

**EAST CENTRAL WISCONSIN
REGIONAL LOAN FUND
POLICIES AND PROCEDURES MANUAL**

**EAST CENTRAL
WISCONSIN**

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TABLE OF CONTENTS

SECTION 1	GENERAL PROVISIONS	1
1.1	TITLE	1
1.2	DEFINITIONS.....	1
1.3	PURPOSE.....	1
1.4	OBJECTIVES.....	2
1.5	AMENDMENTS	2
SECTION 2	ADMINISTRATION	3
2.1	PROGRAM ROLES.....	3
2.2	MEETINGS	5
2.3	RECORDS.....	5
2.4	ADMINISTRATIVE COSTS.....	7
SECTION 3	ELIGIBILITY	9
3.1	ELIGIBLE AREA.....	9
3.2	ELIGIBLE APPLICANTS	9
3.3	ELIGIBLE ACTIVITIES.....	9
3.4	INELIGIBLE ACTIVITIES.....	10
3.5	INELIGIBLE BUSINESS.....	10
3.6	LOW AND MODERATE INCOME BENEFITS.....	11
SECTION 4	EAST CENTRAL LOAN FUND PROGRAMS	12
4.1	TRADITIONAL ECONOMIC DEVELOPMENT REVOLVING LOAN FUND.....	12
4.2	DOWNTOWN FAÇADE/HISTORIC REINVESTMENT LOAN PROGRAM	13
4.3	COMMUNITY-BASED INCUBATOR/ENTERPRISE CENTER LOAN PROGRAM	15
4.4	MICRO AND SHORT-TERM ECONOMIC DEVELOPMENT LOAN PROGRAM	16
4.5	INNOVATION AND TECHNOLOGY ECONOMIC DEVELOPMENT LOAN PROGRAM	18
4.6	VENTURE FUND INVESTMENT PROGRAM	19
SECTION 5	APPLICATION PROCEDURES	20
5.1	DISCUSSION OF REQUIREMENTS.....	20
5.2	TIMING.....	20
5.3	PRIORITY	20
5.4	LOAN PACKAGE	20
5.5	REVIEW PROCESS	21

SECTION 6	DISTRIBUTION OF FUNDS	23
	LOAN PROCEDURES	23
SECTION 7	POST APPROVAL REQUIREMENTS	25
	OBLIGATION OF LOAN RECIPIENT	25
SECTION 8	POST VENTURE FUND INVESTMENT REQUIREMENTS	26
	OBLIGATION OF INVESTMENT RECIPIENT	26
SECTION 9	PERFORMANCE MONITORING	27
	9.1 PRIVATE LEVERAGE COMMITMENTS	27
	9.2 HIRING OF NEW EMPLOYEES.....	27
	9.3 DEFAULT	27
SECTION 10	USES OF LOAN REPAYMENTS AND REPORTING	28
	ACTIVE PROGRAM	28
SECTION 11	LOAN SERVICING	29
	11.1 INTRODUCTION	29
	11.2 ADMINISTRATION OF THE CDBG-ED/ EC LOAN FUND PORTFOLIO ..	29
	11.3 MONITORING.....	29
	11.4 RECORDKEEPING.....	29
	11.5 REPORTING REQUIREMENTS	30
 ATTACHMENTS		
	PARTICIPATION POLICY	A

SECTION 1: GENERAL PROVISIONS

1.1 TITLE

These regulations shall hereinafter be known, cited, and referred to as the East Central Wisconsin Regional Loan Fund (EC Loan Fund) Program Policies and Procedures Manual for the Counties of Calumet, Fond du Lac, Outagamie, Shawano, Waupaca, Winnebago and others as prescribed herein. The counties eligible to participate in EC Loan Fund are those that committed their existing CDBG – ED Funded RLF funds and or other funds to capitalize the regional fund. Please see Attachment A for the Participation Policy.

1.2 DEFINITIONS

Capital Under Management: Cash on hand and all outstanding loan balances.

CDBG Program Income: All cash originally assigned to the EC Loan Fund by authorizing resolution of the participating RLF units of local government.

Defederalized repayments: Primary and secondary loan repayments received after the date the loans are assigned to or issued by the EC Loan Fund.

Participating County: Any County within the region that meets the qualifications and has signed the Resolution to participate in the E Loan Fund

Participating RLF Communities: Any RLF within the designated region that has assigned the entirety of the community's CDBG RLF portfolio to the EC Loan Fund.

Program Administrator: The Administrator chosen by the Governing Board to Administer the Regional RLF.

Program Staff: Local Economic Development Directors and/or Local Economic Development Organizations authorized by the Program Administrator to perform specified EC Loan Fund administrative functions.

Regional Program Funds: Defederalized repayments.

1.3 PURPOSE

These regulations have been established to set forth the criteria that shall govern the economic development activities promoted with regional program funds made available through the East Central Wisconsin Regional RLF (hereinafter referred to as the Program).

1.4 OBJECTIVES

Economic development activities assisted with regional program funds made available through this Program are intended to meet the following objectives:

- (a) To maintain and promote a diverse mix of employment opportunities to minimize seasonal or cyclical employment fluctuations.
- (b) To encourage the creation and retention of permanent jobs which represent a range of wage scales appropriate to the skills and experience of the local labor force.
- (c) To encourage the leveraging of new private and public investment in East Central Wisconsin.
- (d) To maintain a positive business climate which encourages the retention and expansion of existing businesses and industry and helps to attract desirable new businesses and industry.
- (e) To encourage the development of modern technology, as well as safe and healthy work environments.
- (f) To promote industrial and commercial development in East Central Wisconsin.
- (g) To help implement the East Central Wisconsin Comprehensive Economic Development Strategy (CEDS) and any other adopted Economic Development plans.

1.5 AMENDMENTS

The Governing Board of the East Central Wisconsin Regional Loan Fund may from time to time amend the provisions imposed by the policies and procedures contained within this manual. Any such amendments are subject to the approval of the Wisconsin Economic Development Corporation (WEDC) which administers the funds used to capitalize the East Central Wisconsin Regional RLF.

SECTION 2: ADMINISTRATION

2.1 PROGRAM ROLES

Overall Structure of the East Central Wisconsin Regional Loan Fund (EC Loan Fund).

