City of Fort Atkinson
Capital Catalyst REVOLVING LOAN FUND (CCRLF) MANUAL

AND

LENDING GUIDELINES

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SECTION 1. GENERAL PROVISIONS

1.1 PURPOSE

The purpose of the policies and procedures contained within this manual, hereafter referred to as the Capital Catalyst Revolving Loan Fund (CCRLF) Manual and Lending Guidelines, is to present the criteria governing the activities assisted with funds made available through the City of Fort Atkinson's CCRLF and to assist potential loan applicants seeking CCRLF funds for their projects. The City of Fort Atkinson (City) and the WEDC contributed funds to creating this program. The City, through the Economic Development Commission, will make loans to stimulate investment in the City.

1.2 OBJECTIVES

The goal of the CCRLF program is to encourage the startup of new businesses and the expansion of existing businesses less than five years old. However, the EDC maintains discretion in approving loans for businesses over five years old, depending on the strength of the application. The focus will be on assisting companies in industry sectors including, but not limited to advanced manufacturing, agriculture or food processing, information systems or software, medical devices, biosciences and energy.

Funds made available through the program are intended to perpetuate a positive and proactive business climate.

Activities assisted with program funds must address one or more of the following:

(1) Encourage new private investment in the City of Fort Atkinson.

(2) Support a diverse mix of employment opportunities and minimize seasonal or cyclical employment fluctuations.

(3) Encourage the development and use of modern technologies that increase productivity and efficiency.

(4) Support the elimination of blight and encourage urban redevelopment.

1.3 AMENDMENTS and MODIFICATIONS

The City may from time to time amend the provisions imposed by the policies and procedures contained within this CCRLF manual. Amendments may be subject to approval by the WEDC for initial lending changes.

SECTION 2. OVERSIGHT & ADMINISTRATION

2.1 PROGRAM IMPLEMENTATION AND OVERSIGHT

The City has designated the Economic Development Commission (EDC) as the entity authorized by the City Council, to manage loan generation, market the CCRLF program and provide guidance and assistance to potential program applicants. The City Manager is the CCRLF Administrator. The City Finance Department manages the financial accounting and reporting functions on outstanding loans. The City Attorney is responsible for creating all documents necessary to execute the loan, and is involved as needed on any actions necessary to remedy deficiencies or defaults. The Jefferson County Economic Development Consortium (JCEDC) has been hired as the Consultant to assist with program operations and management.

2.2 RESPONSIBLE PARTIES AND FUNCTIONS

(1) The EDC has established a Loan Review Committee (the Committee), comprised of individuals who represent Community interests and have special expertise and knowledge of commercial lending and economic development processes. The Committee shall consist of not less than 3 members and not more than 5 members.

(2) The Committee is authorized to review, select and recommend loan applications to the EDC for final approval. The Committee shall also have the authority to make policy recommendations for the administration of the program. The Committee will be assisted by a professional outside Consultant hired by and under the direction of the CCRLF Administrator.

(3) The Consultant, will explain the Program to prospective applicants, provide written information, assist applicants in completing applications, and process requests for financing, as well as counsel or guide loan applicants to other more appropriate technical and financial resources when the loan applicant has needs beyond those available from the CCRLF program. The Consultant will evaluate all loan requests and advise of necessary next steps as needed, and inform applicants of timelines and costs associated with completing the loan.

(4) The Consultant will periodically review Borrower financial statements and review and approve documentation of business expenditures financed with CCRLF proceeds. The Finance Department will maintain CCRLF accounting records and these will be segregated from other City accounts.

(5) The City Attorney will prepare all loan agreements, promissory notes and mortgage or lien instruments. The City Attorney will record any/all CCRLF security instruments in accordance with loan documents

(6) The Finance Department will be responsible for the maintenance of all other records for the CCRLF, particularly those related to the expenditures of the CCRLF monies for program administration purposes.

2.3 LOAN REVIEW COMMITTEE MEETINGS

Committee meetings will be held on an as-needed basis. Pursuant to Section 19.84, Wisconsin Statutes, all Committee members and the general public shall be given prior notice of each meeting. A majority of the Committee in attendance at a meeting constituting a quorum shall be required for official Committee action.

2.4 RECORD KEEPING

Written records of program activities, including CCRLF Committee meetings, loan applications, and related documents, will be maintained in appropriate files in the Finance Department offices. All files shall be maintained in a secure place with limited access by authorized personnel. The City Attorney will be consulted regarding compliance with state, county or City public records laws and records retention requirements.

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

(1) Loan Application File: This file contains all applications, business financial statements, personal financial statements, credit reports, business plan documents, and other supporting loan information submitted to the City including all applicable correspondence.

(2) Loan Recommendation File: This file contains a summary of the analysis, recommended actions for the application, and a copy of the minutes from the EDC meeting summarizing the action taken on the loan request.

(3) Loan Closing File: This file contains copies of all loan-closing documents. All legal documents from the loan closing, including security instruments, the note and other applicable correspondence. The Consultant will 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 closing and servicing fees.

