

**RESOLUTION NO. 2017-95**

**RESOLUTION BY THE FINANCE AND HUMAN RESOURCES COMMITTEE AUTHORIZING THE ESTABLISHMENT OF A NEW RACINE COUNTY REVOLVING LOAN FUND TO ASSIST BUSINESS THAT MAY BE IMPACTED BY THE ESTABLISHMENT OF THE FOXCONN MANUFACTURING FACILITY IN RACINE COUNTY**

To the Honorable Members of the Racine County Board of Supervisors:

**BE IT RESOLVED** by the Racine County Board of Supervisors that creation of a new Racine County Revolving Loan Fund (RLF) to assist business that may be impacted by the establishment of the Foxconn manufacturing facility in Racine County, pursuant to the terms and conditions set out in the Racine County Revolving Loan Fund Policies and Procedures Manual marked as "Exhibit A" that is attached hereto, is authorized and approved.

**BE IT FURTHER RESOLVED** by the Racine County Board of Supervisors that any two of the County Clerk, the County Executive and/or the County Board Chairman are authorized to execute any contracts, agreements or any other documents necessary to carry out the intent of this resolution.

Respectfully submitted,

1st Reading \_\_\_\_\_

**FINANCE AND HUMAN RESOURCES COMMITTEE**

2nd Reading \_\_\_\_\_

BOARD ACTION

\_\_\_\_\_  
Q.A. Shakoor, II, Chairman

Adopted \_\_\_\_\_

For \_\_\_\_\_

Against \_\_\_\_\_

Absent \_\_\_\_\_

\_\_\_\_\_  
Robert N. Miller, Vice-Chairman

VOTE REQUIRED: Majority

\_\_\_\_\_  
Thomas Pringle, Secretary

Prepared by:  
Corporation Counsel

\_\_\_\_\_  
Janet Bernberg

\_\_\_\_\_  
Donnie Snow

\_\_\_\_\_  
John A. Wisch

\_\_\_\_\_  
Brett A. Nielsen

The foregoing legislation adopted by the County Board of Supervisors of Racine County, Wisconsin, is hereby:

Approved: \_\_\_\_\_

Vetoed: \_\_\_\_\_

Date: \_\_\_\_\_,

\_\_\_\_\_  
Jonathan Delagrave, County Executive

3  
4  
5 **INFORMATION ONLY**  
6

7 **WHEREAS**, the Racine County Economic Development Corporation (RCEDC), in  
8 conjunction with Racine County, proposes a new Racine County RLF to assist businesses  
9 that may be impacted, either positively or negatively, by the establishment of the Foxconn  
10 manufacturing facility in Racine County; and

11  
12 **WHEREAS**, additional objectives include recruiting new businesses to Racine County that  
13 may have a connection to Foxconn, to assist potential suppliers and others to automate and grow  
14 to compete for Foxconn business, to generally offset higher operating costs such as increased  
15 wages to retain talent, and to encourage the leveraging of private investment to support local  
16 business growth; and

17  
18 **WHEREAS**, the RLF would be capitalized by Racine County and offer assistance by way of  
19 business loans to industries including, but not limited to: manufacturing, wholesale trade,  
20 transportation and warehousing, professional and technical services, construction, and others as  
21 deemed appropriate by the RCEDC Loan Committee; and

22  
23 **WHEREAS**, the amount available for each project will typically be between \$50,000 and  
24 \$250,000, with interest rates near market rates, and with the goal of maximizing the private dollars  
25 leveraged.

26  
27 **WHEREAS**, beyond the typical reporting requirements for a commercial business loan,  
28 businesses receiving these funds would be monitored for jobs created/retained, additional  
29 company investments in capital expenditures, sales growth and real estate tax impact in the two  
30 years following the loan, as well as the amount of private dollars leveraged with the financing  
31 package and whether there was any community involvement by the Company or its employees  
32 following the assistance.

**TO: RACINE COUNTY FINANCE AND HUMAN RESOURCES COMMITTEE  
RACINE COUNTY BOARD**

**FROM: CAROLYN ENGEL, BUSINESS FINANCE MANAGER**

**RE: ESTABLISHMENT OF NEW RACINE COUNTY REVOLVING LOAN FUND**

**DATE: DECEMBER 13, 2017**

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**INTRODUCTION**

The purpose of this memorandum is to outline the parameters proposed for a new Racine County Revolving Loan Fund (RLF). The purpose of the fund is to assist businesses that may be impacted, either positively or negatively, by the establishment of the Foxconn manufacturing facility in Racine County.