WEDC:

WEDC provides oversight of and provides support and technical assistance to the EC Loan Fund. WEDC makes CDBG-ED grants available to EC Loan Fund member communities to loan to eligible businesses, the repayments from which are directed to EC Loan Fund. WEDC may require the EC Loan Fund to returned to WEDC and be reallocated if WEDC determines, after the EC Loan Fund has been given a notice, a chance to be heard and an opportunity to remedy the deficiency that any of the following has occurred:

1. EC Loan Fund has failed to use the funds in accordance with the requirements established by WEDC and as defined in the EC Loan Fund Policies and Procedure Manual.
2. EC Loan Fund has failed to comply with the administrative, underwriting, recordkeeping, reporting, auditing, closeout, payment, reimbursement or other requirements established by WEDC and as defined in the EC Loan Fund Polices and Procedure Manual.
3. EC Loan Fund has failed to meet the capitalization utilization standard agreed upon in the Memorandum of Understanding between WEDC and EC Loan Fund.

Governing Board:

The Governing Board will be comprised of the Chief Executive Officers (CEO) of each participating county. The role of the Governing Board will be to enter into Memoranda of Understanding with WEDC on programmatic issues outside the scope of the EC Loan Fund Policies and Procedures Manual, provide fund oversight and consider amendments to the provisions of the EC Loan Fund Policies and Procedures Manual. Any amendments or changes approved by the Governing Board would also require the approval of WEDC. An independent auditor hired by the Governing Board shall audit EC Loan Fund annually. Dissolution of EC Loan Fund requires 2/3 vote of the Governing Board with cause and approval by WEDC. If dissolved, regional program funds and CDBG program income (cash on hand and future revenues) will not return to the Counties of origin, but may be assigned to another regional non-profit organization or returned to WEDC.

The Chief Executive Officer (CEO) from a County that has one or more participating RLFs will appoint a representative to the Regional RLF Loan Committee. County CEOs are

encouraged to select members from a participating RLF Community from public, business, banking or economic development sectors with the goal of balanced representation across sectors.

Loan Committees:

Regional RLF Loan Committee

The Regional Loan Committee will be comprised of participating County representatives appointed by the CEO's of the respective counties and a representative from one of the buy-in Communities. The County CEO's are encouraged to select members for the Regional RLF loan committee representative of regional interests, and having special expertise and knowledge of commercial lending and economic development processes. Expertise on the Committee optimally shall include representation from the governing body, the planning commission, the local development corporation, the local chamber of commerce, the local banking community, a business law attorney, as well as a local accountant.

County Loan Committee

Each county shall have a loan committee made up of appointees by the County's designated economic development organization (EDO). In the absence of a designated EDO, the County Board shall be responsible for appointing the members of the County Loan Committee. Counties are encouraged to select members for the County Loan Committee representative of broad Community interests, and having special expertise and knowledge of commercial lending and economic development processes. Expertise on the Committee optimally shall include representation from the governing body, the planning commission, the local development corporation, the local chamber of commerce, the local banking community, a business law attorney, as well as a local accountant. A County may determine that it does not want to establish a loan committee. In that case, the County may delegate its county decision making authority to the Regional RLF Loan Committee. **A County Loan Committee will have authority to approve loans up to \$200,000.**

Program Administrator:

The Program Administrator shall be selected and approved by the Governing Board.

The Program Administrator and/or program staff shall explain the Program to prospective applicants, furnish written information, assist applicants in completing applications and process all requests for funds.

The Program Administrator with the assistance of program staff shall review all financial statements and loan amortization schedules; review and approve documentation of the Program expenditures; maintain a separate accounting record and report **monthly** to WEDC regarding the receipt and use of Program revenues.

Local Economic Development Directors and/or local Economic Development Groups may be retained by the Program Administrator to serve as program staff.

The Program Administrator with the assistance from EC Loan Fund Counsel shall review all loan agreements, promissory notes, mortgages and/or lien instruments, record security instruments, and advise the EC Loan Fund Governing Board on default matters.

The Program Administrator shall verify the installation of all fixed equipment financed with Program funds.

The Program Administrator shall invest all unused EC Loan funds in secure low risk accounts that provide high yield and liquidity. An attempt will be made to spread these investments throughout the region.

The Program Administrator shall prepare an annual budget and submit it to the EC Loan Fund Governing Board for their approval.

The Program Administrator shall file all required reports with and address all inquiries made by WEDC.

2.2 MEETINGS

Pursuant to Section 19.84, Wisconsin Statutes, all Committee members and the general public shall be given prior notice of each meeting. Meetings and or teleconferences shall be held on an as-needed basis. Pursuant to the EC Loan Fund by-laws, all EC Loan Fund Governing Board members shall be given prior notice of each meeting. A majority of those present and constituting a quorum (50% plus 1 of the respective Board or Committee) shall be required for official Committee or Board action to take place on any application or any other business except as otherwise provided herein.

2.3 RECORDS

Written records of all Program activities, including Program meetings, applications, and related documents shall be maintained in appropriate files. All individual project files shall be maintained as confidential records. Counsel hired by the EC Loan Fund Governing Board shall be consulted in regards to compliance with state and local open records laws. Records shall be available on an Internet database by county to provide access to local economic development groups. The sites shall be protected by individual password(s). The following files shall be established and maintained by the Program Administrator for each loan recipient:

- (1) Loan Application File: All application, business financial statements, personal financial statements, credit reports, business plan documents, and other supporting loan information submitted to the EC Loan Fund Governing Board, including all applicable correspondence, shall be placed in a permanent file.

