all eligible activities. The objective of creating and retaining permanent private-sector jobs requires that the overall project feasibility and job creation potential be emphasized. The focus of the WCEDRLF is to promote growth while supporting development which diversifies the county's economy. Each activity will be evaluated on a project by project basis.

**INELIGIBLE ACTIVITIES**

Ineligible activities consist of such activities as: debt refinancing without an expansion, speculative land purchases, single family dwellings, transfer of ownership without expansion and 100% working capital loans. These are examples and not intended to be all inclusive. Each activity will be evaluated on a project by project basis.

**APPLICATION PROCESS**

*Complete* applications will be accepted at any time and will be reviewed by the Wichita County Economic Development, Inc. Loan Review Committee. A follow-up interview will then be scheduled with applicants who have received preliminary approval. This analysis will be done within 45 days after a completed package is received and a recommendation will be submitted to the Wichita County Economic Development, Inc. Board of Directors. Application approval/disapproval will be made by the Board of

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Directors at their normal monthly board meeting. Applicants who are denied funding will be provided a list of comments and recommendations that can be addressed.

### **USES OF CAPITAL**

Loans must be used to promote economic development and/or job creation projects, including, but not limited to, start-up costs, business incubator projects, and business expansion.

### **DISPOSITION OF FUNDS**

Funds will be disbursed on a requisition basis. Proper documentation of expenses will be required before WCEDRLF funds are disbursed.

### **GEOGRAPHIC BOUNDARIES**

To be eligible for WCEDRLF funds, the business project shall be located within Wichita County, Kansas.

### **FINANCING POLICIES**

All projects funded with WCEDRLF funds will require supplemental funding. WCEDRLF funding will be provided only to the extent necessary for a feasible project. A feasible project is a project which expects to generate sufficient income to pay operating expenses and debts and compensate for depreciation of equipment and facilities.

Depreciation must be based on allowable depreciation schedules as set forth by the United States Internal Revenue Service. Borrowers whose analysis of projects show feasibility without WCEDRLF funds should not apply for WCEDRLF funds.

Borrowers or project owners must demonstrate the availability and commitment of other sources of funding prior to the first advance of WCEDRLF funds.

### **LEVERAGE**

The purpose of the WCEDRLF is to stimulate as much private capital leverage as possible. The following leverage requirements will be considered:

1. For all loans a minimum of 5 percent will be required, with 20 percent preferred.
2. Some projects may use uncollateralized assets of the business as a leverage match. In no case shall all non cash items be used as leverage. All assets must be appraised to assist in determining the value of the non cash match.

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3. WCEDRLF funds can be used as leverage to match SBA loans, EDA funds, FHA, or other public and private grants/loans.

### **COLLATERAL**

1. The WCEDRLF will take a full collateral position in all loan packages. The priority will depend on the number and the type of private capital involved.
2. A second priority position is acceptable when it is subordinated to a bank or other financial institution and the value of the collateral is sufficient to secure the position.
3. Fixed assets will be valued at their appraised value. Appraised value will be established by local standards and written appraisals may be required.

### **LOAN LIMITS**

The minimum loan amount will be \$5,000 from the WCEDRLF. It is the intention of the WCEDRLF to assist as many economic development projects as possible with the proceeds of this fund.

APPLICATION DEADLINE: None

RATE OF INTEREST:

Minimum - 2%

Maximum – New York Prime plus 5%

TERM OF LOAN:

#### **For asset loans**

- term length determined by asset life, not to exceed 20 years.

#### **For working capital**

-3-7 years based on repayment ability

REPAYMENT: Scheduled to fit the business plan

LEVERAGE: The RLF can fund up to, but not more than 95% of the total project cost.

-Uncollateralized assets can be used in leverage.

-100% non-cash match is unacceptable.

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-Loan to value of 1:1 preferred.

**PROJECT TIME PERIODS:** Maximum of 18 months for project completion from award date. WCEDRLF funds that have not been requisitioned within 2 years will be canceled, unless the Wichita County Economic Development, Inc. Board of Directors has approved an extension in writing.

**PERSONAL GUARANTEES:** May be required for adequate security of WCEDRLF funds.

### **SPECIAL CONSIDERATIONS**

Although all projects that meet the minimum requirements will be considered, special considerations will be given to those projects that:

1. Have demonstrated funds are not available from other sources (SBA, 504 loans, or exclusive bank financing).
2. Have shown they will create and/or retain jobs while maintaining the ability to meet debt service.
3. Create primary jobs in the private sector which will spin-off additional new manufacturing service and retail sector jobs.
4. Have exceeded the minimum leverage requirements.
5. Will complete their project in less than 18 months.

### **LOAN CLOSING FEES**

Charges to the borrower are as follows:

Credit Report Fee: \$20

Origination Fee: Actual

Appraisal Fee: Actual

Title Insurance: Actual

Closing cost, including legal: Actual

Mortgage and UCC filing fee: Actual

UCC filings must be renewed every 5 years

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Environmental Studies: Actual

Escrow Fee: Actual

## **PROJECT MONITORING/LOAN SERVICING**

Loan recipients may be required to participate in business training/consultations provided by the Small Business Development Center at no cost to the borrower. Frequency of consultations will be determined by the Loan Committee on a case-by-case basis, but shall be conducted at least quarterly.

