

# WESTERN REGION CORPORATION

143 Genesee Street  
Buffalo, New York 14203  
(716) 945-5301

## WESTERN REGION CORPORATION REGIONAL REVOLVING LOAN TRUST FUND (RRLTF)

### General Description

**Administered by:**      **Western Region Corporation**  
143 Genesee Street  
Buffalo, NY 14203  
Tel: 716-856-6525 or 716-945-5301  
Fax: 716-856-6754

### **Description of WRC:**

The Western Region Corporation (WRC) is a not-for-profit corporation serving primarily Allegany, Cattaraugus, Chautauqua, Erie, and Niagara Counties in New York State. WRC often works in coordination with economic development organizations serving these counties. WRC's mission is to provide programs to strengthen small businesses and create and retain jobs.

### **Source of RRLTF Capitalization:**

New York State Urban Development Corporation

### **Purpose of RRLTF:**

The primary purposes of the WRC RRLTF are the creation and/or retention of jobs and the stimulation and development of small to mid-sized businesses in Allegany, Cattaraugus, Chautauqua, Erie, and Niagara Counties (the "Region"), through the making of working capital loans to eligible businesses for eligible projects.

### **Eligible Borrowers:**

All types of businesses are eligible, including but not limited to industrial, wholesale, retail and service, provided that the following is true:

- The business is a private for profit business or a start-up business operating in the Region.
- The applicant business is owned and operated by a person, persons or another business located within New York State.
- The applicant business does not employ more than 100 full-time persons.
- The applicant business demonstrates that adequate project financing cannot be obtained from banks or other public sources.
- The applicant business demonstrates that it can repay the WRC RRLTF loan.

**Allegany**

**Cattaraugus**

**Chautauqua**

**Erie**

**Niagara**

**Eligible Projects:**

The proceeds of WRC RRLTF loans can be used only for working capital purposes only, including operating costs, receivables and inventory financing, etc.

**Ineligible Projects:**

The WRC loan fund cannot be used

- for any use other than working capital (e.g., fixed assets acquisition, etc.).
- by loans to projects involving the relocation of a business from one municipality to another within New York State, unless both municipalities express consent.
- for loans to businesses in the news media; for loans for medical facilities, libraries, or community civic centers; or for public infrastructure improvements.
- for loans that would refinance the debts or loans of a business.
- for loans that would provide funds directly or indirectly to owners, partners or shareholders of the business.
- for loans to retail, service, and commercial businesses, unless applicants demonstrate to WRC that the project will result in an increase in net new permanent jobs.
- for speculative activities.
- for loans solely for investment purposes.
- for loans that would purchase or finance equity in a private business.
- for loans that create a potential conflict-of-interest.

**Preference Targets:**

The following types of businesses receive preference from WRC: manufacturing businesses, businesses entering export markets and/or expanding export trade, tourism industry businesses, business support service businesses that provide support to the manufacturing sector, alternative agri-businesses, and minority-owned and woman-owned business enterprises. In addition, WRC gives priority to applicants whose project results in significant numbers of new permanent jobs and/or businesses whose projects will have a significant impact on economic conditions in the local community.

**Maximum Loan Size:**

\$50,000, provided that in certain extenuating circumstances, the maximum may be increased to \$75,000. WRC can make RRLTF loans for up to but no more than one-half of the working capital component of a borrower's project, provided the total WRC loan amount does not exceed this maximum dollar amount.

**Interest Rates:**

Prime rate minus 2%, fixed (not adjustable), with the rate set at the time of loan approval, provided that in no case will the WRC interest rate charged be less than 5%.

**Amortization:**

WRC loans amortize on a monthly basis, with monthly repayments required. Maximum term length is 5 years. Loan payments are due on the first of each month.

### **Capital Substitution Policy:**

WRC RRLTF loans are made to supplement private commercial bank loans, not compete with them. Normally, WRC RRLTF loans are gap financing loans, which WRC provides after other lenders have agreed to participate in the borrower's financial package. Additionally, WRC cannot make a loan for an amount that exceeds the total of all other public sector loans in a borrower's project's financial package.

### **Job Requirement:**

The borrower should create and/or retain a minimum of 1 job for every \$10,000 of WRC RRLTF funds borrowed.

### **Leverage and Equity Requirements:**

Applicants must demonstrate a debt-to-equity ratio of no more than 10 to 1, or provide a minimum 10% of the project's cost in the form of cash equity. Prior to closing, applicants must provide evidence from all other project funding sources of their financial commitments to complete the project.

### **Collateral Policy:**

All WRC loans must be adequately collateralized to WRC's satisfaction. WRC will obtain mortgages, liens, and/or assignment of patents and/or licenses as appropriate to secure its loans. When necessary, WRC will take subordinate collateral positions. WRC normally requires fire and hazard insurance on collateral. Principals with a minimum of 20% ownership interest in the applicant company normally will be required to assign key person life insurance to WRC. All individuals owning 20% or more of the applicant company will be required to provide personal guarantees. WRC normally requires spousal guarantees from spouses of principals owning 20% or more of the applicant company, but may waive this requirement upon written request depending on circumstances. In cases where the applicant's business assets do not provide adequate collateral, WRC may require a specific pledge of personally held assets.

