



# **SMALL BUSINESS FINANCING AND ASSISTANCE**

## **REVOLVING LOAN FUND (RLF) PROGRAM**



**[www.seedcorp.com](http://www.seedcorp.com)**

Prepared by SEED Corporation, March 19, 2010.



# **BACKGROUND ON SEED**

## **➤ ESTABLISHMENT**

- In 1982, SEED was established as a non-profit corporation and approved by the SBA as a Certified Development Company (CDC) under the SBA 504 Program.**

## **➤ PURPOSE**

- SEED's mandate is to assist small businesses to start up, expand and create new jobs.**
- Over the last 28 years, SEED has focused on providing gap financing and technical assistance for small businesses.**



## ➤ **LOAN PROGRAMS**

-- **Currently, SEED administers three loan programs and provides services under the SBA 7A Program.**

**The three loan programs are:**

- **SBA 504 Loan Program – Loans up to \$4 million for real estate and heavy machinery and equipment.**
- **Micro Loan Program – Loans up to \$35,000, mostly for working capital.**
- **Revolving Loan Fund (RLF) – Loans up to \$200,000, as part of a larger project, with flexible use of funds.**



➤ **LOAN PROGRAMS (CONTINUED)**

- **SEED Ventures LP** – A for-profit \$20 million mezzanine fund and Small Business Investment Company (SBIC) sponsored by SEED in 2005.

➤ **TECHNICAL ASSISTANCE**

- **SEED** also provides technical assistance to prospective and existing small business entrepreneurs through:
  - **Individual sessions;**
  - **Monthly entrepreneurial workshops; and**
  - **A small business library.**



## ➤ **GEOGRAPHIC COVERAGE**

-- **Focus on the region south of Boston:**

- **Cape and Islands; and**
- **Providence Metropolitan Area**

-- **SEED can cover all of Massachusetts and most of Rhode Island.**


## ➤ **ORGANIZATION**

**Membership: Presently 186 members representing:**

- **Government organizations;**
- **Financial institutions;**
- **Community organizations; and**
- **Businesses.**



- **Members meet once a year to approve the slate for membership, directors, and officers, and amend by-laws.**
- **Board of Directors: Presently 40 directors representing the four groups previously listed.**
- **The Board meets every other month and is responsible for overseeing the affairs of the corporation and ratifying loan approvals.**
- **Loan Committees: Two loan committees with a quorum of at least five members:**
  - **Loan Review Committee: Has 10 members, and meets monthly or more often as needed to approve loans larger than \$100,000.**

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- **Micro Loan Committee: Has 10 members, and meets monthly or as needed to approve small loans up to**

➤ **STAFF & OPERATIONS** <sup>\$100,000.</sup>

- **Staff: SEED has a staff of 13 including: commercial loan officers; a portfolio manager; work out officers; operations staff; and a marketing manager.**
- **Operations: SEED operates like a “small bank” – underwriting, closing, servicing and conducting loan work out, as needed.**



## **REVOLVING LOAN FUND (RLF) PROGRAM**

**The best source of flexible loan funds to assist small businesses with expansion and job creation.**

### **➤ SEED'S EXPERIENCE**

- Five RLF grants since 1984**
- Sixth RLF grant in 2010**
- Grant Funds and Matches: A total of 2.3 million not including the 2010 grant and match for \$1 million.**
- Loans Made: 333 loans totaling \$11.5 million and leveraging \$72.8 million (a private leverage of six to one).**



➤ **SEED'S EXPERIENCE (CONTINUED):**

- **Jobs Created**: 2,133 total jobs (an average of \$1,085 per job).
- **Other Measures**: 32% start-up small businesses; 44% working capital; 33% industrial.
- **Loans Written Off**: \$339,000 – a very low 2.9%

➤ **BACKGROUND:**

- **Loan Amount**: SEED now makes RLF loans up to \$200,000 which are often 25% or less of the total financing.
- **Loan Term**: Up to 10 years with options to defer principal payments, amortize over longer periods, or establish seasonal schedules as needed.



➤ **BACKGROUND (CONTINUED):**

- **Interest Rate**: Generally close to prime and fixed. Currently 5%. Interest rates available on SEED's web site.
- **Eligible Companies**: Manufacturing, retail, wholesale and service businesses: net worth not in excess of \$2 million; less than \$750,000 average net profit after taxes during the previous two years.
- **Eligible Projects**: Acquisition of land and buildings; equipment and furnishings; and working capital. There has to be a demonstrated need for the loan.



➤ **BACKGROUND (CONTINUED):**

-- **Job Requirements**: At least one job for each \$10,000 of SEED investment. SEED will consider other economic development impact in lieu of jobs.

-- **Loan Collateral**: All appropriate business assets, personal guaranties and personal assets as necessary.



## ➤ **LOAN APPROVAL PROCESS**

**SEED's loan committees meet at least once every month to approve loan applications. Normally it takes 30 days or less to obtain approval.**

### **-- Loan Information Needed:**

- **SEED Application Form**
- **Brief history and background (Business Plan for start-up business)**
- **Statement on the use of funds (quotes, invoices)**
- **Business financial statements and IRS returns for the past 3 years**
- **Interim financial statement no older than 90 days (can be done in-house)**



-- **Loan Information Needed:**

- **Projections (at least one year), including a Day One Balance Sheet for start-up businesses**
- **Personal financial statements (form) for principals with 20% or more ownership and personal IRS returns for the past 2 years**
- **Appraisals (copy of existing appraisal or tax valuation accepted)**
- **Environmental report, if appropriate**
- **Bank commitment letter**

**(Application form and other important forms are available  
at [www.seedcorp.com](http://www.seedcorp.com))**



## ➤ **LOAN CLOSING**

**SEED closing staff obtains the title run down from SEED's attorney, and prepares the closing documents which include:**

- **Loan Agreement**
- **Assurances**
- **Note**
- **Guaranty(ies)**
- **Mortgage(s), as necessary**
- **Security Agreement(s), as necessary**



## ➤ **LOAN CLOSING (CONTINUED)**

- **UCC's as necessary**
- **Copy of lease(s), as necessary**
- **Certificate of insurance (binder)**
- **Assignment of life insurance, as necessary**
- **Subordination agreement(s), as necessary**
- **Resolution to borrow**
- **Jobs Documentation (SEED form)**
- **Gap financing letter from financial institution**



## ➤ **LOAN SERVICING & WORKOUT**

**SEED staff is responsible for:**

- **Monitoring repayment of all loans.**
- **Collecting annual financial statements and/or Income Tax Returns**
- **Collecting annual job creation information (SEED form).**
- **Obtaining annual insurance binders.**
- **Updating UCC statements every five years, as appropriate.**
- **Visiting clients and providing technical assistance, as needed.**
- **Restructuring loans in workout situations.**
- **Working with SEED's attorney to pursue collection when all other options have been exhausted.**



## ➤ **MARKETING**

### **SEED Markets the RLF Program through:**

- **Meetings with bank commercial lenders, economic development officials, and business assistance organizations.**
- **Business trade shows and expos.**
- **Monthly emails through Constant Contact to entire mailing list of 3,000 +**
- **News releases on loans closed (client quotes and photos)**