Understanding that existing businesses would be impacted by the new development and that new businesses may be recruited to the County as a result, the County staff has considered funding a new RLF to assist with those businesses. The intent is to develop an RLF with great flexibility such as the ability to offer loan deferrals and terms that meet the needs of the applicants. An Advisory Committee was formed to provide recommendations for the new RLF. This group included local manufacturers, a commercial lender and a representative from Gateway Technical College. The RCEDC Loan Committee and Executive Committee have also provided input into the RLF parameters and approved the attached Policies and Procedures Manual. A summary of the program parameters is offered below:

**LOAN FUND PARAMETERS**

**Program Objective:** To assist businesses in Racine County that are impacted by the Foxconn development. Specifically:

1. To assist existing businesses that are positively or negatively impacted by the Foxconn development;
2. To recruit new businesses to Racine County that have a connection to Foxconn;
3. To assist potential suppliers and others to automate and grow to compete for Foxconn business;
4. To generally offset higher operating costs such as increased wages to retain talent; and
5. To encourage the leveraging of private investment to support local business growth.

***Notes:***

The Committees recognized that suppliers and service providers may need to scale up for growth. They also recognized that existing companies may be competing for employees with similar skill sets and may need to pay higher wages and automate to compete.

**Target Area:** Racine County, specifically businesses with a local presence

**Fund Availability:** The RLF would be capitalized by Racine County

**Assistance Types:** Business Loans

**Notes:**

The Committees identified the following as priority needs for what applicants would seek in the RLF:

- 1: Low equity requirement
- 2: Principal deferrals

Interest rates were noted as not much of a factor in today's rate environment

**Eligible Businesses:** Established businesses located in or recruited to Racine County. Applicants should demonstrate how they are or might be impacted by the Foxconn development.

Industries of focus will include but not be limited to:

- Manufacturing
- Wholesale Trade
- Transportation and Warehousing
- Professional and Technical Services
- Construction
- Others as deemed appropriate by the RCEDC Loan Committee

Ineligible businesses:

- Agriculture
- Hospitality
- Retail
- Residential
- Developers
- Non-profit businesses

**Notes:**

Committee members noted that hospitality and others may also be impacted by Foxconn. Staff suggested there are other loan programs that could assist those businesses but also that these parameters are intended to be guidelines and Committees during the loan review process could consider waivers if other financing options were exhausted.

**Other Eligibility Criteria:**

- Limited start-up businesses (strong guarantors would be sought)
- Must meet SBA size standards
- Must provide some community benefit such as job creation/retention
- Majority US owned is preferred but would be a credit decision
- Jobs goal of 1 job for every \$35,000

**Use of Funds:**

Eligible Uses of Funds:

- Land and building purchases, construction, renovation and expansion
- Site preparation and demolition
- Leasehold improvements
- Equipment

- Furniture and fixtures
- Professional fees such as feasibility studies, consulting fees and legal fees associated with project development
- Training costs
- Other purposes as deemed eligible by the RCEDC Loan Committee and Executive Committee

**Ineligible Uses of Funds:**

- Working capital/Lines of Credit
- Acquire equity positions in private business
- Refinancing

**Amount Available For Each Project:**

Typically between \$50,000 and \$250,000 (may be higher)

**Notes:**

The Advisory Committee recommended a streamlined process be sought for loan closings but not for underwriting

**Private Dollar Leverage:**

The goal of the program would be to maximize the private dollars leveraged.

**Notes:**

The Advisory Committee suggested these funds could target being used for required equity injections to reduce cash required and secure bank partners.

**Equity from Borrower:**

10%, if appropriate.

**Rate/Terms:**

Interest rates would generally be market rates and negotiated on each project. Rates to consider would be 1.25% below the participating bank's rate but typically no less than 4%. Variable interest rates may be used.

Flexible financing structures may be used such as principal deferrals.

Generally loan terms would have amortizations that match the life of what is being financed and use balloon payments to accelerate repayment and encourage refinancing with bank partner.

**Notes:**

Deferrals were noted as key to the success of this program. For example, principal deferrals of 1-2 years should be offered with the ability to extend longer if needed.

**Administrative Fees:**

RCEDC's standard fees would apply:

- 1.5% processing fee charged to Borrower (minimum \$2,000) and can be capitalized in loan amount
- Closing costs will be the responsibility of the recipients of these funds and can be capitalized in the loan amount
- RLF administration costs will be paid from the fund

- Servicing fee of .005 may be charged to the Borrower and may be incorporated into the interest rate to support administrative costs for the RLF

**Notes:**

Committee members indicate the Borrower should pay for application and closings costs but recommended they be added to the loan amount. It was also recommended that a minimum \$2,000 processing fee be charged for smaller loans.

**Loan Review Process:**

RCEDC would administer the fund and be represented as the Lender. RCEDC would have authority for approvals of applications which includes representation from County staff on its Executive Committee. The review process is as follows:

1. Staff Review  
Applications are reviewed by RCEDC staff for completeness and verification that the project meets the necessary eligibility requirements.
2. RCEDC Loan Committee  
Loan processing is completed by the RCEDC staff and presented to the RCEDC Loan Committee for their recommendation to the Executive Committee.
3. Executive Committee  
A final recommendation for approval is made to the RCEDC Executive Committee, which includes the County Executive and the Racine County Director of Public Works and Development Services.

