

# Straight Talk.

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## Introducing



Andrew P. Conley currently serves as General Counsel and Vice President of Compliance for Cooperative Business Services, LLC. Andrew has practiced in the areas of commercial financing as well as corporate and real estate law since graduating in 2001 from The Case Western Reserve University School of Law. Andrew has work experience as a closing attorney for SBA 504 loan transactions through a local area Certified Development Company. More recently, Andrew has served in private practice representing a variety of lending institutions and small businesses relative to the closing and funding of various conventional and SBA guaranteed transactions.

As General Counsel and Vice President of Compliance, Andrew is responsible for representing Cooperative Business Services, LLC in loan closing preparation and compliance initiatives. Andrew holds a B.S. degree in Business from the Indiana University Kelley School of Business and is admitted to practice law in the State of Ohio and Federal District Court for the Southern District of Ohio.

## CBS NEWS:

- Sharefax Credit Union, Vacationland Federal Credit Union, and Members Heritage Federal Credit Union are in the process of securing approval to participate in the SBA 7a program.
- KEMBA Financial Credit Union is now *APPROVED* to participate in the SBA 7a Express Program.

## Cooperative Business Services, LLC Has Record Month

CBS closed and funded a company record 19 new business loans and 9 construction draws and / or line of credit advances for a total of \$15,891,829 in new business for the month of December 2006. The CUSO now services 110 active and performing loans with a portfolio of \$56,313,548. Congratulations to the CUSO team and all credit unions affiliated with CBS for this tremendous accomplishment.

## Recently Funded Business Loans:



Golf Car Sales & Leasing Co.  
\$1,500,000 Business Acquisition  
SBA 7 (a) Term Loan  
7 Year Amortization

Physical Therapy  
\$240,000  
CRE Acquisition  
25 Year Amortization

Shopping Center  
\$7,600,000  
CRE Refinance  
25 Year Amortization

Church  
\$665,000  
CRE Construction  
25 Year Amortization

Cooperative Business Services, LLC

Writers:  
Tim Boellner  
Lorain Cooper  
Leslie Biskner  
Elizabeth Shanahan  
Daisy Shafer

Our sincerest thanks to everyone who contributed ideas, stories, or pictures for this issue.

## A Note From the Chairman



As Chairman of Cooperative Business Services, I am excited to share with you some thoughts on how we have progressed since our inception. In early 2003, a group of 8 CEOs got together to find a collaborative way to bring member business lending to our individual credit unions. In looking back, there was a lot of sweat equity that went into building the business from negotiating lease agreements, setting up a mechanism to pay bills, hiring a CEO, developing a business plan, and obtaining approval of 8 different Board of Directors to invest seed money to start the business.

Needless to say, at year-end 2006, I am proud to be associated with CBS. Keith Reed has assembled a professional staff that is extremely service oriented with our individual business owners. Currently, there are 26 credit unions utilizing the services of CBS. Since inception in late 2003, CBS has underwritten 365 loans totaling nearly \$210 million. Furthermore, CBS has closed 141 loans totaling nearly \$79 million during its short time of existence. At year-end 2006, CBS is servicing 110 loans totaling over \$56 million. I feel these numbers speak positively to the value of collaboration amongst credit unions and the success of CBS in providing a member business lending solution to our members and communities.

As someone who has been on the ground floor of many of the successes and challenges of competing in the business lending arena, the biggest challenge moving forward is creating a consistent pipeline of member business loans in this extremely competitive market. If I had one bit of advice to give, from someone who has already made the mistake, commit a full-time employee to sourcing member business loans for your credit union. You cannot expect your members and select employee groups to knock down your doors because you now offer member business loans.

I look forward to building upon the success of CBS together.

Tim Boellner  
CBS Chairman & CEO/AurGroup Financial Credit Union

## SBA Equity Injection or Down Payment

The SBA typically requires the member to inject equity or capital into their businesses. The amounts range depending upon the type of loan program utilized, as well as the breakdown of use of loan proceeds. On average, you can expect a typical equity injection to range from 10% to 30%.

The most important aspect of the equity injection is the verification of where the proceeds came from. In the past, three months of bank statements were sufficient to meet the expectation of the SBA. Since 9/11, the onus has been placed on the lender to furnish additional documentation to “follow the money trail”. It is a requirement by the government to document, document, document.

