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3 **JOINT RESOLUTION BY THE FINANCE AND HUMAN RESOURCES COMMITTEE AND THE**
4 **ECONOMIC DEVELOPMENT AND LAND USE PLANNING COMMITTEE APPROVING THE**
5 **SEMI-ANNUAL RACINE COUNTY REVOLVING LOAN FUND (RLF) PLAN CERTIFICATIONS**
6 **FOR THE PERIOD ENDING MARCH 31, 2012, AND THE PERIOD ENDING SEPTEMBER 30,**
7 **2012, AND AUTHORIZING SUBMISSION OF SAID PLANS TO THE UNITED STATES**
8 **DEPARTMENT OF COMMERCE'S ECONOMIC DEVELOPMENT ADMINISTRATION**
9

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

11
12 **BE IT RESOLVED** by the Racine County Board of Supervisors that Racine County hereby
13 adopts and approves the Revolving Loan Fund (RLF) Plan Certifications for the period ending
14 March 31, 2012, and the period ending September 30, 2012, which have been prepared by the
15 Racine County Economic Development Corporation and are attached hereto and incorporated as
16 Exhibit A.
17

18 **BE IT FURTHER RESOLVED** by the Racine County Board of Supervisors that the Director
19 of the Racine County Public Works and Department Services Department is hereby authorized and
20 directed to submit the Revolving Loan Fund Plan Certifications for the period ending March 31,
21 2012, and the period ending September 30, 2012, to the Economic Development Administration of
22 the United States Department of Commerce for approval. The County Clerk is directed to transmit
23 two certified copies of this resolution to the Racine County Economic Development Corporation,
24 2320 Renaissance Boulevard, Sturtevant, WI 53177.
25

26 Respectfully submitted,

27
28 1st Reading _____

**ECONOMIC DEVELOPMENT AND LAND USE
PLANNING COMMITTEE**

29
30 2nd Reading _____

31
32 BOARD ACTION:

33 Adopted _____
34 For _____
35 Against _____

Mark M. Gleason, Chairman

David J. Cooke, Vice-Chairman

36
37
38 VOTE REQUIRED: MAJORITY

Robert D. Grove, Secretary

39
40 Prepared by:
41 Public Works & Development
42 Services Department

Thomas Pringle

Monte G. Osterman

Kenneth Lumpkin

Pamela Zenner-Richards

4 Respectfully submitted,

5 **FINANCE AND HUMAN RESOURCES**
6 **COMMITTEE**

7 _____
8 Robert N. Miller, Chairman

9 _____
10 Q. A. Shakoor II, Vice-Chairman

11 _____
12 Thomas Pringle, Secretary

13 _____
14 Donnie Snow

15 _____
16 John A. Wisch

17 _____
18 Jeff Halbach

19 _____
20 Gilbert Bakke

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

33
34 **Approved:** _____

35 **Vetoed:** _____

36
37 **Date:** _____,

38
39 _____
40 **James A. Ladwig, County Executive**

41
42
43 **INFORMATION ONLY**

44
45 **WHEREAS**, on a semi-annual basis, the Racine County Economic Development Corporation
46 is required to certify to the USDOC Economic Development Administration that:

- 47
48 1. The Revolving Loan Fund is consistent with, and supportive of, the area's current economic
49 adjustment strategy; and
50
51 2. The Revolving Loan Fund is being operated in accordance with the policies and procedures
52 contained in the Revolving Loan Fund, and the loan portfolio meets the standards contained
53 therein.

Exhibit A



RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

TO: RACINE COUNTY BOARD OF SUPERVISORS
RCEDC EXECUTIVE COMMITTEE

FROM: GORDON KACALA, EXECUTIVE DIRECTOR
RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION (RCEDC)
JANELL TOPCZEWSKI, PRESENTING STAFF

DATE: NOVEMBER 6, 2012

SUBJECT: RACINE COUNTY REVOLVING LOAN FUND (RLF) PLAN
CERTIFICATIONS

THE REQUEST

The purpose of this memorandum is to request that Racine County approve the March 31, 2012 semi-annual Plan Certification (attached) and the September 30, 2012 semi-annual Plan Certification (attached). Historically, RCEDC has prepared the RLF Plan Certification report for Racine County approval to certify to the Economic Development Administration (EDA), on an annual basis, that the County's Revolving Loan Fund (RLF) program is consistent with:

- 1) Racine County's Economic Development Plan (EDP); and
- 2) The policies and procedures within the RLF Manual.