1) "Tickler File" System: A tickler file system will be established and maintained to ensure that loan repayments, financial information, the loan agreement, UCC updates, and other time sensitive documentation requirements are tracked and obtained as required.

(4) Site Visits. The Consultant may perform periodic site visits to each loan recipient, the scheduling of which depends on the nature of the project. A summary of the site visits will be placed in the file, particularly highlighting any information that can help in rating the overall condition/risk of the loan.

(5) Repayment Monitoring: This file includes the loan amortization schedule, status of payments, and the outstanding balance of the loan. Observations suggesting concerns or problems will be reported to the EDC. Electronic automatic payments will be made from designated Borrower account to designated City account, on the date agreed-upon and documented in the Loan Closing documentation. This function will be performed by the Finance Department.

(6) Loan Review: All loans will be reviewed at times as deemed necessary by the EDC. Items to review include: timeliness of payments; condition of collateral securing the loan and status of security documents (i.e. mortgages, UCC filings); overall financial condition of the business; the presence of material liens or lawsuits; and violations of loan covenants and suggested corrective actions as needed.

2.5 ADMINISTRATION COSTS

Reasonable administrative funds may be withdrawn from the CCRLF to cover personnel costs and other administrative expenses. Local funds may be used in situations when loan repayments are insufficient to cover administrative costs. Administrative expenses of up to twenty (20) percent of program income may be used for direct loan administrative costs. In addition to paying costs for CCRLF administration, these funds may be used for the following:

(a) Legal costs.
(b) Consulting fees for credit analysis, business plan reviews and technical assistance.
(c) Office supplies, copying, typing, mailing, and related costs.

To generate additional revenue to cover administrative costs, the EDC may establish loan origination fees, closing fees, servicing fees, and other fees associated with processing an application or servicing a loan. All fees collected will be deposited into the CCRLF.

SECTION 3. ELIGIBILITY & LENDING GUIDELINES

3.1 ELIGIBLE AREA

The CCRLF is open and available to eligible applicants looking to invest within the corporate limits of the City of Fort Atkinson.

3.2 ELIGIBLE APPLICANTS & PROJECT QUALIFICATIONS

(1) Applicants must be named as an owner, sole proprietor, chief executive officer or other officer authorized by the business to enter into contracts with the City of Fort Atkinson on behalf of the business seeking assistance.

(2) Eligible applicants will be representatives of legitimate for-profit businesses or proposed for-profit businesses (legitimate non-profit or proposed non-profit businesses or organizations meeting a program objective may also qualify), not engaging in the activities listed in section 3.4 of this document.

(3) Applicants shall not be disqualified based on age, race, color, creed, religion, sex, national origin, ancestry, handicap, physical condition, developmental disability as defined in s. 51.01(5), Wis. Stats., marital status, sexual orientation, or other form of discrimination prohibited by the laws of the State of Wisconsin or the United States of America.

(4) Loan amounts requested must be consistent with the following criteria:
   a. Loans cannot exceed 30% of total project costs;
   b. Loans cannot exceed $100,000.00.

(5) Priority in loan applications will be given to businesses less than 5 years old; i.e., date of filing of articles of incorporation or date individuals adopted DBA will be used. However, the Loan Review Committee and the Economic Development Commission retain the right to loan funds to any eligible business, based on the strength of the application.

(6) The fee for review of the application is $500.00 and shall be due at the time of the application. Additional fees may be charged if revisions are made to the loan package after the review is complete or if extensive administration of the loan is required due to project requirements. Applicants are required to sign a Cost Recovery Agreement as part of the application process.

(7) Applicants with existing businesses will provide full financial information for three (3) years prior to the application date and financial projections for the next three (3) years. Applicants seeking assistance for proposed new businesses will provide personal financial information for three (3) years prior to the application date and financial projections for the next three (3) years.

(8) Applicants must provide a description of the property and proof of ownership, if presently owned, to be used as collateral to secure the financing sought.

(9) Applicants must enter into an Authorization Agreement for Automated Debits/Deposits.

(10) In cases where the CCRLF does not have sufficient loan funds available to meet the gap financing need of the project, the Consultant may work to identify other alternatives to close the financing gap.

These may include, but are not limited to:

a. Wisconsin Economic Development Corporation (WEDC) Funds
b. Other Municipal Revolving Loan Funds
c. Industrial Revenue Bonds
d. CDBG, Economic Development Grants, State of WI

3.3 ELIGIBLE USES

Program loans shall generally provide gap financing for eligible projects that will result in investment within the City of Fort Atkinson. Gap financing may be used for the following activities:

(1) Working capital for inventory and/or other overhead expenses necessary to support the project
(2) Purchase/installation of equipment essential to business operations
(3) The acquisition of land, buildings, and fixed equipment.