- (2) **Loan Recommendation File:** This file should contain a summary of the analysis, recommended actions for the application, and a copy of the minutes for the EC Loan Fund Governing Board meeting summarizing the action taken on the loan request.
- (3) **Loan Closing File:** This file contains copies of all loan-closing documents. This file contains all the legal documents from the loan closing, including security instruments, the note and other applicable correspondence and shall be placed in a locked, fireproof safe. Counsel should be involved in helping create and complete this file to insure complete loan documentation. Copies of the loan closing documents and an amortization schedule shall be provided to the loan recipient, along with an invoice, if applicable, for loan closing and servicing fees.
- (4) **"Tickler File" System:** A tickler file system shall be established and maintained to ensure that loan repayments, financial information, the loan agreement, UCC updates, and other time sensitive documentation requirements are tracked and obtained as required. The system should include the following monthly coded index files:
 - (a) Expiration dates for property, casualty and life insurance policies;
 - (b) Due dates for all financial statements;
 - (c) Expiration dates for UCC financing statements, the reminder to update being at least 45 days prior to the expiration of the UCC filing on hand;
 - (d) Scheduled dates of annual loan performance and covenant reviews;
 - (e) Dates for site visits;
 - (f) Due dates for property tax payments and dates by which the EC Loan Fund Governing Board expects to hear from the borrower regarding confirmation of payment of taxes;
 - (g) Review dates for job monitoring; and
 - (h) Dates on which loan recipients shall be notified of scheduled changes in the loan amortization scheduled per loan agreements.
- (5) **Financial Statement File:** This file shall contain the business' periodic financial statements as required by the loan covenants with a statement indicating that the Program Administrator reviewed the data.
- (6) **Progress Report File:** Loan recipients shall be required to submit periodic progress reports during the outstanding term of the loan. The Program Administrator shall make periodic site visits to verify information in the progress report and financial statements. These site visits should be documented for the file.
- (7) **Site Visit File:** Site visits shall be conducted periodically to each loan recipient, the

scheduling of which depends on the nature of the project. A summary of the site visits shall be placed in the file, particularly highlighting any information that can help in rating the overall condition/risk of the loan.

- (8) Repayment Monitoring File: This file shall include the loan amortization schedule, status of payments, and the outstanding balance of the loan. Observations suggesting concerns or problems should be reported to the EC Loan Fund Governing Board and notations shall be placed in the tickler file to remind the administrator of the need to provide continued monitoring.

The Program Administrator shall notify the loan recipient in writing of the deficiency and the action that shall be taken should the payment not be made. Should there be a late payment; the Program Administrator will contact the loan recipient to determine the reason for the delayed payment. Contact may need to be made with other participating lender(s) to determine if their loans are current and to alert the lender of a potential problem. All payments shall be applied first to accrued late payment penalties, then to interest accrued, and then to principal.

- (9) Loan Review File: All loans are to be reviewed on an annual basis, and at such other times as may be deemed necessary by the EC Loan Fund Governing Board. The review shall follow receipt of the fiscal year-end financial statements, the year-end progress reports, and site visits. A report on the loan review shall be in the file and address the following: timeliness of monthly payments; condition of collateral securing the loan and status of security documents (i.e. mortgages, UCC filings); overall financial condition of the business; the presence of material liens or lawsuits; and violations of loan covenants and suggested corrective actions.

If the business is experiencing problems with any of the above criteria, the Program Administrator is to work with the loan recipient to identify actions that are needed to correct the identified deficiencies, including possible restructuring of the loan to protect the Program Fund's interest and meet the needs of the business. If appropriate, the Program Administrator shall arrange for business assistance, including services available through the University of Wisconsin-Extension, Small Business Development Center (SBDC), the Service Corp of Retired Executives (SCORE), and other entities having an interest in serving the needs of businesses.

In the event the findings of the loan review suggest serious problems, particularly if the loan is at risk for default, the account should be turned over to the EC Loan Fund Counsel for legal action in order to initiate steps necessary to protect the loan and to insure the maximum repayment of the balance due. Again, corrective actions may be achieved through restructuring or if necessary, foreclosure actions.

2.4 ADMINISTRATIVE COSTS

Reasonable administrative funds may be withdrawn from the Program to cover personnel

costs and other administrative expenses. Administrative expenses of up to three (3) percent of capital under management may be used for direct administrative costs. In addition to paying costs for a Program Administrator and Program Staff, these funds may be used for the following:

- (1) Legal costs.
- (2) Program Administrator and Program Staff fees for credit analysis, business plan reviews and technical assistance from other entities such as local Economic Development Corporations or groups. Technical assistance can include, but is not limited to business plan development, RLF application assistance and Document review.
- (3) Office supplies, copying, typing, mailing, and program related costs.
- (4) Training costs.
- (5) Establish and maintain a technology based videoconference capability.

To generate additional revenue to cover exceptional administrative costs, the EC Loan Fund Governing Board may also establish loan origination fees, closing fees, servicing fees, and other fees to cover charges directly related to either processing an application or servicing a loan. All fees collected go to the Program. The accounting of the fee revenue placed in the Program shall include separate line items to track administrative expenses recovered.

SECTION 3: ELIGIBILITY

3.1 ELIGIBLE AREA

Eligible activities shall take place within the participating RLF Communities within the East Central Wisconsin Regional Planning Commission's district, further defined as the corporate limits of the Counties of Calumet, Fond du Lac, Outagamie, Shawano, Waupaca, Winnebago, Menominee, Waushara, Green Lake and Marquette. A complete list of current members shall be made available upon request.

3.2 ELIGIBLE APPLICANTS

- (1) Applications may be submitted by the Chief Executive Officer or their designee of any business or industry wishing to establish a new operation or expand an existing operation in the participating counties of East Central Wisconsin.
- (2) No member of the EC Loan Fund Governing Board or any other official, employee or agent of the EC Loan Fund who exercises decision-making functions or responsibilities in connection with the implementation of this Program is eligible for financial assistance under the Program.
- (3) Program loans will not be made which are in conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).
- (4) Applicants shall not be discriminated against on the basis of age, race, religion, color, handicap, sex, physical condition, developmental disability (as defined in s. 51.01 (5)), sexual orientation or national origin.
- (5) The borrower must certify that it does not have immediate plans to relocate jobs in violation of CDBG Anti-Piracy regulations. The following language will be included in all agreements with the borrower. "The Borrower certifies it is and will maintain compliance with CDBG Anti-Piracy regulations as stated in 24 CFR 570.482(h). Violation of this regulation will constitute an Event of Default."

3.3 ELIGIBLE ACTIVITIES

Program loans and investments shall be available to eligible applicants for the following activities:

- (1) The acquisition of land, buildings, and fixed equipment;
- (2) Site preparation and construction, reconstruction or installation of fixed equipment;
- (3) Clearance, demolition, removal, rehabilitation or construction of buildings and improvements;
- (4) Working capital;
- (5) Direct loans to businesses for downtown facade and streetscape improvements;
- (6) The construction, repair, remodeling of community based incubators/enterprise centers;
- (7) The investment in a regional based Venture Fund with prior approval of WEDC;
- (8) Local match which leverages additional regional economic development funding;
- (9) Micro financing and short term interim financing;
- (10) Debt refinancing. Refinancing debts may be allowed in connection with viable projects when the EC Loan Fund Governing Board determines that it is necessary to create or retain existing jobs. Refinancing in accordance with this paragraph may be approved only when:
 - (a) It is necessary to spread substantial debt payment over a longer period of time thereby improving the business' net cash flow and working capital position consistent with the useful life of the asset(s) being refinanced; or
 - (b) For payment of short-term debt when required in situations customarily financed over long periods of time (e.g., financing the purchase of real estate, machinery, or equipment with short term debt or cash expenditures, when conventional lenders would not extend reasonable longer terms to the business); or
 - (c) It is necessary to place a permanent loan subsequent to an interim loan for financing the construction of a project.

