



**Wisconsin Economic Development Corporation  
Program Guidelines for Fiscal Year 2023**

**Program Name:** Technology Development Loan (TDL)

**Program Inception:** WEDC FY12

**Lead Division:** Entrepreneurship and Innovation

**New**       **Revised** [Click here to enter a date.](#)

**Aid**       **Pass-thru Aid**       **Technical Assistance**

**Program Goal:**

The goal of the Technology Development Loan (TDL) program is to support technology-based startup and emerging growth companies in the state of Wisconsin.

**Program Description:**

The program provides direct financial assistance to startup and emerging growth companies in Wisconsin that are developing and commercializing innovative products and services at critical stages in their development. The TDL program is intended to provide capital to those companies that have the potential to add to Wisconsin's economic base over the long-term by attracting and training a high-wage, high-skill workforce and establishing a unique competitive advantage. The funds can be used as working capital and require leverage from outside funding for the business development project or funding round under consideration. Funding levels are dependent on the stage of growth, capital need, financial leverage, economic potential, risk evaluation, and other factors deemed by WEDC to impact the funding request under consideration.

**Eligibility Requirements:**

Funds are awarded for various activities according to the following eligibility criteria:

1. Product / Process development
  - Supports R&D, proof of concept, and prototype development
  - Company should generally be an early-stage company or spinout with fewer than 25 employees
  - Demonstrates financial need and potential for business growth
  - Product/Process Development phase funding is generally limited to \$250,000 per company
2. Product / Service Commercial Launch
  - Company is raising funds for initial launch of a developed product into the primary market after proof of concept and development testing
  - Product / Service Commercial Launch phase is generally limited to \$500,000 per company
  - A lower limit may be imposed for moving into test markets if the technology or industry requires incremental steps to commercialization
3. Growth / Expansion Stage

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ECONOMIC DEVELOPMENT

- Company is in growth mode with recurring sales of fully developed product into the intended market
- Company should have strong and growing market traction and have a clear path to sustainability
- Intended to provide capital for increasing production and approaching profitability
- Growth / Expansion Stage phase is generally limited to \$750,000 per company

WEDC maintains flexibility in evaluating applications for loan funding in order to best direct the limited funding available on an annual basis.

WEDC will consider the circumstances of each loan and will limit its liability to the greatest extent possible.

## Terms

USE: Working capital or equipment financing.

FEE: An origination fee of two (2.0) percent of the award amount.

### AMORTIZED REPAYMENT:

INTEREST RATE: 6 percent fixed interest rate.

REPAYMENT: The loan shall generally have a term of up to 7 years with a deferral of principal and interest payments of up to 36 months, an option for an additional 12 months of interest only payments, followed by equal monthly payments of principal and interest. The deferral period will be based on the company's expected time to market and regulatory barriers. For loans with more than 12 months of principal and interest payment deferral WEDC may require an annual renewal of the deferment period.

### REVENUE-BASED REPAYMENT:

TOTAL RETURN: Fixed multiple of principal disbursed, typically 1.15 – 1.5x dependent on anticipated financing duration, equivalent interest rate, risk, and other relevant factors.

PAYMENT: 1.5 - 3 percent of monthly gross revenue

LIMITATIONS: WEDC may set a maximum duration of repayment period, establish minimum payments, or insert other financing requirements on a case-by-case basis.

COLLATERAL: Security interest in all or specific business assets.



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In cases where WEDC feels it necessary, it may additionally require assignment of a life insurance policy(ies) for key founders/managers in an amount up to the maximum value of the loan.

**GUARANTOR(S):** WEDC may require limited or unlimited personal guaranties for any owner with ownership in the company equal to or more than 20%. Guarantees should be considered under the following conditions:

- Company has substantial ties to other states through location of founding partners, majority individual ownership, underlying technologies, related companies, or similar factors.
- The majority of funding is from founder, friends and family, federal grant funds, related corporations, and there is relatively lower amounts of outside bank, angel or VC match to validate the investment.
- Ownership for the founders remains above 50% combined after the close of match funding and are expected to retain controlling interest in the company either through continued reinvestments or because additional equity financing is not expected or required to advance the company.
- The company has failed to substantially meet benchmarks established in prior funding reviews, failed to meet objectives leading up to the current funding round, or there have been significant pivots that are unproven.
- The Applicant has close or fundamental ties to closely related companies through technology licensing agreements, servicing agreements, operating agreements, individual ownership, or other factors where or Applicant's corporate structure adds risks or uncertainty.
- The company is predominantly debt financed and guarantees are required by other lenders.
- As recommended by WEDC.