RCEDC’s current Loan Committee of nine (9) volunteers, which currently includes the following skill sets:

- Accounting: 2
- Contractor: 1
- Legal: 1
- Lenders: 4
- Resource Provider: 1

This Committee will include someone with an understanding of the local impact of the Foxconn project. For 2018, a representative from Gateway Technical College was approved to fill the Resource Provider seat on Committee which would meet this skillset for the new RLF.

**Recipients Reporting Requirements:**

Beyond the typical reporting requirements a business would have for any commercial loan, the following results would be monitored as a result of businesses receiving these funds:

- Jobs created/retained over two years
- Private dollars leveraged with financing package
- Additional company investments in capital expenditures over two years
- Sales growth over two years
- Real estate tax impact over two years
- Was there any community involvement by the Company or its employees following this assistance

**Racine County  
Revolving Loan Fund**  
Established 2017

POLICIES AND PROCEDURES MANUAL

**Prepared by the:**

Racine County Economic Development Corporation  
2320 Renaissance Boulevard  
Sturtevant, Wisconsin 53177

November 2017

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## FOREWORD

In 2017, Racine County created this new loan fund for businesses that may be impacted by the establishment of a Foxconn manufacturing facility in Racine County. It is anticipated that local businesses may be impacted both positively and negatively by the Foxconn development and in addition other businesses may seek to locate in Racine County as a result of the development. The purpose of this fund is to assist businesses that are impacted by the Foxconn development by providing the businesses impacted with flexible financing options.

## SECTION 1. GENERAL PROVISIONS

### 1.1 PURPOSE

The purpose of the policies and procedures contained within this manual, hereafter referred to as the RLF Manual, is to present the criteria which govern the economic development activities assisted with funds made available through the County of Racine's Revolving Loan Fund (RLF) program. All criteria set forth in the Manual are subject to the discretion of the Racine County Economic Development Corporation (RCEDC) Executive Committee, which includes the County Executive of Racine County.

### 1.2 OBJECTIVES

To assist Racine County businesses impacted by the proposed Foxconn development anticipated to occur in Racine County and to recruit new businesses to Racine County that may also be connected to the Foxconn development.

- 1) To assist existing businesses that are positively or negatively impacted by the Foxconn development;
- 2) To recruit new businesses to Racine County that have a connection to Foxconn;
- 3) To assist potential suppliers and others to automate and grow to compete for Foxconn business;
- 4) To generally offset higher operating costs such as increased wages to retain talent; and
- 5) To encourage the leveraging of private investment to support local business growth.

### 1.3 AMENDMENTS and MODIFICATIONS

The policies and procedures contained within the RLF Manual and such amendments are subject to prior written approval by the RCEDC Executive Committee.

## SECTION 2. ADMINISTRATION

### 2.1 LOAN COMMITTEE

- 1) The RCEDC administers the RLF program.
- 2) Funding decisions relative to RLF loans will be made by the RCEDC Executive Committee based upon a recommendation by the RCEDC Loan Committee.

- 3) The RCEDC Loan Committee shall have the authority to review, select and recommend loan applications to RCEDC's Executive Committee for final approval. Expertise on the RCEDC Loan and/or Executive Committee optimally shall include representation from the governing body of Racine County and the County's development services division. Other skillsets of representatives may include those with expertise in internal controls, financial risk management, commercial lending, legal issues related to commercial lending, corporate governance and economic, workforce or community development expertise. At least one representative will be sought with an understanding of how the Foxconn development might impact local businesses. The RCEDC Loan Committee and Executive Committee shall also have the authority to make policy recommendations for the administration of the program. Activity reports prepared by the RCEDC shall be provided to members of the County of Racine's governing body in such format and at such times as required by them regarding the use of the RLF funds.
- 4) The RCEDC shall explain the Program to prospective applicants, provide written information, assist applicants in completing applications, and process requests for financing. The RCEDC, where necessary and appropriate, shall counsel or guide loan applicants to other more appropriate technical and financial resources when the loan applicant has needs beyond those available from the RLF program.
- 5) The RCEDC, following approval and disbursement of a RLF loan, shall periodically review all financial statements and loan amortization schedules of RLF loan recipients, review and approve documentation of business expenditures financed with RLF proceeds, record RLF security instruments and maintain the RLF accounting records which shall be segregated from other community accounts.
- 6) The RCEDC attorney shall prepare all loan agreements, review all promissory notes and mortgages or lien instruments, and counsel the RCEDC on default matters. All attorney fees incurred shall be charged to the borrower. (See Section 2.4 Administration)
- 7) The RCEDC shall be responsible for the maintenance of all other records for the RLF, particularly those related to the expenditures of the RLF monies for program administration purposes.

## **2.2 MEETINGS**

The RCEDC Loan Committee meetings shall be held on an as-needed basis. A majority of the Committee in attendance at a meeting constituting a quorum shall be required for official Committee action. Official actions must have the support of the majority of those in attendance.