3.4 INELIGIBLE ACTIVITIES

Program loans/investments shall not be available for the following activities:

- (1) Residential building construction or reconstruction (unless such reconstruction is

intended to convert the building to a business or industrial operation);

- (2) The relocation of a business from one community within the region to another community within the region.

3.5 INELIGIBLE BUSINESSES

Program loans/investments shall not be available for the following purposes:

- (1) Gambling operations; or
- (2) Non-public recreation facilities.
- (3) Businesses not serving the interests of East Central Wisconsin.

3.6 LOW AND MODERATE INCOME (LMI) BENEFITS

Each project that uses program income dollars (not defederalized) must demonstrate that it meets the CDBG-ED national objective of benefiting low to moderate income persons as defined by CDBG regulations.

- (1) The project shall create jobs, at least 51% of the jobs will be held by or Made Available to LMI Persons.
- (2) "LMI Persons" means persons with household income less than eighty (80) percent of the median household income by family size in the County where the Project is located.
- (3) "Made Available to LMI Persons" means the Borrower will document that at least 51% LMI Persons were hired or Received First Consideration by interviewing at least 51% LMI Persons for created positions that do not require special skills or education beyond high school.
- (4) "Received First Consideration" means the Borrower must document and use a hiring practice that results in at least 51% LMI Persons interviewed for created positions and demonstrate that under usual circumstances this hiring practice will result in at least 51% LMI persons being hired. Part of the Borrower's hiring practice must include the posting of available positions with the local Job Service Office or Workforce Development Boards.
- (5) The following documentation evidencing compliance must be collected:
 - (a) A listing of all job titles which were planned to be held by or made available to low to moderate income persons,
 - (b) A commitment to hire or make at least 51% of jobs available to low to moderate income persons,
 - (c) A written plan for how such persons were given first consideration for jobs including what hiring process was used,
 - (d) A list of the low to moderate income persons interviewed for particular positions, including the size and annual income of the person's family prior to interviewing

for the position.

SECTION 4: EAST CENTRAL LOAN FUND PROGRAMS

4.1 TRADITIONAL ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

- (1) **Objective** – To maintain a positive business climate which encourages the creation and retention of positions at new and existing businesses.
- (2) **Eligibility** -
Direct loans are available to eligible applicants who meet all the minimum Program requirements.
 - (a) **Financial Feasibility and Business Viability**-The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to repay the funds. As described in the **Underwriting Policy and Procedure Manual**.
 - (b) **Compliance with Applicable Laws**-The applicant shall comply with all applicable local, state, and federal laws and codes.
- (3) **TERMS AND CONDITIONS**

The EC Loan Fund Governing Board or program staff shall structure loan proposals on the basis of need and ability to repay. Minimum standards shall include the following:

- (a) **Loan Amount** Loan amounts shall not exceed \$500,000 without notifying WEDC. Loans may exceed 50 percent of project costs in exceptional circumstances at the sole discretion of the EC Loan Fund Governing Board.
- (b) **Interest Rate** The interest rate may be fixed or graduated on a fixed schedule. The interest rate shall be within 2 percent of the prime rate as quoted in the "money rates" section of the last published Midwest Edition of the Wall Street Journal at the time the contract is signed.

(c) Terms for Loans

Working capital loans shall have a maximum term of seven years.

Machinery, equipment and fixtures loans shall have a maximum term of ten years

Real Estate loans shall have a maximum term of 20 years.

Terms may include longer amortization schedules with balloon payments. In any case, the loan shall not have a term longer than the terms of the other private/public financing in the project and/or the life expectancy of the fixed assets being pledged as collateral.

- (d) Repayment Payment of interest and/or principal may be deferred for up to two (2) years if justified in the loan application. Interest shall accrue during the deferment period and shall be added to the principal amount of the loan. Thereafter, interest and principal shall be collected for the remaining term of the loan to maturity. A repayment schedule shall be set up for equal monthly payments of principal and interest. A copy of the repayment schedule shall be provided to each recipient by the Program Administrator. Payments will be set up as automatic withdrawals from the borrower's checking account.
- (e) Prepayment Loans shall not be subject to any penalty for prepayment.
- (f) Collateral Reasonable security will be required for 100 percent (100%) of the loan. Collateral may consist of: (1) a first or second lien on all assets to be purchased with loan proceeds, (2) a lien on all other assets owned by and used in the business, (3) personal assets and guarantees and/or, (4) the full faith and credit of the business.
- (g) Job Creation/Retention Requirement – Each loan in this category shall create or maintain a minimum of one full-time position for each \$20,000 borrowed within 2 years of disbursement of the borrowed funds.

4.2 DOWNTOWN FAÇADE/ HISTORIC REINVESTMENT LOAN PROGRAM

- (1) **Objective:** The objective is to provide incentives and financial assistance for façade renovations that encourages property and business owners in traditional downtowns, meaning the traditional central business district of a community that has served as the center for socioeconomic interaction in the community, characterized by a cohesive core.
- (2) **Eligibility:**
Applicants, Businesses or tenants located within traditional downtowns of participating cities, villages and towns in East Central Wisconsin are eligible. Startup businesses located in traditional downtowns are eligible but must provide an

acceptable business plan and show sufficient management background and an equity position in the business. Applicants must demonstrate ability to cash flow the projected debt service and to operate a business successfully. Property taxes on the property must be current. Stand-alone businesses located in rural areas outside of traditional downtown districts are ineligible to apply.

Eligible uses, Façade renovation, signs, exterior doors, windows, awnings, exterior graphics, exterior lighting, and other façade or landscape improvements. Façade renovation funds can only be used for rehabilitation expenses incurred after the application is approved for funding by the EC Loan Fund Governing Board.

