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Responsible person	Governance Committee	Scheduled review date	

GENERAL OPERATIONS
SMALL BUSINESS COUNSELING
INVESTMENT FUND

1. **CONTENTS OF MANUAL**

1.1 **Objectives**

1.1.1 The objectives of the Policies and Procedures Manual is to provide a source of reference for decision-making on general questions in accordance with the philosophy and the objectives of the Corporation.

1.1.2 The specific of objectives are as follows:

- i) To make general information easily available to the personnel of Victoria Madawaska-South Community Business Development Corporation (VMSCBDC).
- ii) To make sure that people are informed of the policies and procedures concerning the operation of the Centre.
- iii) To ensure uniformity of decisions.
- iv) To follow the standards of the "Community Economic Development" issued by Canada.
- v) To revise policies and procedures regularly to conform with the evolution of the philosophy and objectives of VMSCBDC.

1.2 **Application and Modification**

1.2.1 Only the Board of Directors has authority to approve the policies and procedures in the Manual.

1.2.2 Revision of the policies and procedures will be of two types. They are as follows:

- i) The periodic review. Events may dictate changes to a policy and/or a procedure already existing. Changes will generally be initiated by the Executive Director who informs the Board of Directors of the need for change to a policy or procedure.
- ii) The annual review. An annual review of the Manual should be made by the Board of Directors in order to keep it up to date and to prevent the application of outdated policies and procedures.

2. ELIGIBILITY FOR ASSISTANCE FROM THE VMSCBDC

2.1 Definition of Small Business Eligibility

All small businesses already existing or in the process of creation in the region will be eligible for assistance offered by VMSCBDC.

Small business is defined as a business in which the estimated gross income does not exceed \$2,000,000.

2.2 Any business assisted through the investment fund must meet the following conditions:

- i) financial assistance from the investment fund will be made only to businesses that are located or to be located in the defined service area and that will create or maintain employment in the community.
- ii) there is sufficient owner's equity and reasonable expectation of economic viability.
- iii) no financial assistance will be provided to any person unless the Corporation has verified that the person has explored all other avenues to obtain financial assistance and has been unable to obtain such assistance.

2.3 Other Conditions

- i) The total of financial assistance that may be provided in respect of any business at any time shall not exceed **\$225,000**.
- ii) No grants or forgivable loans may be made from the investment fund by the Corporation.
- iii) The minimum rate of interest charged to a business venture, on any loan from the investment fund, shall be the prime lending rate plus 3 (three). The rate will be established by the Board of Directors based on the recommendation from the Investment Committee and reviewed periodically.

- iv) No financial assistance shall be provided to an incorporated business in the form of equity participation unless the Corporation has entered into a written agreement with the business which sets out the terms and conditions of the transaction, including, for example, the price paid for the shares and any buy back requirement or any restriction on the subsequent sale of the shares by the Corporation to a third party.

3. POLICIES AND PROCEDURES

3.1 Technical Assistance Program

The technical assistance offered by VMSCBDC has to be very flexible to answer the needs of the community, business people and applicants of the Self-Employment Benefits Program.

VMSCBDC personnel will assist entrepreneurs to define and finalize their projects. Each client/entrepreneur will be evaluated and assisted according to individual needs and characteristics of the project.

External assistance from agencies, firms or government departments will also be used when judged necessary.

3.1.1 Form of Technical Assistance

Technical assistance can consist of studies, research analysis or any other service that will make the evaluation and definition of the project easier. Technical assistance is not necessarily connected to the financial assistance. Clients can receive technical assistance even if they do not require financial assistance. Similarly, clients provided technical assistance should not assume financial assistance will automatically follow.

VMSCBDC will offer, free of charge the technical assistance to clients of the Self-Employment Benefits Program and evaluate their projects for TED, Province of N.B. on a contractual basis.

3.1.2 Criteria for Eligibility for Technical Assistance

- i) the client actively participates in the project analysis of VMSCBDC.
- ii) the business is located in the defined service area.
- iii) the project has an element of job creation.

- iv) the business has the possibility of success.
- v) the client agrees to provide financial information considered pertinent to the evaluation of the project.
- vi) the client will be encouraged to use the available technical assistance from any government agencies before he/she can make a demand for assistance at VMSCBDC.

3.2 Financial Assistance Program

VMSCBDC offers three (3) types of financial services:

- 1) Loans
- 2) Loan Guarantees
- 3) Participation in share capital

3.2.1 Loans

- i) VMSCBDC is authorized to lend funds to eligible clients.
- ii) VMSCBDC can negotiate the reimbursement period of the principal and interest in accordance with clients' needs.
- iii) VMSCBDC can require pledges of security of collateral, including:
 - The assets of the business such as the land, building, equipment, inventories or accounts receivable.
 - The personal guarantees of the applicants or the principal shareholders of the business.
 - Co-signers or guarantors.
- iv) VMSCBDC will charge, for every loan request, an application fee as follows:
 - every application for financial assistance will be accompanied by a non-refundable deposit of \$100.
 - if the request for financial assistance is approved, a fee of 1% will be charged on the amount of the loan granted (**minimum \$100**) plus all other applicable fees such as: FCTI & legal fees.