What type of documentation is required? For proper verification, lender should have the following:

1. Copy of bank statements dated prior to loan disbursement showing availability of funds.
2. A copy of an escrow statement and/or HUD-1 showing the injection into the business prior to disbursement of funds.
3. A copy of the front and back of the cancelled check, the bank statement showing check has cleared.
4. If the member has paid invoices towards part of his/her injection – then cancelled checks, bank statements and copy of invoice.
5. If the member has utilized a credit card to pay invoices – then a copy of the statement, copy of invoice or receipt, copy of check paying down the credit card, and copy of bank statement showing check has cleared.
6. Seller note – copy of a promissory note and a subordination agreement as well as a full standby agreement must be provided. This loan must be placed on full standby for the life of the loan to be considered a true equity injection.
7. Gift letter – a copy of a signed, dated letter from the individual/parties who are providing the gift. Copies of bank statements showing the entity providing the gift has funds available prior to loan disbursement...this is a must. Gift letter should state that no repayment is expected.
8. Shareholder note – if an existing business wishes to inject funds into the business, lender must place shareholder notes on full standby and fully subordinate for the life of lender's loan.

If such proof is not provided or documented appropriately, the SBA may give a repair or denial of the guaranty. The level of scrutiny by auditors is based on the size of the injection and the timing of a default on an SBA loan.

Verification of equity injection (down payment) is a very hot issue with SBA auditors and the OIG (Office of Inspector General). Remember, **documentation is the key.**

Items such as documentation for equity injection, credit underwriting and SBA 7(a) packaging are all services provided to affiliated credit unions of Cooperative Business Services, LLC.



Lorain Cooper  
VP/ Business Development & SBA Lending

## **Daisy Shafer Completes 1st Year of MBL Training**



Daisy Shafer recently completed her 1<sup>st</sup> year of commercial loan training with CBS. Daisy spent her initial year with the CUSO in the business loan closing and compliance department where she managed a number of business commercial real estate, M&E and working capital line of credit loan closings. In addition to her duties in loan closing, Daisy also launched the CUSO Marketing function and has created all of the CUSO and credit union testimonial pieces, CUSO marketing brochures, CUSO marketing portfolios, a construction loan booklet and the CBS Newsletter. Daisy was presented with an award by Keith Reed, CUSO President and CEO, to recognize her first year accomplishments.

Congratulations, Daisy!

## **Rutherford Accepts Post on Loan Review Committee with CCDC**



Scott Rutherford, President and CEO of CODE Credit Union in Dayton, Ohio, has recently accepted a position on the loan review committee with Community Capital Development Corporation (“CCDC”) out of the Dayton market place. CCDC is a private, not-for-profit corporation which makes loans to businesses throughout the State of Ohio. Their financing opportunities, such as the SBA 504 loan program, are designed to assist healthy, growing small businesses invest in land, building, and equipment. CCDC also provides working capital loans for existing small businesses in the City of Dayton and Columbus.

CCDC was established in 1981. Since inception, they have approved more than \$200 million in loans to over 1,000 businesses. These loans helped create more than 10,000 jobs and pumped an additional \$350 million in bank and owner investment into the counties CCDC serves. Scott Rutherford will be the first credit union representative at the table for the CCDC as they review community based loan requests in the Dayton region and surrounding communities that qualify through CCDC. Cooperative Business Services, LLC congratulates Scott on this honor and appreciates his willingness to represent all credit unions on this regional loan review committee.

## **Activate Your Networking Skills**

Credit Unions are special. Personalized attention and attention to detail are integral parts of building relationships between members and their credit unions. Networking is an ideal way to communicate your services and develop long lasting relationships that lead to increased business. There are several ways to introduce your credit union to new groups and thereby increasing membership.

### Join Relevant Associations

Joining associations allows you to meet multiple prospects in one setting. For example, most Certified Public Accountants (CPA's) belong to the Ohio Society of CPA's (OSCPA). CPA's are an excellent new business referral source for credit unions – they represent businesses. The OSCPAs has multiple forums each month through their Members Connections program. This includes a monthly Women's Forum luncheon and regular professional issues update meetings. You do not have to be a CPA to join this group, log on to [www.ohioscpa.com](http://www.ohioscpa.com) for more information.

### Attend Community Events

Most events that happen around town, chamber meetings, after-hour events and charity events are great ways to hone in on your networking skills. Listings for these events can be found in your local business papers and magazines. The local “movers and shakers” typically attend these events and this is a great way to meet new people in your own respective communities.