Ineligible Uses, No refinancing, building purchases, inventory, furniture, equipment or working capital. Projects cannot be primarily residential in nature. Projects must demonstrate a reasonable assurance of repayment.

Design Requirements, Applicants must provide acceptable façade renovation design plans that must comply with approved general design guidelines that will be based on National Trust and Main Street Center or suitable design guidelines prepared and adopted by local governments. Communities wishing to participate in the program must submit a copy of their downtown façade design plan and guidelines along with the name of a primary community contact person to the EC Loan Fund Program Administrator.

(3) **TERMS AND CONDITIONS**

The EC Loan Fund Governing Board or program staff shall structure loan proposals on the basis of need and ability to repay. Minimum standards shall include the following:

- (a) Loan Amount - Up to \$20,000.
- (b) Interest Rate - The interest rate may be fixed or graduated on a fixed schedule. The interest rate shall be within 2 percent of the prime rate as quoted in the "money rates" section of the last published Midwest Edition of the Wall Street Journal at the time the contract is signed.
- (c) Loan Term - Loan terms shall not exceed 7 years or the date of property transfer whichever occurs first.
- (d) Repayment - Loans payments may be deferred up to 12 months.
- (e) Collateral - Reasonable security will be required for 100 percent of the loan. Collateral may consist of: (1) a first or second on project real estate, (2) a lien on all other assets owned by and used by the business, (3) personal assets and guarantees and/or the full faith and credit of the business.

Maintenance - All borrowers will be required to continue to maintain the properties in the condition and for a time as set forth in the loan closing documentation but will normally not be less than the term of the EC Loan Fund loan.

Compliance - Businesses repairing or replacing façade shall comply with all applicable local, state, and federal laws and codes as they may apply to their situation.

At least 10 percent of the defederalized EC Loan funds will be available for the Façade Loan Program.

4.3 COMMUNITY-BASED INCUBATOR/ENTERPRISE CENTER LOAN PROGRAM

- (1) **Objective** – To promote industrial and commercial development in East Central Wisconsin by providing loans for the development of public/not-for-profit business centers/incubators.
- (2) **Eligibility** - To be eligible for funding, a proposed project must meet all of the following minimum requirements:
 - (a) **Applicant** The applicant must be a local unit of government or an East Central Wisconsin community-based organization.
 - (b) To promote industrial and commercial development in East Central Wisconsin **Maximum Investment** Not more than 5 percent (5%) of EC Loan Fund program funds may be used for community-based incubator/enterprise center loans.
 - (c) **Other Funds Leveraged** The applicant must leverage a minimum of one dollar (\$1.00) of other funds for every dollar of EC Loan Fund loan funds. Higher or lower leverage may be required at the discretion of the EC Loan Fund Governance Board.
 - (d) **Financial Feasibility and Incubator/Enterprise Center Viability.** The applicant must demonstrate that the proposed project is viable and the applicant will have the economic ability to repay the funds.
 - (e) **Compliance with Applicable Laws** The applicant shall comply with all applicable local, state, and federal laws and codes.
 - (f) **Project Completion** Projects shall be completed within 24 months from the date of the loan approval. Applicants shall provide the Program Administrator a

project implementation schedule not exceeding 24 months for project completion and job creation. The timetable should include a hiring schedule, construction completion schedule, and any pertinent information and dates relating to proposed project. All jobs created or retained must be maintained for 24 months if required.

(3) TERMS AND CONDITIONS

The EC Loan Fund Governing Board shall structure loan proposals on the basis of need and ability to repay. Minimum standards shall include the following:

- (a) Loan Amount Loan amounts are subject to the availability of Program funds but shall not exceed \$500,000 per loan. Loans may exceed 50 percent of project costs in exceptional circumstances at the sole discretion of the reviewing loan committee.
- (b) Interest Rate The interest rate for community based organizations (i.e. communities) may be fixed or graduated on a fixed schedule. The interest rate shall be within 2 percent of the prime rate as quoted in the "money rates" section of the last published Midwest Edition of the Wall Street Journal at the time the contract is signed.
- (c) Term for Loans Terms shall be set by the EC Loan Fund Governing Board between 7-20 years. Terms may include longer amortization schedules with balloon payments. In any case, the loan shall not have a term longer than the terms of the other private/public financing in the project and/or the life expectancy of the fixed assets being pledged as collateral.
- (d) Repayment Payment of interest and/or principal may be deferred for up to two (2) years if justified in the loan application. Interest shall accrue during the deferment period and shall be added to the principal amount of the loan. Thereafter, interest and principal shall be collected for the remaining term of the loan to maturity. A repayment schedule shall be set up for equal monthly payments of principal and interest. The Program Administrator shall provide a copy of the repayment schedule to each recipient. Payments will be set up as automatic withdrawals from the borrower's checking account.
- (e) Prepayment Loans shall not be subject to any penalty for prepayment.
- (f) Collateral Reasonable security will be required for 100 percent (100%) of the loan. Collateral may consist of: (1) a first or second lien on all assets to be purchased with loan proceeds, (2) a lien on all other assets owned by and used in the business, (3) personal assets and guarantees and/or, (4) the full faith and credit of the community or community-based organization.

4.4 MICRO AND SHORT-TERM ECONOMIC DEVELOPMENT LOAN PROGRAM

- (1) **Objective** – To promote business development in East Central Wisconsin by providing micro and short-term interim financing.
- (2) **Eligibility** - To be eligible for financing a proposed project must meet all of the following minimum requirements:
 - (a) **Financial Feasibility and Business Viability** The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to repay the funds.
 - (b) **Compliance with Applicable Laws** The applicant shall comply with all applicable local, state, and federal laws and codes.
- (3) **TERMS AND CONDITIONS**

The EC Loan Fund Governing Board or program staff shall structure loan proposals on the basis of need and ability to repay. Minimum standards shall include the following:

- (a) **Loan Amount** Loan amounts shall not exceed \$30,000. Loans may exceed 75 percent of project costs in exceptional circumstances at the sole discretion of the reviewing loan committee.
- (b) **Interest Rate** The interest rate may be fixed or graduated on a fixed schedule. The interest rate shall be within 2 percent of the prime rate as quoted in the "money rates" section of the last published Midwest Edition of the Wall Street Journal at the time the contract is signed.
- (c) **Terms for Loans**

Working capital loans shall have a maximum term of seven years.