3.2.2 Loan Guarantees

- i) VMSCBDC can serve as a guarantor to a client who has requested a loan at a chartered bank or any other financial institution.
- ii) VMSCBDC will obtain a commission from the client for the service. The commission will be based on the principal amount of the guarantee. The amount of commission will be at the discretion of the Investment Committee.
- iii) The pledges of security of collateral for guarantees will be the same as those for term loans.

3.2.3 Equity Participation

When VMSCBDC participates in equity of a company, the policy is to remain a minority shareholder and to sell back the shares as soon as the situation permits.

3.2.4 Criteria of Eligibility for Financial Assistance

- i) The business has to be located inside the defined service area of VMSCBDC.
- ii) The business has to be viable with a reasonable capacity to reimburse the borrowed funds or share capital.
- iii) The business has to show that it has the potential to create or to maintain jobs.
- iv) Loan proposals will be considered only if all other available resources have been exhausted.
- v) The applicant must show the ability to manage and to have a good knowledge of the work involved in the business.
- vi) The venture must be adequately documented in terms of market research, business planning, financial forecasts, etc...
- vii) The applicant must invest his/her own funds or assets to a level judged reasonable in the project. Each case will be evaluated in accordance with the requirements of the client and the project.
- viii) Including financial assistance from VMSCBDC., the business must have an adequate level of financing.

3.2.5 Confidentiality

All information received for the purpose of reviewing a request for financial assistance and all discussions on the project shall not be discussed outside of the meeting room except with members of the committee of staff of the corporation.

3.2.6 Appeal

Applicants may appeal a declined loan application by providing additional information or documents. This information and/or documents will be brought back to the investment committee for re-evaluation. A loan application may be presented to the Investment Committee more than once.

3.3 Delinquent Loan

A delinquent loan is a loan where payments are not being made in accordance with the original loan application and promissory note or properly authorized extension. Any loan for which payment of principal or interest that is not made on the repayment date as specified on the application will be considered a delinquent loan. It is the responsibility of the Executive Director or authorized employee to monitor delinquency. Collection action should be commenced immediately if there is knowledge of possible loss.

Interest will not be accrued on loans that are deemed “uncollectible”. Interest may be accrued on delinquent accounts up to ninety (90) days in arrears. For loans with payments more than ninety (90) days in arrears, all accrued interest shall be reversed or fully provided for in the allowance for doubtful accounts. For reporting purposes, loans are generally not treated as being delinquent until a payment becomes one full month or more overdue.

Delinquent report should be provided to the Board of Directors on a quarterly basis for review and subsequent action. In addition, the Board should be made aware of any problems that clients are facing in an effort to help solve these problems.

3.3.1 Collection Procedures

Every effort should be made towards maintaining good public relations with the client during the collection process, and all possible assistance rendered, as long as the security position of the CBDC is not jeopardized.

Should resistance become a factor, it will be necessary to arrange a meeting with the client to try to resolve any financial problems or discontentment.

If it is evident there is no means of solving the delinquency problem, no further credit will be advanced and realizing on the collateral security will begin. Realization of collateral security can be the result of voluntary surrender by the client or legal action by the CBDC.

Staff of the CBDC should follow these procedures:

- 1. When a payment due date passes, the borrower is contacted within five (5) days by phone call, e-mail or letter advising of the arrears and requesting that a payment be made to bring the account up to date. If the client is a chronic delinquent, the contact will be made the day after the payment is due. When contact is made with a client, staff must reasonably determine a time when a payment can be expected (Sample letter in Appendix A).**
- 2. It is imperative if the payment is not paid as promised or within 14 days, that staff contact the client immediately and determined why the payment has not been made and the promise has not been kept. Another date for payment needs to be established. (Sample letter is Appendix B).**
- 3. Within seven (7) days of the second notice, a follow-up telephone call or a visit to the client should occur. If contact is unsuccessful, a registered letter should be sent. (Sample letter in Appendix C)**
- 4. The CBDC will comply with legislation, client's right and seizure procedures, and will contract the services of a competent law firm when required. All guarantors must be notified of the default.**
- 5. The application of net proceeds received from the sale of security will be applied to the loan. Collection proceeding will continue, if necessary**
- 6. Documentation on all proceedings during collection must be maintained in the loan file of the client.**

3.3.2 Security Realization

When it is apparent that the client is unable to make payments on the loan, or is not cooperative in renegotiating the terms of the loan, the CBDC will commence action to seize security. Prior to seizing security, the Executive Director of the CBDC will review security documents to ensure they are in order. An external resource may be used to assist in the seizure of security.