These reports have been temporarily deferred by the Economic Development Administration (EDA) while the EDA adjusted reporting requirements. This deferral has now ended and RCEDC is requesting approval of both the March 31, 2012 and the September 30, 2012 semi-annual Plan Certifications at this time. In the future, these certifications will require approval subsequent to each semi-annual reporting period.

NOTABLE REPORT CHANGES

Overall, the RLF program is performing within the standards of the RLF plan or exceeding those goals set for the program. There have been minimal changes to the RLF fund in the last year as only one new loan was made in spring of 2012. Exceptions are noted below along with notable changes between the March 31, 2012 and September 30, 2012 reports:

- 1) On page 2, item #1, the job cost ratio improved between the reporting periods going from \$11,097.62/job in March to \$10,816.45/job in September, for only active loans

on the portfolio (\$20,979.98/job to \$16,552.74/job). Both reporting periods exceed the RLF goal of \$35,000 RLF dollars lent per job; and

- 2) On page 6, item #23, the Capital Utilization Standard is being met. The Capital Utilization Standard refers to the total dollars lent from the RLF funds compared to funding availability. EDA requires 75% of RLF dollars be lent. If this requirement is not met, excess funds must be sequestered but remain available for future lending. The capital utilization requirement is now at 79.79% and funds are no longer required to be sequestered

The one certification the RLF program is not meeting and has struggled to meet historically is:

- 1) On page 4, item #7, a minimum of 15% of the loan fund should provide financing to minority owned firms. As of September 30, 2012 1.61% of the fund has been used for this purpose. Please see page 4 of the enclosed Plan Certification for further explanation.



MEMORANDUM

TO: RACINE COUNTY BOARD OF SUPERVISORS
RCEDC EXECUTIVE COMMITTEE

FROM: GORDON KACALA, EXECUTIVE DIRECTOR
RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION (RCEDC)
JANELL TOPCZEWSKI, PRESENTING STAFF

DATE: NOVEMBER 6, 2012

SUBJECT: RACINE COUNTY REVOLVING LOAN FUND (RLF) PLAN CERTIFICATION FOR THE PERIOD
ENDING MARCH 31, 2012

Introduction

The RCEDC maintains a service contract with Racine County to administer the County's RLF and, therefore, prepares the report for consideration by Racine County. The RLF provides secondary mortgage low-interest loans to businesses in Racine County.

Racine County is required to certify to the Economic Development Administration (EDA) on a semi-annual basis that:

1. The Racine County RLF Plan is consistent with and supportive of the area's current economic adjustment strategy; and
2. The RLF is being operated in accordance with the policies and procedures contained in the RLF Plan, and the loan portfolio meets the standards contained therein.

The RLF Plan is Consistent with the Racine County Economic Development Plan

Only those Challenges and Strategies that are applicable to the RLF Program have been included below:

Challenge One – To create an entrepreneurial culture in Racine County

Strategies:

- Existing programs will be maintained and new financial capital programs and resources will be attracted which address fundamental gaps preventing the start and growth of Racine County entrepreneurs.

Challenge Two – To focus on a proactive business recruitment program and a business retention and expansion (BRE) program that will create and retain jobs, create additional tax base and increase personal income in Racine County.

Strategies:

- Continue to implement a targeted and proactive business recruitment program.
- Maintain an active business retention and expansion (BRE) program that meets the needs of existing employers in Racine County
- Continue to provide staff assistance to business and local units of government to support business recruitment and business retention and expansion.

Challenge Four – To take advantage of the development opportunities that exist as a result of the Chicago-Milwaukee Corridor and to properly link land use with future business development county-wide.