Projects will be monitored by Wichita County Economic Development staff and/or Loan Committee who will evaluate project accomplishments. Minimum documentation which may be requested is: current profit/loss statements, current balance sheets, current tax return, and up-to-date insurance policies. Annual financial statements may be required from all principles owning 20% or more of the business.

Any loan in arrears shall be brought to the immediate attention of the Loan Committee. Loans determined delinquent will be brought to the attention of the Loan Committee and project managers shall be sent notices five (5) days after payment is due. If payment is not made within five (5) days, a second notice shall be sent. At the fifteen (15) days mark, a telephone call shall be made to determine the problem, followed by an immediate site visit if necessary. If it is determined a restructuring loan is required, it shall be done within thirty (30) days thereafter.

Loans shall be determined to be automatically in default if more than ninety (90) days pass without payment, subject to review by the Loan Committee. Foreclosure proceedings shall be initiated by Wichita County Economic Development, Inc. legal counsel if instructed by the Board.

## **ADMINISTRATION OF THE FUND**

Initial grant funds received from USDA will not be used to cover operating expenses of the Wichita County Economic Development, Inc. Revolving Loan Program. Operating expenses include the costs of administering the revolving loan fund and the provision of technical assistance to project owners. Interest paid and earned from the fund may be used for operating expenses of Wichita County Economic Development, Inc. and its projects. All principal funds must remain in the revolving loan fund and be available for re-lending for eligible projects. Proceeds in excess of those needed to cover authorized expenses, as described above, may revert to the revolving fund and be available for re-lending for eligible projects. Annual budgets setting forth the costs in operating the WCEDRLF will be established by the Loan Committee and reviewed by the Wichita County Economic Development, Inc. Board of Directors.

## **LOAN SERVICING FEES**

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Loan servicing fees will be reasonable and appropriate for each project but not in excess of one (1) percent per year on the outstanding principal on the first day of each year on each loan to the project.

### **AUDIT**

The WCEDRLF will be audited annually. Costs that are incurred for this annual audit will be paid from the WCEDRLF administration budget. Audit reports will commence one year after the fund is capitalized and at the same time as the Wichita County Economic Development, Inc.'s annual audit.

### **APPLICATION/PROMOTION OF WCEDRLF**

Wichita County Economic Development, Inc. staff will promote, screen, and receive applications. The WCEDRLF Loan Committee will review applications and recommend to the Wichita County Economic Development, Inc. Board of Directors approval or denial of WCEDRLF applications. The final approval or denial of the application rests solely with the Board of Directors of the Wichita County Economic Development, Inc.

### **CONFLICT OF INTEREST**

The WCEDRLF will abide by the Conflict of Interest Policy adopted by the Wichita County Economic Development, Inc. Board of Directors on July 27, 1999.

### **AMENDMENTS TO THE WCEDRLF**

From time to time, amendments to this plan may be necessary. Amendments will be considered by the Board of Directors of Wichita County Economic Development, Inc.. Only those amendments which are consistent with the general purposes of this plan will be considered.



**WICHITA COUNTY ECONOMIC DEVELOPMENT, INC.  
REVOLVING LOAN FUND  
COMMITTEE BY-LAWS**

**Loan Committee**

The Wichita County Economic Development, Inc. Revolving Loan Fund Loan Committee, hereafter known as the Loan Committee, shall initially be composed of five volunteer members appointed by the Wichita County Economic Development, Inc. Board of Directors. The members shall be recruited for their expertise and potential to contribute to the Loan Committee. The Loan Committee will appoint its own Chairman and Recorder. There shall be at least one Wichita County Economic Development, Inc. Board of Director and one banking person on the Loan Committee. The Wichita County Economic Development, Inc Director will also serve as an advisor to the committee.

**Terms**

The length of terms of the initial members will be determined by a drawing held at the first meeting of Loan Committee. Two of the initial members will serve until December 31, 2001, and the other three initial members will serve until December 31, 2002. Thereafter, the terms of all Loan Committee members shall be two years.

**Duties of the Loan Committee**

The Loan Committee shall review all loans, and it alone has the authority to recommend to the Wichita County Economic Development, Inc. Board of Directors the approval or denial of loan requests.

The Loan Committee members, or other designated persons, will monitor loan status and evaluate project accomplishments. The Loan Committee will provide status reports on the performance of the loans in the portfolio to the Wichita County Economic Development, Inc. Board of Directors at its regularly scheduled meetings. This report will include the number of delinquencies, extensions, and loans that are current, and the types of businesses that are pursuing loans.

**Meetings of the Loan Committee**

The Loan Committee will meet at least semi-annually or as scheduled by the Chairman. A special meeting of the Loan Committee may be called at any time by the Chairman.

**Quorum**

At least three members of the Loan Committee must be in attendance to constitute a quorum for a meeting to review applications. A majority of the total number of members present will constitute a quorum for the transaction of business.

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