## **2.3 RECORDS**

Written records of all program activities, including program meetings, loan applications, and related documents, shall be maintained in appropriate files. All files shall be maintained in a secure place with access only by authorized personnel. The County of Racine's legal counsel shall be consulted in regard to compliance with applicable open records laws.

The following files shall be established and maintained electronically for each loan recipient:

- (1) Loan Application File: This file contains all application materials that may have been provided by the applicant or considered when evaluating the loan request, including the business financial statements, personal financial statements, credit reports, business plan documents, a summary of the credit analysis, recommended actions for the application, and other supporting loan information submitted to the RCEDC, including all applicable correspondence. All of these materials shall be placed in the application file. The minutes of the RCEDC Loan Committee or Executive Committee summarizing the action taken on the loan request shall be maintained in a separate file for RCEDC Loan Committee and Executive Committee meetings.
- (2) Loan Closing File: This file contains copies of all loan-closing documents. All original documents from the loan closing, including security instruments, the note and other applicable documents shall be placed in a locked, fireproof filing cabinet and located at RCEDC's offices. The RCEDC's legal counsel shall be involved in helping create and complete this file to ensure complete loan documentation. Copies of the loan closing documents and an amortization schedule will be provided to the loan recipient, along with an invoice, if applicable, for loan fees.
- (3) Loan Servicing File: This file contains all records of subsequent activity related to the supervision and monitoring of the loan. This file will include:
  1. List of applicable loan covenants;
  2. Records and summary of site visits conducted periodically to each loan recipient, the scheduling of which depends on the nature of the project, highlighting any information that can help in rating the overall condition/risk of the loan;
  3. Memorandums: Loan recipients may be required to submit periodic progress report memorandums during the term of the loan. To help measure the impact of this RLF, these questions may include asking how much additional investment the company made since receiving the RLF and whether there was any community involvement by the Company or its employees following the assistance;
  4. Certificates of insurance for builders risk, property-casualty, and life insurance, as applicable;
  5. Evidence of payment of real estate taxes, if applicable;
  6. Borrower financial statements as required by the loan covenants, and annual loan risk rating analysis conducted by RCEDC;
  7. Documentation for job creation and retention;
  8. All written correspondence; and
  9. Record of important telephone conversations and meetings.
- (4) "Tickler" System: A tickler file system shall be established and maintained to ensure that loan repayments, financial information, the loan agreement covenants, UCC updates, and other time sensitive documentation requirements are tracked and obtained as required. The following system will be maintained in the Loan Servicing File, the Portfolio Status Report, and in the loan management software utilized by RCEDC.
  - 1) Expiration dates for property, casualty and life insurance policies;
  - 2) Due dates for all financial statements;
  - 3) Expiration dates for UCC financing statements, the reminder to update being at least 45 days prior to the expiration of the UCC filing on hand;
  - 4) Scheduled dates of annual loan performance and covenant reviews;
  - 5) Dates for site visits;

- 6) Dates for property tax payments and confirmation of payment of those taxes;
  - 7) Review dates for job monitoring; and
  - 8) Dates on which loan recipients will be notified of scheduled changes in the loan amortization schedule per loan agreements.
- (5) Repayment Monitoring Files: These files include the loan amortization schedule, status of payments, and the outstanding balance of the loan. Observations suggesting concerns or problems shall be reported to the RCEDC Loan Committee and notations shall be placed in the tickler file to remind the RCEDC of the need to provide continued monitoring. Payments will be tracked via computer program.

The RCEDC will notify the loan recipient in writing of any payment deficiencies and the action that will be taken should the payment not be made. Should there be a late payment; the RCEDC will contact the loan recipient to determine the reason for the delayed payment. Contact may need to be made with other participating lender(s) to determine if their loans are current and to alert the lender(s) of a potential problem. All payments shall be applied first to accrued late payment penalties and costs associated with the loan, then to interest accrued, and then to principal.

- (6) Loan Reviews: All loans are to be reviewed on an annual basis, and at such other times as may be deemed necessary by the RCEDC. The review shall follow receipt of the fiscal year-end financial statements. A loan risk rating analysis report shall be completed and include the following: timeliness of monthly loan payments; review of the overall financial condition of the business; the presence of material liens or lawsuits; and violations of loan covenants and suggested corrective actions.

If the business is experiencing problems with any of the above criteria, the RCEDC is to work with the loan recipient to identify actions that are needed to correct the identified deficiencies, including possible restructuring of the loan to protect RCEDC's interest and meet the needs of the business. If appropriate, the RCEDC will arrange for business assistance, including services available through the University of Wisconsin-Parkside, Small Business Development Center (SBDC), the Service Corps of Retired Executives (SCORE), and other entities having an interest in serving the needs of businesses.

In the event the findings of the loan review suggest serious problems, particularly if the loan is at risk for default, RCEDC staff will work with the RCEDC attorney to take any steps necessary to protect the loan and to ensure the maximum repayment of the balance due, corrective actions may be achieved through restructuring or, if necessary, foreclosure actions.