### Select Specific Industries to Meet

Attorneys and commercial real estate brokers are great referral sources. Lawyers typically have strong relationships with their clients, and their clients trust them. Brokers typically know when new companies are coming into town and, at times, they may even represent them for their business purchase. One way to get in front of companies like these is to offer a “Lunch and Learn” program. Many firms offer the opportunity to talk to a group of their lawyers or brokers over lunch, as long as you provide the food. It can be as inexpensive as subs and chips. Conducting this program will allow you to talk about your credit union services in front of several influential people at one time. Don't forget to find out their specialty as well, making it a mutually beneficial relationship. This method is effective with CPA firms as well.

### Remind Your Existing Customers

Lastly don't forget to call on your existing members, or host an event that will bring your members together. In some cases members may not know all of the services that your credit union offers. Talk to the decision makers of your business members, they may not know that your credit unions offers such diversified services such as business lending.

Networking within associations, attending community sponsored events, volunteering at charity events, and organizing industry-specific lunch meetings are all excellent ways to increase exposure to your credit union. Your credit union is far reaching and proud to be in your community. Networking is a great way to increase your circle of influence and let people know that your credit union is part of the community and ready to do business.



Leslie A. Biskner  
VP/Business Development

## Wright-Patt Credit Union Reaches \$10 Million Production Milestone



Congratulations go out to Donna Hale of Wright-Patt Credit Union, Inc. for her 2006 production efforts in business loan origination. Donna is the first credit union business development officer in the CBS credit union consortium to close and fund over \$10 million in business loans in one year. Specifically, Donna generated 15 loans for a total of \$10,362,632. These business loan transactions also enabled Donna to cross sell Select Employer Group relationships, consumer accounts and business deposit accounts to these members of Wright-Patt. Linda Stephens, VP of Lending for Wright Patt Credit Union states, "Donna has worked with many of our members who own small businesses that either had no other avenue for obtaining a business loan or would have been forced to obtain their loans from a bank. Donna has built a network of business borrowers that now recommend our business lending services to other companies. She receives calls on a daily basis from potential clients who have been referred from existing members with business loans." Well done, Donna!

## Different Types of Uniform Commercial Codes & Where to Properly File

A UCC is filed only in conjunction with a security agreement. The security agreement can be a separate document that is signed at closing or it may be addressed within the body of another type of agreement - such as with a mortgage.

Types of Filings:

**Blanket Lien** (all business assets)

**Specific or Limited Lien** (specific equipment/inventory/motor vehicle- including airplanes and boats-referencing a model and serial number)

**Fixture Filing** (pertaining to real estate and the fixtures attached/contained within the property and/or timber and crops)

Where to File Liens:

(Location of debtor – not collateral)

*Registered Organizations*, such as corporations and limited liability companies, are filed in the state where they are organized (Limited Liability Companies) or incorporated (Corporations).

*Non-registered companies*, such as general partnerships, are filed in the state of their chief executive office.

*Individual or Sole Proprietors* are filed in the state of their principal residence.

*Foreign Entities* are filed in the location of its chief executive office if a public filing system exists. If a public filing system does not exist, file in Washington D.C.

- For businesses with multiple locations it is **not** necessary to file in each location as long as the lien has been filed in its proper jurisdiction.
- Fixture Filings should be filed at the secretary of state as with the blanket/specific liens. In addition, fixture filings should also be filed in the county where the property is located (as with mortgages). Crops and timber are filed in the county as well.
- Fixture Filings require for the real estate box in the bottom left hand corner to be checked.
- Aircraft is filed with the FAA in Oklahoma City.
- Ships are filed with the U.S. Coast Guard.
- Rail Cars are filed with the U.S. Surface Transportation Board.

UCCs filed on the interest of inventory are only perfected upon the proper notification of Purchase Money Security Interest (PMSI) to other secured parties that have interest in the pledged inventory.

### **UCC Facts:**

-A filed UCC is active for five (5) years from the recorded date unless continued or terminated.

-A UCC must be terminated within 20 days of receipt of final payment to satisfy the loan the UCC was pledged to secure. (Provided it is not serving as a form of collateral to another loan granted to the debtor by the same lending institution. There must be a separate security agreement to support the cross-collateralization.)



Liz Shanahan  
SVP Compliance

# TESTIMONIALS

## Holly Investments



“Our experience with CINCO Family Financial Center Credit Union and Cooperative Business Services, LLC has been the best financing experience we’ve had. We were on a tight timeline with our lease coming due within weeks. CINCO and CBS not only turned our loan around quickly, they beat our deadline. Their efficiency and responsiveness was outstanding. In addition to beating our deadline, CINCO and CBS were able to give us the best terms and lowest fees without having a prepayment penalty. This was very important to us. Both CINCO and CBS went over and above, while making us feel like they really wanted our business.

We are very pleased with the service and financial package we received and we look forward to doing business with CINCO and CBS in the future.”