Strategies:

- Provide high value real estate development opportunities that link Racine County with the Southeast Wisconsin Region and Northern Illinois, including an update of the Racine County Industrial Lands Absorption Study

Challenge Five – To link education and training in a manner that provides a competitive workforce to meet the present and future needs of local employers and to create opportunities for low-income, disadvantaged, and minority individuals to prepare for and obtain employment.

Strategies:

- Provide the infrastructure for new and expanding business and industry in areas of high unemployment and identify appropriate business targets with the potential to locate in and/or expand in these areas in order to employ the unemployed and underemployed persons that will be educated and trained through the programs identified elsewhere in the plan.

The RLF is Being Operated in Accordance with the Policies and Procedures of the RLF Plan and the Portfolio Meets the Projected Guidelines Contained Therein.

The following provides the original RLF standards, and the current status of the RLF as of March 31, 2012.

1. Job Cost Ratio. An average of one full-time equivalent job will be created and/or retained for every \$35,000 of EDA-RLF investment. Currently, the job cost ratio for the portfolio is \$11,097.62. **We are currently exceeding the guideline.**

2. Assisting Long-Term Unemployed. All loan recipients are required to sign an "Employment Memorandum of Agreement" which requires that the business work with a Workforce Development Center (WDC) Business Consultant in making jobs available to low- and moderate- income persons. To date, all recipients have signed this memorandum. The Specialist is located at the Racine County Workforce Development Center that is the "one-stop" shop for meeting the needs of the unemployed. The Center serves persons involved in the welfare-to-work transition as a part of other activities. **We are currently meeting this guideline.**

3. Low- and Moderate-Income Benefit. All loan recipients are required to sign an "Employment Memorandum of Agreement" which requires that the business work with a WDC Business Consultant in making at least 51 percent of new and retained jobs available to low- and moderate-income (LMI) persons. To date, all recipients have signed this memorandum. The Specialist is located at the Racine County Workforce Development Center that is the "one-stop" shop for meeting the needs of the unemployed. The Center serves persons involved in the welfare-to-work transition as a part of other activities. As part of the efforts of making jobs available to LMI persons, the WDC also provides the job posting to community based organizations that could help reach LMI persons. **We are currently meeting this guideline.**

4. Private Sector Leverage Ratio. A minimum of two private sector dollars for each RLF dollar is required of business participants. To date, total RLF bank financing and equity participation in projects is \$37,993,192 and total RLF funds disbursed is \$5,587,653 for a leveraging ratio of 6.80 to 1.0. **We are currently exceeding this guideline.**

5. Types of Activities Eligible for Funding. All loans must be for fixed assets and working capital. All loans have been for these purposes. **We are currently meeting this guideline.**

6. Types of Businesses Eligible for Funding. The RLF strategy is to retain existing, and develop new, manufacturing and service-related businesses. The following is the distribution of the 12 loans in the active portfolio:
 - A. 10 loans were made to existing businesses and 2 to new businesses (including company buy-outs).

 - B. 7 active loans have been made to manufacturing companies, 0 loan has been made to commercial/retail companies and 5 to service companies.

We are currently meeting this guideline.

A maximum of 10 percent of the loan portfolio can be loaned to commercial/retail firms. Based on our total portfolio 5.93 percent of the RLF loans have been made to commercial/retail businesses. **We are meeting this guideline.**

The RLF Plan prohibits certain types of business financing. No loans or loan guarantees can be made to EDA Title II recipients. In addition, the RLF may not finance any equity, subsidize interest payments on existing loans, refinance loans made by other lenders, or contribute equity required by other loan programs. **We are meeting this guideline.**

There are several restrictions with regard to the types of businesses that can receive RLF loans:

- A. All loan recipients are located in the County of Racine.
- B. No loans have been made to businesses that have relocated jobs from outside the Racine labor market area to the County of Racine.
- C. No loans have been made that are not related to job creation or retention.
- D. No loans have been made that would create a conflict of interest for existing or former RCEDC Board members or staff.
- E. RLF funds have not been used for speculative activities.