In cases where WEDC feels it is necessary, it may require corporate guarantees from related entities, holding companies, or subsidiaries

**MATCH REQUIREMENT:** The Borrower shall provide a minimum of 4:1 match of private investment funds to TDL loan proceeds. This requirement shall be met prior to the disbursement of TDL funds.\*

**CONVERSION TO EQUITY:** WEDC frequently includes the option to convert a portion of its loan amount to equity in the Borrower company. WEDC's ability to convert to equity shall not exceed the term of the note unless there is an initial public offering, and conversion will generally be tied to an anticipated liquidity or other event. WEDC



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will include safeguards for its interest to include: (1) WEDC will not convert to equity if it would result in an ownership interest of 20% or more; (2) WEDC will have discretion to abstain or waive voting rights, and will not have/exercise any indicia of control; (3) WEDC will not be required to purchase securities or convert to equity; (4) WEDC will not accept any liabilities as a holder of warrant rights or an equity position; and (4) WEDC will require a company to repurchase any equity held by WEDC if the company relocates out of Wisconsin within five years, in accordance with Wis. Stat. §238.12.

\*WEDC may consider previous funding as part of the initial leverage if the previous funding is part of the funding required for the project under consideration. In general, previous funding should be characterized as part of the current “funding round” and should not have occurred more than 12 months prior to the application date and is part of an active funding raise effort. WEDC may, in certain circumstances, elect to count founder funding as a portion of eligible match if the funding under consideration is part the initial company capitalization or seed round.

In addition to the factors outlined above WEDC will evaluate applications based on factors that will include:

Growth Potential - The Company’s overall growth potential

Timeline – The Company’s development and commercialization timeline

Funding – The Company’s ability to identify and secure sufficient capital

Technology – Technology risk

Market – Size and anticipated acceptance of the idea by customers

Execution – Management, plan, and performance to date

Cash flow - Company’s repayment capacity and timeline

Secondary Benefits – Income taxes, payroll taxes, supply chain, real estate taxes, other economic benefits

Need and Business Impact – The company’s need for funding and the impact that funding is likely to have on future success

Benchmarks - The company's ability to meet benchmarks set during the underwriting of any prior TDL loan

### **Incentives and Available Funding (FY23): \$10,625,677**

Funding will be provided in the form of loans and will be awarded through an ongoing application process.

WEDC: \$2,500,000

SSBCI: \$8,125,677 (total anticipated funding)

Federal SSBCI funding has specific requirements for the company eligibility, private funding participation, reporting requirements, and other factors. The funding source utilized will be based on the ability of the proposed project and funding structure to meet federal funding eligibility requirements, policy guidance, and program objectives established by the U.S. Department of Treasury.



### **Activities and Expected Outcomes:**

Assist 16 businesses and achieve a 4:1 leverage of other investment.

### **Performance Reporting:**

Recipients will be required to annually submit a performance report documenting investment activities, job creation, job retention, average wages, company financials, eligibility checklist, as well as any other contract deliverable.

WEDC annually selects awards on a sample basis for an audit. All backup to the performance report is required to be maintained for the life of the award.

WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

### **Application and Awards Process:**

The TDL program has a continuous application process. Applicants for a TDL should complete an application through an Account Manager. The completed application will be assigned to an underwriter and go through the award review process.

For more information on application review, internal process, and award distribution, please refer to WEDC's award administration policies and procedures.

**Revision History:**

Effective Date	Description of Change
7/1/2017	Eliminated obsolete restrictions for past costs
7/1/2017	Eliminated obsolete reference to federal SSBCI funding source
7/1/2018	Added option for revenue-based loan repayments
7/1/2018	Clarified criteria for execution of convertible notes
7/1/2019	Added clarifying language and evaluation criteria; clarified performance reporting requirements
7/1/2020	Clarified conditions warranting applicant guarantees
7/1/2021	Further clarified convertible note/warrant coverage conditions
7/1/2022	Accommodates SSBCI funding

**PROGRAM REVIEW:**

This document has been reviewed by the following parties (Check all that apply):

- Chief Operating Officer
- Chief Legal Officer
- Chief Financial Officer
- Other \_\_\_\_\_

Senior VP Strategic Investment and Policy: \_\_\_\_\_ Date Click or tap to enter a date.

Division Vice President: \_\_\_\_\_ Date Click or tap to enter a date.

**AUTHORIZED APPROVAL:**

CEO or Designee: \_\_\_\_\_ Date Click or tap to enter a date.