## 2.4 ADMINISTRATION

Reasonable administrative funds may be withdrawn from the RLF to cover RCEDC personnel costs and other administrative expenses.

The RCEDC will also require the following fees which are the responsibility of the Borrowers but may be capitalized into their loan amounts:

- (a) Loan Processing Fee: An amount equal to 1.5% of the loan amount with a minimum of \$2,000. A deposit toward this fee may be collected at the time of loan approval.
- (b) Out of Pocket Fees: All out of pocket expenses related to determining the value of collateral and perfecting security interest of the RCEDC loan and other fees to cover charges directly related to processing an application, servicing or closing the loan, including but not limited to, appraisals, title reports, lien searches, credit reports, UCC filing fees and Register of Deeds fees.
- (c) Legal Fees: Legal fees incurred by RCEDC in relation to this loan will be invoiced to the Borrower, including but not limited to fees for the preparation by outside counsel of the loan agreement, the note, all security agreements and related documents as required by the loan commitment. A deposit towards this fee may be collected at the time of the loan approval.
- (d) Servicing Fees: Borrower may be charged a one-half of one percent servicing fee to be collected through their monthly payments. These fees will be used to pay for administrative expenses incurred for the servicing of the loan and program administration and may be incorporated into the loan's interest rate.

### SECTION 3. ELIGIBILITY CONSIDERATIONS

#### 3.1 ELIGIBLE AREA

The area served by the RLF program shall be the County of Racine, specifically businesses with a Racine County location.

#### 3.2 ELIGIBLE APPLICANTS

1) Eligible businesses shall include for-profit businesses including but not be limited to the following industries:

- Manufacturing
- Wholesale Trade
- Transportation and Warehousing
- Professional and Technical Services
- Construction
- Others as deemed appropriate by the RCEDC Loan Committee

Additional eligibility criterial includes:

- Limited start-up businesses (strong guarantors would be sought)
- Must meet SBA size standards
- Must provide some community benefit such as job creation/retention

- Majority US owned is preferred but would be a credit decision
- 2) Applications may be submitted by the sole proprietor, managing member, managing partners, Chief Executive Officers or other authorized representative of a business wishing to establish a new operation or expand an existing operation in the County of Racine.
  - 3) No member of the RCEDC Staff, Board, Loan Committee, or any official, employee, or agent of the County of Racine who exercises decision-making functions or responsibilities in connection with the implementation of this program is eligible for financial assistance under this program. Former RCEDC Staff, Loan Committee members or RCEDC Board members and/or officers and any officials, employees or agents of the County of Racine are ineligible to apply for or receive loan or grant funds for a period of six months from the date of termination of their services.
  - 4) No RLF loans will be made which are in conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).
  - 5) Applicants shall not be disqualified on the basis of age, race, religion, color, handicap, sex, physical condition, developmental disability (as defined in Section 51.01(5), Wisconsin Statutes), sexual orientation or national origin in any employment or construction activity related to the use of the business loan funds.

### 3.3 ELIGIBLE ACTIVITIES

Program loans shall be available to eligible applicants for the following activities:

- 1) Land and building purchases, construction, renovation and expansion
- 2) Site preparation and demolition
- 3) Leasehold improvements
- 4) Equipment
- 5) Furniture and fixtures
- 6) Professional fees such as feasibility studies, consulting fees and legal fees associated with project development
- 7) Training costs
- 8) Other purposes as deemed eligible by the RCEDC Loan Committee and Executive Committee

### 3.4 INELIGIBLE ACTIVITIES

Program loans shall not be made available for the following activities:

- 1) Working capital/Lines of Credit
- 2) Acquire equity positions in private business
- 3) Refinancing

### 3.5 INELIGIBLE BUSINESSES

Program loans would typically not be loaned to the following businesses:

- Agriculture
- Hospitality
- Retail
- Residential
- Developers
- Non-profit businesses
- Other businesses not serving the interests of the County of Racine or the general intent of this RLF program.

### 3.6 PROGRAM REQUIREMENTS

To be eligible for funding, a proposed project must meet all of the following minimum requirements:

- 1) Private Funds Leveraged. The goal of the program would be to maximize the private dollars leveraged. A minimum 1:1 private dollar match may be sought but will be determined on a case by case basis.
- 2) Ratio of Jobs Created or Retained to Amount Borrowed. A goal of at least one (1) full-time permanent position or full-time equivalent to be created or retained for every \$35,000 of program funds requested within two years. The jobs shall be created within an agreed upon period of time, as determined by the RCEDC Loan Committee, following the closing of the loan, and shall be maintained for an additional agreed upon period of time.
- 3) Equity. 10%, if appropriate.
- 4) Financial Feasibility and Business Viability. The applicant must demonstrate, based on an analysis by the RCEDC staff and accepted by the RCEDC Loan Committee, that the proposed project is viable and the business will have the economic ability to repay the funds.
- 5) Compliance with Applicable Laws. Applicants shall comply with all applicable local, state, and federal laws and codes. (i.e. building codes, zoning codes, environmental permits, nondiscrimination laws, etc.)
- 6) Criminal Records. Applicants will be required to disclose any criminal records of all owners and officers of the company.
- 7) Project Completion. Projects shall be completed within an agreed upon period of time from the date of the loan approval.
- 8) Records. Loan recipients will maintain those records that are necessary for the RCEDC or its designated agent, to determine compliance with the terms of the loan agreement (i.e. jobs created or retained, private investment, etc.). The records will include, but may not be limited to, purchase orders, invoices, records of payments, canceled checks, and payroll records for new or retained employees that are a part of the project. The RCEDC or its



designated agent will have access to all records pertinent to the project for the purposes of examination and transcription.