The CBDC may dispose of the assets themselves or through a broker. Sale of seized security will be completed by a means which will avoid conflict of interest. Collection costs are to be assessed against the client.

3.3.3 Payment Extensions

Payment extensions should only be considered if requested by the client in writing and includes a satisfactory explanation of why the extension is required and a plan on how future payments will be made on time.

3.4 Write-Offs

In case of default, staff of the CBDC shall provide the Board of Directors with all relevant information, along with recommendations for a course of action. A ledger of uncollectible and written off loans will be maintained. These loans should be reviewed at least annually for possible recoveries.

Risk assessment codes and credit are a judgement decision and careful consideration should be give to how long the business has been established and the pattern of payments. Consideration should be performed annually. Provision should be made to assess the exposure.

All write-offs are subject to the Board's approval.

Suggested recovery measures:

1. Verify if the client can service the loan from other employment or other business income. If this is the case, arrangements should be made with the client for an orderly repayment schedule;
2. The client should be encouraged to cooperate fully in the disposition of the business assets, and any surplus from the sale should be applied to the loan;
3. If the client has equity in personal assets but no income stream, negotiations should commence to have the client offer a reasonable settlement Any accepted compromise settlement should be dictated by the principle of cost/recovery. In other words, if the estimated legal fees and other collection costs are greater than potential recovery, it makes no economic sense to pursue collection at the outset. In those situations where costs would likely outweigh recovery, it would be highly desirable to convince the client to make an offer, even if it is a nominal amount;
4. Upon verification, if the client's net worth is limited or in a deficit position and there is no or insufficient income to service the loan, a full

write-off is likely appropriate. Nonetheless, the client should be encouraged to make an offer of settlement, even a nominal amount;

5. In exceptional cases where the client (or guarantor) has significant equity in personal assets (e.g. personal residence, luxury items, vehicles, etc.), but limited income, the client should be encouraged to make an offer of settlement; however, if the client is judged to have sufficient income (and/or supported by a reasonable net worth statement) and is uncooperative, a judgment may be appropriate subject to cost/benefit considerations;
6. In instances where the client declares bankruptcy, the CBDC should be notified by the trustee that the client has filed for bankruptcy. The CBDC shall seize its security and take the appropriate action to liquidate. The CBDC should remain in contact with the trustee to ensure procedures respecting the claims process are adhered to.
7. All legal action, including judgement will be at the discretion of the Board.
8. All default/loan write-offs will be registered with the Credit Bureau at the discretion of the Board.
9. Caution should be exercised with respect to environmental concerns. Environment assessments may be warranted and decisions made with regard to the most appropriate action when contemplating realization of security should be thoroughly researched before crystallization of security.

Appendices

- A
- B (1) & B (2)
- C

Revised May 20, 2015


Guido Godbout - Secretary


Gaitan Michaud - President

Appendix A

Date

Client's name
Address

Mr./Ms.

Subject: Loan Number

We are informing you that your payment in the amount of _____ (\$ _____) due on _____ day of _____, 20__ is currently past due.

You are asked to communicate with our office to inform us as to when we can expect this payment.

The principal balance is \$_____ without prejudice.

Best Regards,

Appendix B (1)

Date

Client's name

Address

Mr./Ms.

Subject: Loan Number

On _____ you promised to pay _____ (\$ _____) on the _____ day of _____, 20____. We want to know the reason why your promise has not beared fruit.

We are asking you to immediately communicate with our office to inform us as to when your payment will be made.

The principal balance is \$_____ without prejudice.

Best Regards,

Appendix B (2)

Date

Client's name
Address

Mr./Ms.

Subject: Loan Number

In reference to our letter dated _____ we want to know the reason why you haven't communicated with our office.

Your next payment of _____ (\$ _____) will be due on the _____ day of _____ 20__.

We are asking you to immediately communicate with our office to inform us as to when your payment will be made.

The principal balance is \$_____ without prejudice.

Best Regards,

Appendix C

Date

Client's name

Address

Mr./Ms.

Subject: Loan Number

We are very disappointed to see that you have ignored two letters sent to you this past month.

You are now two payments of _____ (\$ _____) in arrears and your third one will be due on the _____ day of _____ 20____.

This is unacceptable and are giving you up to the _____ day of _____, 20__ to pay all accumulated arrears.

Fail to do, we will take the necessary steps to secure the payment in full of this loan.

The principal balance is \$_____ without prejudice.

Regards,