All of the above guidelines have been met.

7. Standards to Achieve Economic Objectives and Benefits for the County of Racine. The RLF plan requires that all loans include an analysis of why other public sector loan programs were not used prior to using the RLF funds. All loans subject to this EDA regulation have included this in the loan write-up that is provided to the Loan Committee. **We are currently meeting this guideline.**

A minimum of 15 percent of the loan funds should provide financing for minority owned firms. Currently, a total of 1.61 percent of all the funds have been used for this purpose (includes repaid loans and the original loan balances). **We currently are not meeting this guideline with an explanation provided below.**

The RCEDC experience has been that a significant number of minority entrepreneurs have sought funding for small loans for retail and commercial operations that are generally not permitted, or not cost effective, through the RLF program. Often, RCEDC makes referrals to the Community Economic Development Corporation (CEDCO) and the Women's Business Initiative Corporation (WWBIC) as their programs are typically better suited to meet the needs of these entrepreneurs. In the last year WWBIC has assisted 152 clients. These clients are participates in both their loan programs as well as the classes WWBIC offers. RCEDC staff also refers minority entrepreneurs to UW- Parkside Small Business Development Center (SBDC) who has resources to assist these clients to grow their business to be successful.

8. Assurances for Maximum Private Sector Leverage. The RLF program will maximize private sector leverage and private equity contributions and ensure that RLF funds are not substituted for private financing. To this end, the RLF program requires: 1) financial institutions participating in the project to submit a letter stating that the financial institution is providing the maximum amount available and that the loan is contingent upon the receipt of RLF financing, and 2) equity contributions must be documented with a letter from contributing source that commits to the injection of the equity upon receipt of an RLF loan. **This guideline has been met for each loan and has been included in the loan write-up that is provided to the Loan Committee.**
9. Total Number of Loans in Initial Funding Cycle. A total of 62 loans to 54 companies have been made from the original grant, the recapitalization and loan program income. The number of loans required has been met. **We have met this guideline.**

10. RLF Loan Size. The anticipated average loan size is \$100,000, with a minimum loan size of \$5,000 and a maximum loan size of \$200,000 (unless approved on a case-by-case basis by EDA). Currently, the average active loan size is \$149,482 and the average for the total loan portfolio is \$88,693 both of which are slightly more than anticipated. The largest loan amount was \$470,000 (approved by EDA); with the smallest loan size being \$6,600. **Currently we are meeting this guideline.**
11. RLF Loan Proportions. Working capital loans cannot exceed 50 percent of the portfolio. Currently, zero percent of the RLF loans have been made for working capital purposes. **We are meeting this guideline.**
12. Standard Terms and Rate of Interest. The terms and interest rates of the loans have not exceeded the standards included in the RLF plan. Interest rates on all active loans are set at a fixed rate. **We are meeting this guideline.**
13. Special Financing Techniques. Special financing techniques the RLF program can offer to applicants include: 1) deferral of principal payments during the first year of an RLF loan, 2) the subordination of the RLF security position to private sector lenders that participate in the RLF program, and 3) the use of balloon payments. The RCEDC has subordinated its collateral to financial institutions, has deferred payments of the principal portion for seven active loans, and balloon payments are typically offered. **We are meeting this guideline.**
14. Equity Requirements. The RLF program requires a 10 percent equity injection for each loan. Consideration will be given for individuals who have made substantial equity commitments to the business. 56 loan recipients have provided a 10 percent or more equity injection. 2 loan recipients have provided a 5 percent equity injection, and 4 loan recipients have provided 0% equity injection, due to other previous cash contributions to the Company. **We are meeting this guideline.**
15. Collateral Requirements. The current goal of the RLF is to provide a 1:1 collateral coverage ratio on each loan. Personal guarantees and mortgages on non-project assets are often used to increase the collateral coverage when project assets are not sufficient. The goal of 1:1 collateral coverage is always sought but given the nature of the program is rarely achieved. In those cases, new project assets are often taken as additional collateral. Therefore, **we have met this guideline.**
16. Restructuring RLF Loans. One RLF loan was restructured. Racine Precision Machining is no longer an operating concern. The principal had agreed to make yearly payments of \$2,400 through June of 2006. In 2000, RCEDC filed a legal judgment against the borrowers to collect the outstanding principal balance of the loan. One half of the judgment was paid off and a judgment in the amount of \$13,429.31 is still active although it is unknown if RCEDC will be able to collect this money in the future. **We are meeting this guideline.**
17. Elements of a Loan Guarantee Program. The RLF may establish a loan guarantee program with recycled or second-generation RLF funds to reduce the risk of private lenders and thereby persuade lenders to provide financing that otherwise would not have been available. **The RLF has not provided any loan guarantees.**
18. Interest Payments on Recycled RLF Funds and Sales of RLF Loans and Loan Origination Fee. The RLF program will utilize a maximum of 50 percent of any and all program income for expenses associated