- 9) Penalty for the Failure to Comply with Reporting Requirements or any other condition of the Loan Agreement. The RCEDC Loan Committee impose penalties as deemed appropriate at the time of each RLF loan application and as incorporated into the RLF closing documents.

## SECTION 4. TERMS AND CONDITIONS

### 4.1 TERMS AND CONDITIONS

Loan terms and conditions shall be structured on need and ability to repay. Minimum standards shall include the following:

- 1) Loan Amount. Loan amounts are subject to the availability of program funds and determined by the RCEDC Loan Committee. Generally, loans will be made for amounts of \$50,000 to \$250,000 but may be higher.
- 2) Interest Rate. Interest rates shall be determined by the RCEDC Loan Committee and may be fixed or variable and respond to current market conditions. Generally, interest rates will be offered at 1.25% below the participating bank's rate or at market rates with a minimum rate of 4%.
- 3) Terms for Loans. Loan terms and amortization schedules shall generally not exceed the useful life of the collateral but may be flexible as negotiated on a case-by-case basis.
  - (a) Loans for machinery, equipment and fixtures shall generally have a maximum term of ten years.
  - (b) Real estate loans shall generally have a maximum term of 12 years which can be amortized on a 20-year basis with the option of refinancing for an additional eight years.
- 4) Period of Payment. Terms may include longer amortization schedules with balloon payments.
- 5) Repayments. Loan repayments will be monthly, utilizing an automatic debit system.
- 6) Deferral of Payments. Payment of interest and/or principal may be deferred if merited in the loan application, or as a form of project incentive. Repayment of any accrued interest would be negotiated on a case-by-case basis, if appropriate.
- 7) Prepayment. Borrower may prepay the loan in full or in part at any time without a penalty.
- 8) Collateral. The collateral requirements will be determined on a case-by-case basis by the RCEDC Loan Committee and may include: mortgages and/or liens on land, buildings, machinery, equipment, accounts receivable, inventory or other assets of value owned by

the borrower, principal owners, other co-borrowers or guarantors. The collateral position of the RLF may be subordinated to private sector financial institutions participating in the project, if approved by the RCEDC Loan Committee. Personal guarantees from the principals of the business may be required. In addition, life insurance coverage on the principal owner naming the RCEDC as assignee may also be required.

- 9) Hazard Insurance. Businesses receiving loans secured by real estate and fixed assets will be required to obtain property casualty insurance equal to the amount of outstanding loan balance and have the RCEDC listed as mortgagee and loss payee on the insurance policy. Proof of insurance with appropriate endorsement or coverage documents will be requested by the RCEDC prior to the closing of the loan.

## **SECTION 5. APPLICATION PROCEDURES**

### **5.1 DISCUSSION OF REQUIREMENTS**

Prior to submitting an application, the applicant shall discuss the program with the RCEDC. The RCEDC shall assist the applicant, as is reasonably necessary, in completing the application. All financial information shall be kept in a secured place with access by authorized personnel only.

### **5.2 TIMING**

Applications may be submitted at any time during the calendar year.

### **5.3 PRIORITY**

Completed applications shall be reviewed in the order received and based on readiness for the proposed project to proceed. The RCEDC will determine whether sufficient funds are available in the RLF to accept applications for new business loans. The RCEDC will determine the best methods for advertising the availability of the funds to the business community.

Eligible projects will be considered using the following criteria to determine which business(es) will be awarded the loan(s):

- 1) The extent to which private funds are to be leveraged.
- 2) The extent to which jobs are to be created, wages and benefits paid and the skill level required.
- 3) The extent to which new tax base would be created.
- 4) The extent to which the loan can be secured.
- 5) Evidence of ability to repay the loan.
- 6) Other factors as deemed appropriate including consideration of the goals set for allocation of RLF fund.