## Dayton Wire Products




Brian Schissler, Vice President of Dayton Wire Products, is very pleased with the partnership that was fostered through the innovative financing Cooperative Business Services and CODE Credit Union helped create. “It was refreshing to do business with the atmosphere Cooperative Business Services and CODE Credit Union created. The individuals at Cooperative Business Services and CODE Credit Union are extremely personable and helpful which aids in completing financial transactions required when doing business.”

David Leiser, President of Dayton Wire Products, added: “Cooperative Business Services and CODE Credit Union has allowed us to focus on our business. They have good people and good lending professionals that have served Dayton Wire Products well.”

## ***Congratulations to all credit unions who helped to fund the following construction loan:***

- Chaco Credit Union
- Day Air Credit Union
- Wright Patt Credit Union
- Ohio University Credit Union
- KMC Network Credit Union
- Abbey Credit Union
- Toledo Area Community Credit Union

**Project:**  
**Middletown Area Senior Center**  
**\$3,744,000**  
**Middletown, Ohio**  
**Lead Credit Union:**  
**MidFirst Credit Union**  
**Franklin, Ohio**



- CODE Credit Union
- Sharefax Credit Union
- River Valley Credit Union
- Kemba Financial Credit Union
- Day Met Credit Union
- Members 1st Credit Union
- AurGroup Financial Credit Union

## ***MidFirst Credit Union 2006 Originations exceed \$10 million.***



Congratulations go out to Midfirst Credit Union who originated 7 loans for a total of \$13,113,000 in 2006. Shown here are Barry Haller, CEO of Midfirst, Jim Miles, President and COO and Charlie Held, Independent Consultant for Midfirst.

## Tell The Credit Union Story

It's amazing how little Americans know about the values and benefits offered by credit unions today. There are even existing members that have misconceptions about the variety of business products and services credit unions can offer. Studies have shown that telling the story can communicate in many ways what the credit union can offer to their members and future members. Testimonials also let potential borrowers take a step closer to imagining your lending product as a real experience and may even realize that you might be able to help them as well. With the combined resources of the credit unions and the CUSO we can do just that...tell the story.

Cooperative Business Services and various credit unions have worked together to complete testimonials with satisfied borrowers after the transaction has closed. The borrowers expressed that they had a great experience during the entire process and were willing to share their story with everyone.

Once testimonials are complete they can be used in many different ways. Both Cooperative Business Services and the credit unions have used the testimonials in newsletters, on websites, provided to potential borrowers and even sent to different referral sources. All of these methods have worked and will continue to work as long as the stories get told.

Finally, not only does telling the story in a testimonial show what credit unions have done and can do, it also reiterates what credit unions have been known for... "outstanding member service".



Daisy Shafer  
AVP/Marketing & Administration

### **Andy Weingartner completes the RMA Lending Academy Program**



Andy Weingartner recently completed the RMA (Risk Management Association) Lending Academy Underwriting Program. The coursework involved 2 weeks of classroom instruction focused on the analytical process and decision-making techniques needed to make sound credit decisions through the application of financial accounting, financial statement analysis, cash flow analysis, and transactional structuring. Additional instruction was provided in the areas of business and industry risk analysis, management analysis, financial statement analysis, cash flow drivers, debt capacity, and financial forecasting.

Andy is a graduate of Xavier University in Cincinnati, Ohio and currently serves as a business credit underwriter and credit portfolio manager for Cooperative Business Services, LLC and its consortium of credit unions. Andy can be reached at 1-888-697-9555 x105.

Congratulations, Andy, on your successful completion of this program.

### **Cooperative Business Services Exhibits at Ohio CPA Trade Show**

Cooperative Business Services, LLC recently participated in a trade show for the Ohio Society of Certified Public Accountants. The event was held in Columbus, Ohio and was well attended by statewide CPA professionals. The CUSO shared with the CPA community information about our credit unions and the business loan products they offer to the marketplace. Leslie Biskner, Lorain Cooper and Debbie Scheetz represented CBS at this event.



#### KEY RATES

	Current	1 Month Prior	3 Month Prior	6 Month Prior	1 Year Prior
US T-Bill 1 yr Index	4.90	5.08	4.90	5.02	4.76
US T-Bill 3 yr Index	4.48	4.82	4.48	4.76	4.77
Prime Rate	8.25	8.25	8.25	8.25	7.50
US T-Bill 5 yr Index	4.44	4.78	4.44	4.69	4.75
US T-Bill 10 yr Index	4.48	4.79	4.48	4.73	4.74