with the administration of the RLF and will not charge more than 1.5 percent loan origination fees on all EDA-RLF loans. **This guideline has been met.**

19. RLF Program Coordination with SBA 504 and Other Programs. The RLF program will utilize private sector financial institutions and the local SBA 504 Certified Development Company program, as well as other public sector financing programs, in packaging loans. **This guideline has been met** and has been included in the loan write-up that is provided to the Loan Committee.
20. Time Schedule for Loan Closings. All of the original RLF funds have been utilized within the three-year time period for disbursement. **This guideline has been met.**
21. Technical and Management Assistance. The RLF program utilizes the services of the Small Business Development Center (SBDC), as well as other providers of technical assistance. A significant degree of coordination between the RLF and the SBDC is currently being achieved. **We are currently meeting this guideline.**
22. Loan Packaging and Referral Services. The staff for the RLF program is responsible for all aspects of the RLF program, including program and policy development, finance, law, marketing, credit analysis and loan packaging, processing and servicing. The RCEDC staff prepares all loan packages for review by the Loan Committee. **We are currently meeting this guideline.**
23. Capital Utilization Standard. During the revolving phase, at least 75 percent of an RLF's capital should be in use. At any time subsequent to a second consecutive report showing that the applicable standard has not been met, EDA may require the grant recipient to deposit excess funds in an interest bearing account and EDA approval will be required to withdraw the sequestered funds. This goal was not met for the 3 previous semi-annual periods, thus \$25,645.57 of the RLF funds were sequestered in an interest bearing account. When those funds are needed for new project disbursements, RCEDC will seek EDA approval to release those funds into the RLF operating account. For the time period ending March 31, 2012, the RLF fund had 81.49percent of its capital in use. The percent of capital in use, net of committed RLF dollars, is 100 percent. RCEDC has worked diligently over the past year to improve the RLF by adjusting loan terms to better meet current economic conditions (i.e. longer terms and reduced interest rates). Currently, RCEDC has increased marketing efforts to make the public more aware of the RLF dollars and further assist in the expansion of small businesses in Racine County. **We are currently meeting this guideline.**



MEMORANDUM

TO: RACINE COUNTY BOARD OF SUPERVISORS
RCEDC EXECUTIVE COMMITTEE

FROM: GORDON KACALA, EXECUTIVE DIRECTOR
RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION (RCEDC)
JANELL TOPCZEWSKI, PRESENTING STAFF

DATE: NOVEMBER 6, 2012

SUBJECT: RACINE COUNTY REVOLVING LOAN FUND (RLF) PLAN CERTIFICATION FOR THE PERIOD
ENDING SEPTEMBER 30, 2012

Introduction

The RCEDC maintains a service contract with Racine County to administer the County's RLF and, therefore, prepares the report for consideration by Racine County. The RLF provides secondary mortgage low-interest loans to businesses in Racine County.

Racine County is required to certify to the Economic Development Administration (EDA) on a semi-annual basis that:

1. The Racine County RLF Plan is consistent with and supportive of the area's current economic adjustment strategy; and
2. The RLF is being operated in accordance with the policies and procedures contained in the RLF Plan, and the loan portfolio meets the standards contained therein.