## 5.4 LOAN APPLICATION

Applicants shall submit a loan application that may include the following as deemed appropriate by the RCEDC:

- 1) Project description of how the business plans to use the requested funds.
- 2) A written description of the business that includes its history, description of management ability, description of its product and the market.
- 3) Personal Financial Statement current within 90 days for each proprietor, partner member or stockholder of the operating company, and, if different, of the real estate holding company.
- 4) Resumes of the principals and any key personnel involved in the day-to-day management.
- 5) Balance sheet and income statement for the previous three years for the operating company. Please attach the accountant's report for further explanation. The RCEDC Loan Committee may require, on a case by case basis, these be accountant prepared or may accept tax returns in lieu of financial statements.
- 6) A balance sheet and income statement dated within 90 days of the application. The RCEDC may also require an aging of the accounts receivable and accounts payable listed.
- 7) Annualized projections, when appropriate, including both balance sheet and income statement for two years with a description of the assumptions attached. The RCEDC may require these to be accountant prepared.
- 8) For a new business, a monthly cash flow analysis for the first 12 months of operation or three months beyond break even, (whichever is longer) together with a description of assumptions attached.
- 9) A schedule of debts which includes the original amount, date, monthly payment, interest rate, present balance, maturity, to whom payable and collateral.
- 10) The names of affiliated (through management control or similar ownership) or subsidiary businesses as well as the last two fiscal year-end financial statements and a current financial statement for each of these firms.
- 11) A copy of key cost documents related to the project such as real estate purchase agreements, contractor cost estimates, equipment costs, etc.
- 12) An accepted offer to purchase land and/or buildings or a pre-lease agreement.
- 13) If applicable, a copy of the existing or proposed lease agreement.\*
- 14) An independent appraisal for construction projects on an "as completed" basis and otherwise as required.\*

- 15) Environmental analysis, if applicable.\*
- 16) A resolution from the Board of Directors of the borrower authorizing it to borrow or (if applicable) a Partnership Borrowing Agreement.\*

\*These items may be provided subsequent to loan approval, but prior to loan closing.

## 5.5 REVIEW PROCESS

Specific steps in the review process include the following:

- 1) Preliminary Review. The RCEDC will review the application for completeness and verify that the proposed project meets the minimum requirements provided in Section 3.7. If the application is not complete, the RCEDC will inform the applicant of the deficiencies.
- 2) Formal Review. The RCEDC Loan Committee will meet to review an application within 30 days of the receipt of a completed application or at some other predetermined schedule. Once the review is completed and the proposal is acceptable for funding, the RCEDC Loan Committee will forward the proposal for final approval by the RCEDC Executive Committee.
- 3) Negotiation of Terms. Upon the acceptance by the RCEDC Executive Committee, the RCEDC will contact the business in writing to review and explain the terms of the loan.
- 4) Notice of Award. If the application is approved, a closing will be scheduled to execute the necessary loan documents.
- 5) Rejection of Award. If the application is not approved, the RCEDC will send a letter to the applicant stating the reasons for rejection and offer to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

## SECTION 6. DISTRIBUTION OF FUNDS

### 6.1 LOAN PROCEDURES

Prior to releasing funds, the following documentation must be in place or provided at the appropriate time during the term of the loan.

- 1) Notice of Award. The RCEDC Loan Committee and Executive Committee must have reviewed and approved an application for an eligible applicant.
- 2) Loan Agreement. The RCEDC attorney, or designee, shall prepare a loan agreement which shall be executed by both the RCEDC and the borrower.
- 3) Promissory Note. A promissory note shall be prepared by RCEDC attorney and signed by the borrower at the time of loan closing. The note must be dated; it must reference the agreement between the RCEDC and the business; and it must specify the amount and terms of the loan.

- 4) Security. Mortgage or lien instruments or personal guarantees provided as security for all loans shall be prepared by the RCEDC attorney and executed at the time of the loan closing. The RCEDC attorney, or the RCEDC, shall record the recordable instruments and place a copy in the project file. When appropriate, the project file will include:
  - (a) Mortgage and/or security agreement.
  - (b) UCC searches and filing.
  - (c) Guarantee agreement.
  - (d) Title insurance or Abstract.
  - (e) Assignment of Life Insurance.
  - (f) Casualty Insurance binder.
  - (g) Personal guarantee.
  - (h) Other documentation as may be appropriate.
- 5) Repayment Schedule. A loan repayment or amortization schedule shall be prepared by the RCEDC after the loan proceeds are fully disbursed. The repayment schedule shall be provided with copies of all other closing documents to the Borrower.
- 6) Evidence of Permits, etc. Documentation must be provided by the applicant that all necessary permits, licenses, and any other registrations required have been obtained by the applicant prior to the release of program funds.
- 7) Evidence of Program Expenditures. Documentation must be provided by the business, as deemed appropriate by RCEDC, to evidence program expenditures prior to the release of funds. Documentation shall include bills and invoices or receipts for materials, final bills of sale or canceled checks. All documentation shall be reviewed and approved by the RCEDC. The RCEDC may opt to use a title company for disbursement of the loan funds.
- 8) Fixed Equipment. Equipment financed with program funds must have been purchased, delivered, and installed prior to final disbursement of the loan proceeds, as deemed appropriate by RCEDC. The RCEDC shall verify the installation of equipment.
- 9) Other Documentation. As appropriate or necessary, the borrower may be asked to provide the following:
  - (a) A Certificate of Status from the Department of Financial Institutions.
  - (b) The Articles of Incorporation and By-Laws.
  - (c) A Board Resolution to borrow funds and Secretary's certificate.
  - (d) Current financial statements.
  - (e) Evidence of having secured other funds necessary for the project.
  - (f) An Environmental Assessment for real estate loans which may either be an Environmental Questionnaire, Environmental Records Search, or Phase I, II, or III

analysis, depending on the environmental condition of the site and the requirements set forth in the Commitment Letter.