### **Other Requirements:**

WRC loan recipients must agree not to discriminate in employment and to give first consideration for new jobs to referrals from local JTPA programs and the New York State Job Service. WRC normally will require the provision of annual personal income tax returns and financial statements for principals owning 20% or more of the applicant company. WRC normally will require the provision of review or compilation quality financial statements for the borrowing company within 120 days of year-end and the provision of annual income tax statement of the borrowing company within 60 days of their submission to the federal and state taxing entities. WRC may require the subordination of all debt due from applicant companies to principals to WRC's debt, and may require a moratorium on payments of said debt during the term of WRC's loan. Failure to comply with WRC loan requirements, including job targets, use of proceeds for eligible purposes, timely repayment, and all other express requirements, will cause WRC to declare the loan in default, based upon WRC's evaluation of circumstances. WRC will exercise all legal resources available to it to recover amounts due upon default.

### **Loan Application Process:**

WRC does not directly accept RRLTF loan applications from the general public; instead, all loan applications must be processed by one of the five county Industrial Development Agencies operating in the Region, or by the Southern Tier West Regional Planning and Development Board. Parties interested parties in obtaining a

RRLTF loan should contact one of these agencies for information and sponsorship of a RRLTF loan application (see sponsoring agency contact list below).

Representatives of one of these six sponsoring agencies will meet with potential applicants to explain the program, and visit the business location at least once. They also will explain other types of available financing and other assistance, including other loan funds, loan guarantees, business counseling assistance, human resource and job training assistance, and export assistance. The sponsoring agency representative also will discuss loan assistance for fixed assets (e.g., equipment purchases, site improvements and new construction, etc.) that may be obtained from sources other than WRC, as is appropriate.

The sponsoring agency representative will confer with WRC regarding applicant and project eligibility, and will provide RRLTF loan applicants a list of information that WRC requires to satisfy its RRLTF loan application requirements, including historical, current, and projected financial statements, narrative text, and other documentation as appropriate to the applicant and the project. (In satisfaction of WRC's loan application requirements, WRC will accept the applicant's application to another public sector loan fund in the Region, provided that all information required by WRC is included in this other loan application; the applicant may submit any missing items required by WRC along with this other application to satisfy WRC's loan application requirements.) Please note that responsibility for developing and providing all necessary information to the sponsoring agency rests with the loan applicant. Applications must be completed to the satisfaction of the sponsoring agency in order for the project to be processed further. The sponsoring agency then prepares a project summary for review by the WRC Loan Committee.

The WRC Loan Committee will try to schedule meetings to accommodate the applicant's timing needs, but normally meets no more frequently than once per month. The sponsoring agency presents the loan proposal to the WRC Loan Committee, which then reviews it for both program compliance and creditworthiness, per the WRC lending criteria. In the case of applications not approved by the WRC Loan Committee, the WRC Loan Committee may direct the sponsoring agency to work with the applicant to present an application that may be approvable at a subsequent WRC Loan Committee meeting. However, if the WRC Loan Committee does recommend a loan for approval by the WRC Board of Directors, the WRC Board of Directors then will review the loan application. When recommending that the WRC Board approve a loan application, the WRC Loan Committee's recommendation normally will include recommended terms and conditions of approval.

The WRC Board of Directors normally meets no more frequently than once per month, but will try to schedule meetings to accommodate the applicant's timing needs. The WRC Board reviews the loan request for compliance and targeting focus. Upon approval by the WRC Board, a loan commitment letter is prepared for execution by the applicant business. The WRC loan commitment letter normally will contain commitment contingencies that must be satisfied by the applicant business prior to the closing of the WRC loan. The timeliness of closing of the WRC loan is often significantly affected by the applicant's timeliness in satisfying these commitment contingencies. WRC normally uses the sponsoring agency's attorneys for closing RRLTF loans.

Following the execution of the loan closing documents, WRC loans are serviced by the sponsoring agency, the Southern Tier West Regional Planning and Development Board, and the Erie County Industrial Development Agency.

**Fees:**

All WRC loans are subject to the following fees:

- a non-refundable application fee of \$250 (due upon submission of application)

- a commitment fee of one percent of the face value of the loan, less the application fee (due at time of commitment)
- all costs incurred by WRC to close and service the loan, including WRC's legal fees and closing fees (paid at closing) and any legal expenses relating to the loan incurred by WRC during the term of the loan

**RRLTF Participating Sponsor Agencies:**

**Allegany County Industrial Development**

**Agency**

Crossroads Commerce & Conference Center  
 6087 NYS Route 19 North  
 Belmont, New York 14813  
 Phone: 716/268-7472  
 Contact: John Foels

**County of Cattaraugus Industrial**

**Development Agency**

3 East Washington Street  
 Ellicottville, New York 14731  
 Phone: 716/699-2005  
 Contact: Corey Wiktor

**County of Chautauqua Industrial**

**Development Agency**

200 Harrison Street  
 Jamestown, New York 14701  
 Tel: 716/664-3262  
 Contact: Richard Dixon

**Erie County Industrial Development Agency**

Advanced Training Center  
 143 Genesee Street  
 Buffalo, New York 14203  
 Tel: 716/856-6525  
 Contact: David Kerchoff

**Niagara County Industrial Development**

**Agency**

2055 Niagara Falls Boulevard, Suite One  
 Niagara Falls, New York 14304-1617  
 Tel: 716/298-8050  
 Contact: Gary Kelsey

**Southern Tier West Regional Planning and**

**Development Board**

The Southern Tier West Center for Regional  
 Excellence  
 4039 Route 219, Suite 200  
 Salamanca, New York 14779  
 Tel: 716/945-5301 x 211  
 Contacts: Alyssa Dechow