Machinery, equipment and fixtures loans shall have a maximum term of ten years

Real Estate loans shall have a maximum term of 20 years.

Terms may include longer amortization schedules with balloon payments. In any case, the loan shall not have a term longer than the terms of the other private/public financing in the project and/or the life expectancy of the fixed assets being pledged as collateral.

- (d) Repayment Payment of interest and/or principal may be deferred for up to two (2) years if justified in the loan application. Interest shall accrue during the deferment period and shall be added to the principal amount of the loan. Thereafter, interest and principal shall be collected for the remaining term of the loan to maturity. A repayment schedule shall be set up for equal monthly payments of principal and interest. The Program Administrator shall provide a copy of the repayment schedule to each recipient. Payments will be set up as automatic withdrawals from the borrower's checking account.
- (e) Prepayment Loans shall not be subject to any penalty for prepayment.
- (f) Collateral Reasonable security will be required for 100 percent (100%) of the loan. Collateral may consist of: (1) a first or second lien on all assets to be purchased with loan proceeds, (2) a lien on all other assets owned by and used in the business, (3) personal assets and guarantees and/or, (4) the full faith and credit of the business.

4.6 INNOVATION AND TECHNOLOGY ECONOMIC DEVELOPMENT LOAN REQUIREMENTS

- (1) **Objective** – To promote innovation and technology business development and job creation within East Central Wisconsin. This includes, but is not limited to Manufacturing, Energy and identified Agricultural Enterprise Areas in East Central Wisconsin.
- (2) **Eligibility** - To be eligible for financing a proposed project must meet all of the following minimum requirements:
 - (a) Financial Feasibility and Business Viability The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to repay the funds.
 - (b) Compliance with Applicable Laws The applicant shall comply with all applicable local, state, and federal laws and codes.
- (3) **TERMS AND CONDITIONS**

The EC Loan Fund Governing Board or program staff shall structure loan proposals on the basis of need and ability to repay. Minimum standards shall include the following:

- (a) Loan Amount. Loan amounts shall not exceed \$500,000. Loans may exceed 75 percent of project costs in exceptional circumstances at the sole discretion of the reviewing loan committee.

(b) Interest Rate The interest rate may be fixed or graduated on a fixed schedule. The interest rate shall be within 2 percent of the prime rate as quoted in the "money rates" section of the last published Midwest Edition of the Wall Street Journal at the time the contract is signed.

(c) Terms for Loans

Working capital loans shall have a maximum term of seven years.

Machinery, equipment and fixtures loans shall have a maximum term of ten years

Real Estate loans shall have a maximum term of 20 years.

Terms may include longer amortization schedules with balloon payments. In any case, the loan shall not have a term longer than the terms of the other private/public financing in the project and/or the life expectancy of the fixed assets being pledged as collateral.

(d) Repayment Payment of interest and/or principal may be deferred for up to two (2) years if justified in the loan application. Interest shall accrue during the deferment period and shall be added to the principal amount of the loan. Thereafter, interest and principal shall be collected for the remaining term of the loan to maturity. A repayment schedule shall be set up for equal monthly payments of principal and interest. The Program Administrator shall provide a copy of the repayment schedule to each recipient. Payments will be set up as automatic withdrawals from the borrower's checking account

(e) Prepayment Loans shall not be subject to any penalty for prepayment.

(f) Collateral Reasonable security will be required for 100 percent (100%) of the loan. Collateral may consist of: (1) a first or second lien on all assets to be purchased with loan proceeds, (2) a lien on all other assets owned by and used in the business, (3) personal assets and guarantees and/or, (4) the full faith and credit of the business.

4.7 VENTURE FUND INVESTMENT PROGRAM

(1) Objective – To facilitate business development and growth through direct investment.

(2) Eligibility - To be eligible, the proposed investment must meet all of the following minimum requirements:

- (a) Type The applicant must be an East Central Wisconsin regional based venture fund.
- (b) Economic Impact The applicant must demonstrate the economic impact of the investment through the leveraging of funds by the sub-recipients businesses and the retention and/or creation of new jobs. The applicant must commit that to the extent practicable, all EC Loan Fund investment monies will be spent on activities in Wisconsin.
- (c) Compliance with Applicable Laws The applicant shall comply with all applicable local, state, and federal laws and codes.
- (d) Maximum Investment No more than 10 percent (10%) of total EC Loan Fund program funds may be invested in a regional venture fund.
- (e) Representation EC Loan Fund shall have a voting member on the regional venture fund board.

SECTION 5: APPLICATION PROCEDURES

5.1 DISCUSSION OF REQUIREMENTS

Prior to submitting an application, the applicant shall discuss the Program with the Program Administrator and/or Program staff. An application form shall be provided to the applicant. The Program Administrator shall assist the applicant and/or Program staff, as is reasonably necessary, in completing the application. All financial information shall be kept confidential.

5.2 TIMING

Applications may be submitted at any time during the calendar year.

5.3 PRIORITY

Applications shall be reviewed in the order received. Priorities for loans shall be established by the EC Loan Fund Governing Board based on the amount of funds available.

5.4 ECONOMIC DEVELOPMENT LOAN PACKAGE

Applicants shall submit a loan package consisting of the following information:

- (1) Application A completed application form as provided by the Program

Administrator.

- (2) Business Description. A written description of the business, including the following:
 - (a) A brief history of the existing or proposed business, including when it started or is to start, type of operation, legal structure, markets and products.
 - (b) Key customers and clients.
 - (c) A brief personal resume of each principal and officer associated with the business, including: number of years of experience; educational background and personal involvement in the proposed or existing business.
 - (d) Three years of financial history (if applicable) preferably reviewed or audited in accordance with generally accepted accounting principles by an independent accountant, including balance sheets, profit/loss statements and accountant notes.
- (3) Project Description. Explain how the business plans to use the requested funds.
- (4) Commitments from Private and Other Public Lenders Include documentation of commitments from all private and other public lenders making loans to the project. Lender commitment letters should include:
 - (a) Description of the type of loan being made by the lender (first mortgage, permanent financing, construction financing, etc.);
 - (b) The amount, interest rate, term, and security of the loan; and
 - (c) Statement that the loan is contingent only on the receipt of Program financing, if applicable.
- (5) Projections Provide balance sheets, income statements and cash flow statements to clearly show the requested loan is necessary to make the project work. These should cover a three-year period (or to the projected break-even point) and should be based on the assumption that the business will receive the requested loan. Financial projections shall be prepared preferably by an independent accountant.
- (6) Additional Information Additional information as may be required by the EC Loan Fund Governing Board, Counsel for EC Loan Fund, Program Administrator, or Program staff.