With the above documentation in place, the RCEDC will schedule a loan closing. All documents will be executed before funds are disbursed, and mortgages and UCC Statements shall be recorded with the Register of Deeds and/or the Wisconsin Department of Financial Institutions.

## **SECTION 7. POST - APPROVAL REQUIREMENTS**

### **7.1 OBLIGATION OF LOAN RECIPIENT**

In addition to the terms and conditions of the loan, all borrowers shall agree to comply with the following:

- 1) The creation or retention of the agreed upon number of jobs within the period of time referenced in the loan and associated documents.
- 2) Not to discriminate on the basis of age, race, religion, color, handicap, sex, physical condition, development disability (as defined in Section 51.01(5), Wisconsin Statutes), sexual orientation or national origin in any employment or construction activity related to the use of the business loan funds.
- 3) To use the loan money only to pay the cost of services and materials necessary to complete the project or activity for which the loan funds were awarded.
- 4) To permit inspections by persons authorized by the RCEDC of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections, which include, but may not be limited to, contracts, materials, equipment, payrolls, and conditions of employment. Requests for inspection shall be complied with by the borrower.
- 5) To maintain records on the project as may be requested by the RCEDC. These files shall be maintained as long as the loan is active.
- 6) To maintain fire and extended coverage insurance on the RLF collateral required during the term of the loan. The RCEDC shall be listed as Lenders Loss Payee and/or Mortgagee on the policy. Term life insurance on the life of the principal owner may be required of the applicant to cover the loan balance through the life of the loan.
- 7) To submit progress reports to the RCEDC as detailed in Section 8.2.

## **SECTION 8. PERFORMANCE MONITORING**

### **8.1 PRIVATE LEVERAGE COMMITMENTS**

The RCEDC shall monitor the use of the funds and expenditure of private leverage commitments. Documentation may include invoices or receipts for materials and supplies, letters from lenders, final bills of sale, and canceled checks.

## 8.2 BORROWERS REPORTING REQUIREMENTS

The RCEDC shall monitor the success of the program by requiring the following reports from borrowers:

- Jobs created/retained over next two years
- Private dollars leveraged with financing package
- Additional company investments in capital expenditures over next two years
- Sales growth over next two years
- Real estate tax impact over next two years
- Whether there was there any community involvement by the Company or its employees following this assistance

## 8.3 DEFAULT

In the event the business is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties, shall, at RCEDC's option, become immediately due and payable. To exercise this option, RCEDC's Attorney shall prepare a written notice to the business. The notice shall specify the following.

- (a) The default.
- (b) The action required to cure the default.
- (c) A date, not less than thirty (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other collection action.
- (d) Any penalties incurred as a result of the default.

## SECTION 9. USE OF LOAN REPAYMENTS AND REPORTING

### 9.1 RLF ACCOUNT

Repaid RLF loan funds shall be used to cover RCEDC administrative costs with the balance to be deposited into the RLF loan fund account at a financial institution insured by the Federal Deposit Insurance Corporation (FDIC). These dollars may be relented in a manner consistent with the policies of the RLF Manual. A separate accounting record for each loan shall be kept to account for all funds loaned. (Section 10.2(b)).

## SECTION 10. LOAN SERVICING

### 10.1 MONITORING

The RCEDC shall monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the business to ensure continued repayment of the loan. The monitoring will also ensure that all recordkeeping requirements are met particularly.

A loan servicing file, repayment monitoring file and “tickler” system shall be established and maintained for each loan recipient to insure complete, accurate and timely information on the status of the loan. The files will include records of all payments, observations and comments of the RCEDC, all written correspondence, a record of important telephone conversations, a list of applicable loan covenants, certificates of insurance for builders risk, property-casualty, and life insurance, as applicable; and documentation for job creation and retention.

## **10.2 RECORDKEEPING**

In addition to the above, the RCEDC shall maintain the following financial management records which will be comprehensive and designed to provide the following information:

- (a) A Loan Fund Record that records all deposits and disbursements to and from the RLF, including funds used for RLF administration.
- (b) A RLF Loan Amortization Schedule that records repayments made by each business which has received a loan from the RLF. It also tracks the balance of repayments from all loans from the RLF. Each schedule contains the business name, loan date, loan amount, terms, and date repayment begins. Payments are divided into principal and interest payments with a declining principal balance.
- (c) Revolving Loan Fund Status Report that contains the business name, loan date, loan amount, terms, and date repayment begins.