The RLF Plan is Consistent with the Racine County Economic Development Plan

Only those Challenges and Strategies that are applicable to the RLF Program have been included below:

Challenge One – To create an entrepreneurial culture in Racine County

Strategies:

- Existing programs will be maintained and new financial capital programs and resources will be attracted which address fundamental gaps preventing the start and growth of Racine County entrepreneurs.

Challenge Two – To focus on a proactive business recruitment program and a business retention and expansion (BRE) program that will create and retain jobs, create additional tax base and increase personal income in Racine County.

Strategies:

- Continue to implement a targeted and proactive business recruitment program.
- Maintain an active business retention and expansion (BRE) program that meets the needs of existing employers in Racine County
- Continue to provide staff assistance to business and local units of government to support business recruitment and business retention and expansion.

Challenge Four – To take advantage of the development opportunities that exist as a result of the Chicago-Milwaukee Corridor and to properly link land use with future business development county-wide.

Strategies:

- Provide high value real estate development opportunities that link Racine County with the Southeast Wisconsin Region and Northern Illinois, including an update of the Racine County Industrial Lands Absorption Study

Challenge Five – To link education and training in a manner that provides a competitive workforce to meet the present and future needs of local employers and to create opportunities for low-income, disadvantaged, and minority individuals to prepare for and obtain employment.

Strategies:

- Provide the infrastructure for new and expanding business and industry in areas of high unemployment and identify appropriate business targets with the potential to locate in and/or expand in these areas in order to employ the unemployed and underemployed persons that will be educated and trained through the programs identified elsewhere in the plan.

The RLF is Being Operated in Accordance with the Policies and Procedures of the RLF Plan and the Portfolio Meets the Projected Guidelines Contained Therein.

The following provides the original RLF standards, and the current status of the RLF as of September 30, 2012.

1. Job Cost Ratio. An average of one full-time equivalent job will be created and/or retained for every \$35,000 of EDA-RLF investment. Currently, the job cost ratio for the portfolio is \$10,816.43. **We are currently exceeding the guideline.**

2. Assisting Long-Term Unemployed. All loan recipients are required to sign an "Employment Memorandum of Agreement" which requires that the business work with a Workforce Development Center (WDC) Business Consultant in making jobs available to low- and moderate- income persons. To date, all recipients have signed this memorandum. The Specialist is located at the Racine County Workforce Development Center that is the "one-stop" shop for meeting the needs of the unemployed. The Center serves persons involved in the welfare-to-work transition as a part of other activities. **We are currently meeting this guideline.**

3. Low- and Moderate-Income Benefit. All loan recipients are required to sign an "Employment Memorandum of Agreement" which requires that the business work with a WDC Business Consultant in making at least 51 percent of new and retained jobs available to low- and moderate-income (LMI) persons. To date, all recipients have signed this memorandum. The Specialist is located at the Racine County Workforce Development Center that is the "one-stop" shop for meeting the needs of the unemployed. The Center serves persons involved in the welfare-to-work transition as a part of other activities. As part of the efforts of making jobs available to LMI persons, the WDC also provides the job posting to community based organizations that could help reach LMI persons. **We are currently meeting this guideline.**

4. Private Sector Leverage Ratio. A minimum of two private sector dollars for each RLF dollar is required of business participants. To date, total RLF bank financing and equity participation in projects is \$38,298,673 and total RLF funds disbursed is \$5,737,114 for a leveraging ratio of 6.67 to 1.0. **We are currently exceeding this guideline.**

5. Types of Activities Eligible for Funding. All loans must be for fixed assets and working capital. All loans have been for these purposes. **We are currently meeting this guideline.**

6. Types of Businesses Eligible for Funding. The RLF strategy is to retain existing, and develop new, manufacturing and service-related businesses. The following is the distribution of the 12 loans in the active portfolio:
 - A. 10 loans were made to existing businesses and 2 to new businesses (including company buy-outs).