5.5 REVIEW PROCESS

Specific steps in the review process include the following:

- (1) Preliminary Review. The Program Administrator and the EC Loan Fund Counsel will review the application for completeness and verify that the proposed project meets the minimum requirements provided in Section 3. If the application is not complete, the Program Administrator shall inform the applicant of the deficiencies.
- (2) Optional Preliminary Review Local Program staff and the EC Loan Fund Counsel may review the application for completeness and verify that the proposed project meets the minimum requirements provided for in Section 3. If the application is not complete, the Local Program staff shall inform the applicant of the deficiencies.
- (3) Formal Review The reviewing loan committee will meet in person or via telephone to formally review the application within 30 days of receipt of a completed application. The reviewing loan committee may approve, reject, or request additional information about the application.
- (4) Notice of Award Upon acceptance by the reviewing loan committee, the Program Administrator shall contact the business in writing to review and explain the terms of the loan. A loan closing shall be arranged to execute the necessary loan documents.
- (5) Rejection of Award If the application is not approved; the Program Administrator shall send a letter to the applicant stating the reasons for rejection and offer to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

SECTION 6: DISTRIBUTION OF FUNDS

LOAN PROCEDURES

Prior to releasing funds, the following documentation must be in place or provided at the appropriate time during the term of the loan:

- (1) Acceptance of Loan Terms. The EC Loan Fund Governing Board or local revolving loan fund committee must have reviewed and approved a complete loan application for an eligible applicant and received an executed acceptance of loan terms as provided for in the notice of award.
- (2) Evidence of Permits, etc. Documentation must be provided by the applicant that all necessary permits, licenses, and any other registrations have been obtained prior to the release of Program funds.
- (3) Loan Agreement. The Program Administrator shall prepare a loan agreement which shall be executed by the EC Loan Fund Governing Board chair or their designee, and the Chief Executive Officer of the business/community/community-based organization.
- (4) Promissory Note A promissory note shall be prepared by the Program Administrator and approved by the EC Loan Fund Counsel. The promissory note must be signed by the Chief

Executive Officer of the business/community/community-based organization at the time of loan closing. The note must be dated; it must reference the agreement between EC Loan Fund and the business/community/community-based organization; and it must specify the amount and terms of the loan funds delivered.

- (5) Security Mortgage or lien instruments provided as security for all loans must be prepared by the Program Administrator and executed at the time of the loan closing. The EC Loan Fund Counsel or Program Administrator shall record the instrument and place a copy in the project file.
- (6) Repayment Schedule A loan repayment schedule shall be prepared by the Program Administrator and be attached to both parties' copies of the loan agreement.
- (7) Evidence of Program Expenditures Documentation must be provided by the business/community/community-based organization to evidence Program expenditures prior to the release of funds. Documentation shall include invoices, receipts for materials, approved requests for payment, final bills of sale or canceled checks. All documentation shall be reviewed and approved by the Program Administrator.
- (8) Fixed Equipment Fixed equipment financed with Program funds must have been purchased, delivered, and installed. The Program Administrator shall verify the installation of fixed equipment.
- (9) Other documentation. As appropriate or necessary, the borrower may be asked to provide the following:
 - (a) A certificate of status from the Department of Financial Institutions;
 - (b) The Articles of Incorporation and By-Laws;
 - (c) A resolution or agreement to borrow funds;
 - (d) Current financial statements;
 - (e) Evidence of having secured other funds necessary for the project; and
 - (f) An Environmental Assessment for real estate loans which may either be an Environmental Checklist or a Phase I, II, or III analysis, depending on the environmental condition of the site.

With the above documentation in place, the Program Administrator will schedule a loan closing. All documents will be executed before funds are disbursed, and mortgages and UCC Statements shall be recorded with the Wisconsin Department of Financial Institutions or the equivalent state agency in the business' state of incorporation.

SECTION 7: POST LOAN APPROVAL REQUIREMENTS

OBLIGATION OF LOAN RECIPIENT

In addition to the above mentioned terms and conditions, all applicants shall agree to comply with the following where applicable:

- (1) If applicable, the applicant is expected to create or retain the required number of jobs within two years of the execution of the contract with EC Loan Fund. Applicant is expected to retain the required number of jobs for two years from the time of creation and/or retention if required.
- (2) The applicant shall not discriminate on the basis of age, race, religion, color, handicap, sex, and physical condition, developmental disability as defined in s. 51.01(5), sexual orientation or national origin in any employment or construction activity related to the use of loan funds.
- (3) The applicant shall use the loan money only to pay the cost of services and materials necessary to complete the economic development activities for which the loan funds were awarded and shall permit EC Loan Fund the right of audit/inspection to verify compliance.
- (4) The applicant shall permit inspections by EC Loan Fund qualified personnel of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections that include, but may not be limited to, equipment, payrolls, and conditions of employment. The applicant shall comply with requests for inspection within four (4) working days of the request.
- (5) The applicant shall maintain records on the project as may be requested by EC Loan Fund. These files shall be maintained as long as the loan is active.
- (6) The applicant shall submit progress reports to the Program Administrator in accordance with the schedule in the loan agreement. These reports shall give an update on the project and shall include minimum current and projected employment levels and current financial statements.
- (7) The applicant shall maintain fire and extended coverage insurance on the project property during the term of the business loan. EC Loan Fund shall be listed as a "loss payee" or "mortgagee" insured on the policy. Term life insurance may be required of the applicant to cover the loan balance through the life of the loan.
- (8) Each industrial/business loan shall be subject to the applicable provisions and requirements of the Federal Truth in Lending Act and the Wisconsin Consumer Act, as amended.
- (9) The applicant must abide by all applicable local, state, and federal laws.

SECTION 8: POST VENTURE FUND INVESTMENT REQUIREMENTS

OBLIGATION OF INVESTMENT RECIPIENT

In addition to the above mentioned minimum investment requirements, all applicants shall agree to comply with the following:

- (1) The applicant must provide EC Loan Fund with annual documentation of the Fund's continued community based status as well as financial status reports, investment portfolio reports, and fund progress reports.
- (2) The Fund's Participation Agreement with EC Loan Fund must include procedures outlining the return of investment process, distribution of the Fund's "upside" as a re-investment in EC Loan Fund and the distribution of funds should the Venture Fund dissolve.
- (3) The applicant shall not discriminate on the basis of age, race, religion, color, handicap, sex, physical condition, developmental disability as defined in s. 51.01(5), sexual orientation or national origin in any investment activity undertaken by the Fund.
- (4) The applicant shall maintain records of the fund investments as long as the fund remains in existence. These records shall be made available for EC Loan Fund review.

SECTION 9: PERFORMANCE MONITORING

9.1 PRIVATE AND OTHER PUBLIC LEVERAGE COMMITMENTS

The Program Administrator shall monitor the use of the funds and expenditure of private leverage commitments. Documentation may include invoices or receipts for materials and supplies, letters from lenders, final bills of sale and cancelled checks.

9.2 HIRING OF NEW EMPLOYEES

The Program Administrator shall monitor the recipient's progress in meeting job creation or retention goals if required. Job creation must be documented through payroll records. To document job creation and retention the employer should provide before-project and after-project payroll records.

9.3 DEFAULT

- (1) In addition to any other grounds specified in the loan agreement, the following shall also be considered grounds for default:
 - (a) Failure of the business/community/community-based organization to make any payment of principal or interest within 30 days after the payment is due and payable;
 - (b) Defaulting on other loans with private or other public lenders;
 - (c) Cessation of operations or movement of the business or industry from the participating counties area; and
 - (d) Sale of the business.
- (2) In the event of default, all sums due and owing EC Loan Fund shall, at EC Loan Fund's option, become immediately due and payable. To exercise this option, the EC Loan Fund Counsel shall send a written notice to the business and will provide a copy to WEDC. The notice shall specify the following:
 - (a) The default;
 - (b) The action required to cure the default;
 - (c) A date, not less than 30 days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action; and
- (d) Any penalties incurred as a result of the default, jobs, etc.

SECTION 10: USE OF REPAYMENTS, RETAINED INCOME, AND REPORTING

ACTIVE PROGRAM

Repaid funds are Regional program funds and shall be deposited into the EC Loan Fund Loan account and used in a manner consistent with the current EC Loan Fund Program Policies and Procedures Manual. A separate accounting record for each loan shall be kept to account for all funds loaned. The EC Loan Fund Loan account shall be audited in the same manner as the regular Wisconsin Community Development Block Grant Fund account.

- (1) Retained Income CDBG program income must be deposited in a separate account from the Regional program funds. CDBG Program income shall be expended in accordance with all the requirements established by Federal and State rules and guidelines for administering a CDBG-ED RLF.
- (2) Reporting. The Program Administrator shall report to WEDC in the manner prescribed by WEDC regarding the use of Regional program funds and CDBG program income.

SECTION 11: LOAN SERVICING

11.1 INTRODUCTION

The purpose of loan servicing is to establish policies and procedures for the monitoring and review of loans and investments made by EC Loan Fund through the Wisconsin Community Development Block Grant Economic Development (CDBG-ED) Program and the EC Loan Fund Program (established with funds repaid on previous CDBG-ED and RLF loans). Through loan servicing activity, the Program Administrator will obtain information on the continuing operations of borrowers, ensure compliance with the terms and conditions of loans and adequately protect EC Loan Fund's security requirements.

11.2 ADMINISTRATION OF THE CDBG-ED/EC LOAN FUND PORTFOLIO

Whomever the Governing Board chooses as the Program Administrator shall be responsible for day-to-day administration of the CDBG-ED/ EC Loan Fund portfolio, including establishment and maintenance of recordkeeping and tickler file systems, preparing and submitting progress reports, collecting and analyzing financial statements, conducting field visits, monitoring repayments on CDBG-ED/EC Loan Fund loans and working with problem loans. EC Loan Fund may engage outside Program staff (i.e. local Economic Development Directors or groups) to assist in the administration of the Program.

11.3 MONITORING

The Program Administrator shall monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the business to evaluate the ability of the borrower to continue repayment of the loan. The monitoring will also ensure that all recordkeeping requirements are met particularly in regard to job creation and expenditures of matching funds.

A loan servicing file shall be established and maintained for each loan recipient that includes all written correspondence; a record of important telephone conversations; a list of applicable loan covenants; certificates of insurance for builder's risk, property-casualty, and life insurance, as applicable; and documentation for job creation and retention.

11.4 RECORDKEEPING

In addition to the above, the EC Loan Fund financial management records must be comprehensive and designed to provide the following information:

- (a) An EC Loan Fund Loan Fund Register that records all deposits and disbursements to and from EC Loan Fund, including funds used for EC Loan Fund administration.

- (b) A CDBG Loan Repayment Register that records repayments made by each business which has received a CDBG loan. It also tracks the balance of repayments from all CDBG loans from EC Loan Fund.
- (c) EC Loan Fund Loan Repayment Register that records repayments made by each business which has received a loan from EC Loan Fund. It also tracks the balance of repayments from all loans from EC Loan Fund.
- (d) A Collection Register for every loan made. Each register contains the business name, loan date, loan amount, terms, and date repayment begins. Payments are divided into principal and interest payments with a declining principal balance.
- (e) For loans utilizing CDBG program income funds, the borrower must meet the LMI requirement. To ensure compliance with the LMI requirements, employers must collect self-certification forms from every applicant for each job created by CDBG program income funds and forward copies of the completed self-certification forms to the Program Administrator.

11.5 REPORTING REQUIREMENTS

EC Loan Fund shall submit reports to WEDC on a monthly basis detailing the status of all of the loans and administrative costs associated with the program and as otherwise required by WEDC.

Attachment A

PARTICIPATION POLICY

In the circumstance that a county does not have an RLF, the Governing Board, may allow participation based on a mutually agreed amount determined by the Governing Board and WEDC, and contributed by WEDC to the EC Loan Fund.

The Governance Board may determine that an entitlement community may also participate based a contribution by that community of not less than \$500,000 in liquid assets to the EC Loan Fund the payment to be determined by the Memorandum of Understanding. In that case the Governing Board shall limit access to the EC Loan Fund for 2 years to the amount contributed to ensure the money continues to be used for its intended purposes in non-entitlement areas. The Governing Board by a 2/3 vote may determine that there are special circumstances that warrant an exception to the 2 year waiting period.