 - B. 7 active loans have been made to manufacturing companies, 0 loan has been made to commercial/retail companies and 5 to service companies.**We are currently meeting this guideline.**

A maximum of 10 percent of the loan portfolio can be loaned to commercial/retail firms. Based on our total portfolio 5.93 percent of the RLF loans have been made to commercial/retail businesses. **We are meeting this guideline.**

The RLF Plan prohibits certain types of business financing. No loans or loan guarantees can be made to EDA Title II recipients. In addition, the RLF may not finance any equity, subsidize interest payments on

existing loans, refinance loans made by other lenders, or contribute equity required by other loan programs. **We are meeting this guideline.**

There are several restrictions with regard to the types of businesses that can receive RLF loans:

- A. All loan recipients are located in the County of Racine.
- B. No loans have been made to businesses that have relocated jobs from outside the Racine labor market area to the County of Racine.
- C. No loans have been made that are not related to job creation or retention.
- D. No loans have been made that would create a conflict of interest for existing or former RCEDC Board members or staff.
- E. RLF funds have not been used for speculative activities.

All of the above guidelines have been met.

7. Standards to Achieve Economic Objectives and Benefits for the County of Racine. The RLF plan requires that all loans include an analysis of why other public sector loan programs were not used prior to using the RLF funds. All loans subject to this EDA regulation have included this in the loan write-up that is provided to the Loan Committee. **We are currently meeting this guideline.**

A minimum of 15 percent of the loan funds should provide financing for minority owned firms. Currently, a total of 1.61 percent of all the funds have been used for this purpose (includes repaid loans and the original loan balances). **We currently are not meeting this guideline with an explanation provided below.**

The RCEDC experience has been that a significant number of minority entrepreneurs have sought funding for small loans for retail and commercial operations that are generally not permitted, or not cost effective, through the RLF program. Often, RCEDC makes referrals to the Community Economic Development Corporation (CEDCO) and the Women's Business Initiative Corporation (WWBIC) as their programs are typically better suited to meet the needs of these entrepreneurs. In the last year WWBIC has assisted 152 clients. These clients are participates in both their loan programs as well as the classes WWBIC offers. RCEDC staff also refers minority entrepreneurs to UW- Parkside Small Business Development Center (SBDC) who has resources to assist these clients to grow their business to be successful.

8. Assurances for Maximum Private Sector Leverage. The RLF program will maximize private sector leverage and private equity contributions and ensure that RLF funds are not substituted for private financing. To this end, the RLF program requires: 1) financial institutions participating in the project to submit a letter stating that the financial institution is providing the maximum amount available and that the loan is contingent upon the receipt of RLF financing, and 2) equity contributions must be documented with a letter from contributing source that commits to the injection of the equity

upon receipt of an RLF loan. **This guideline has been met for each loan and has been included in the loan write-up that is provided to the Loan Committee.**

9. Total Number of Loans in Initial Funding Cycle. A total of 64 loans to 54 companies have been made from the original grant, the recapitalization and loan program income. The number of loans required has been met. **We have met this guideline.**
10. RLF Loan Size. The anticipated average loan size is \$100,000, with a minimum loan size of \$5,000 and a maximum loan size of \$200,000 (unless approved on a case-by-case basis by EDA). Currently, the average active loan size is \$150,354 and the average for the total loan portfolio is \$89,658 both of which are slightly more than anticipated. The largest loan amount was \$470,000 (approved by EDA); with the smallest loan size being \$6,600. **Currently we are meeting this guideline.**
11. RLF Loan Proportions. Working capital loans cannot exceed 50 percent of the portfolio. Currently, zero percent of the RLF loans have been made for working capital purposes. **We are meeting this guideline.**
12. Standard Terms and Rate of Interest. The terms and interest rates of the loans have not exceeded the standards included in the RLF plan. Interest rates on all active loans are set at a fixed rate. **We are meeting this guideline.**
13. Special Financing Techniques. Special financing techniques the RLF program can offer to applicants include: 1) deferral of principal payments during the first year of an RLF loan, 2) the subordination of the RLF security position to private sector lenders that participate in the RLF program, and 3) the use of balloon payments. The RCEDC has subordinated its collateral to financial institutions, has deferred payments of the principal portion for seven active loans, and balloon payments are typically offered. **We are meeting this guideline.**
14. Equity Requirements. The RLF program requires a 10 percent equity injection for each loan. Consideration will be given for individuals who have made substantial equity commitments to the business. 58 loan recipients have provided a 10 percent or more equity injection. 2 loan recipients have provided a 5 percent equity injection, and 4 loan recipients have provided 0% equity injection, due to other previous cash contributions to the Company. **We are meeting this guideline.**
15. Collateral Requirements. The current goal of the RLF is to provide a 1:1 collateral coverage ratio on each loan. Personal guarantees and mortgages on non-project assets are often used to increase the collateral coverage when project assets are not sufficient. The goal of 1:1 collateral coverage is always sought but given the nature of the program is rarely achieved. In those cases, new project assets are often taken as additional collateral. Therefore, **we have met this guideline.**
16. Restructuring RLF Loans. One RLF loan was restructured. Racine Precision Machining is no longer an operating concern. The principal had agreed to make yearly payments of \$2,400 through June of 2006. In 2000, RCEDC filed a legal judgment against the borrowers to collect the outstanding principal balance of the loan. One half of the judgment was paid off and a judgment in the amount

of \$13,429.31 is still active although it is unknown if RCEDC will be able to collect this money in the future. **We are meeting this guideline.**

17. Elements of a Loan Guarantee Program. The RLF may establish a loan guarantee program with recycled or second-generation RLF funds to reduce the risk of private lenders and thereby persuade lenders to provide financing that otherwise would not have been available. **The RLF has not provided any loan guarantees.**
18. Interest Payments on Recycled RLF Funds and Sales of RLF Loans and Loan Origination Fee. The RLF program will utilize a maximum of 50 percent of any and all program income for expenses associated with the administration of the RLF and will not charge more than 1.5 percent loan origination fees on all EDA-RLF loans. **This guideline has been met.**
19. RLF Program Coordination with SBA 504 and Other Programs. The RLF program will utilize private sector financial institutions and the local SBA 504 Certified Development Company program, as well as other public sector financing programs, in packaging loans. **This guideline has been met** and has been included in the loan write-up that is provided to the Loan Committee.
20. Time Schedule for Loan Closings. All of the original RLF funds have been utilized within the three-year time period for disbursement. **This guideline has been met.**
21. Technical and Management Assistance. The RLF program utilizes the services of the Small Business Development Center (SBDC), as well as other providers of technical assistance. A significant degree of coordination between the RLF and the SBDC is currently being achieved. **We are currently meeting this guideline.**
22. Loan Packaging and Referral Services. The staff for the RLF program is responsible for all aspects of the RLF program, including program and policy development, finance, law, marketing, credit analysis and loan packaging, processing and servicing. The RCEDC staff prepares all loan packages for review by the Loan Committee. **We are currently meeting this guideline.**
23. Capital Utilization Standard. During the revolving phase, at least 75 percent of an RLF's capital should be in use. At any time subsequent to a second consecutive report showing that the applicable standard has not been met, EDA may require the grant recipient to deposit excess funds in an interest bearing account and EDA approval will be required to withdraw the sequestered funds. This goal was not met for the 3 previous semi-annual periods, thus \$25,650.74 of the RLF funds were sequestered in an interest bearing account. When those funds are needed for new project disbursements, RCEDC will seek EDA approval to release those funds into the RLF operating account. For the time period ending September 30, 2012, the RLF fund had 81.49 percent of its capital in use. The percent of capital in use, net of committed RLF dollars, is 100 percent. RCEDC has worked diligently over the past year to improve the RLF by adjusting loan terms to better meet current economic conditions (i.e. longer terms and reduced interest rates). Currently, RCEDC has increased marketing efforts to make the public more aware of the RLF dollars and further assist in the expansion of small businesses in Racine County. **We are currently meeting this guideline.**