3.4 INELIGIBLE USES/USERS

Program funds shall not be available to certain applicants or for the activities as described below:

(1) Refinancing or consolidating of existing debt.
(2) Specialized equipment that is not essential to the business operation.
(3) Residential building construction or reconstruction (unless mixed use development/redevelopment with at least 75% business operation; or such reconstruction is intended to convert the building to a business or industrial operation).
(4) Routine maintenance projects.
(5) Professional services such as feasibility and marketing studies, accounting, management services, and other similar services. Legal services incurred in the closing of a CCRLF loan are an eligible use.
(6) Land/property/stocks deemed to be speculative investments or similar companies.
(7) Real estate investment companies.
(8) Lending institutions.
(9) Gambling operations.
(10) Any expenditure related to the project but occurring prior to the loan application being approved by the EDC.
(11) Members of the City Council, EDC, Loan Review Committee or any other City official, employee, or agent who exercises decision-making functions or responsibilities in connection with the implementation of this program.

(12) Loans that are in conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited). The Committee reserves the right to identify other ineligible uses for the program.
(13) Applicants with outstanding property tax or other City liabilities are ineligible.

3.5 MINIMUM PROJECT REQUIREMENTS

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

(1) Private Funds Leveraged. The applicant must have a minimum 10% infusion of cash in private funds towards the proposed total project costs associated with this loan request.

(2) Financial Feasibility and Business Viability. The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to repay the funds.

(3) Project Completion. Projects shall be completed within 12 months from the date of the loan approval. Extensions may be approved by the Loan Review Committee.

SECTION 4. LOAN REVIEW, TERMS AND CONDITIONS

4.1 LOAN REVIEW

Once all information is received by the EDC, a meeting of the Committee will be arranged. The applicant(s) will be required to attend this meeting. The Committee is responsible for reviewing and making recommendations for approval to the EDC. Meetings of the Committee are scheduled as needed.

The Committee may request additional information and a second meeting may be needed prior to a recommendation to the EDC.

Committee meetings are subject to the Wisconsin Open Meetings law which requires at least 24 hours public notice prior to the meeting. The discussions of the Committee may be conducted in closed session at the discretion of the Committee pursuant to s.19.85 (1) (e) Wis. Stats. The EDC may also adjourn to closed session when reviewing and discussing financial matters as they relate to a loan request.

4.2 TERMS AND CONDITIONS

Once approved by the EDC, the City attorney will prepare the loan documents required for the individual loan. These documents may include, but are not limited to, the following:

(1) Real estate mortgage;
(2) Assignment of land contract;
(3) Term loan agreement;
(4) General Security Agreement;
(5) UCC Filing with Secretary of State;
(6) General Business Agreement;
(7) Personal Guarantee;
(8) Authorization Agreement for Automated Debits/Deposits
(9) Any other documents deemed necessary by the City Attorney.

The EDC reserves the right to set all of the other terms of the loan. The Term Loan Agreement will spell out all of the guidelines of the loan; define default and the consequences of such action. The Agreement will enumerate how the funds will be expended and the required bookkeeping system for the loan recipient.

The applicant must agree that he/she will not discriminate against any employee, applicant for employment, supplier or contractor due to age, race, color, creed, religion, sex, national origin, ancestry, handicap, physical condition, developmental disability as defined in s. 51.01(5), Wis. Stats., marital status, sexual orientation, or

other form of employment discrimination prohibited by the laws of the State of Wisconsin or the United States of America.

Loan terms and conditions will be structured on need and ability to repay. The Committee and the EDC will determine loan terms and interest rates on an individual basis. Unless the Committee and EDC determine otherwise, there will be two interest rates available to applicants. Borrowers who start repayments immediately following the loan closure will pay two percent (2%) for the entire amortization of the loan. Borrowers choosing to defer payments of principal and interest for six-months will pay four percent (4%) for the entire amortization period of the loan.

The length of the amortization schedule will be determined by the Committee/EDC in conjunction with the applicant, and is dependent upon the amount of the loan and the type of project assisted.

Minimum standards shall include the following:

(1) Loan Amount. Loan amounts are subject to the availability of program funds. No loan request exceeding 30% of total project costs or $100,000.00 will be considered.

(2) Interest Rate. The interest rate will be established by the Committee and EDC.

(3) Terms for Loans.

(a) Working capital loans shall have a maximum term of seven years.

(b) Loans for machinery, equipment and fixtures shall have a maximum term of ten years.

(c) Real estate loans shall have a maximum term of 15 years.

(d) Loans shall not have a term longer than the terms of the other private financing in the project.

(4) Period of Payment. Terms may include longer amortization schedules with balloon payments. Amortization schedules will be set up for monthly payments.

(5) Repayment. Payment of interest and/or principal may be deferred during the implementation period of the assisted activity if merited in the loan application. Interest may accrue during the deferment period and may be paid in full or added to the principal amount of the loan. Following the deferral period, interest and principal shall be paid for the remaining term of the loan.

(6) Prepayment. There shall be no prepayment penalties.

(7) Collateral. The City of Fort Atkinson will have the first or second position on assets securing the loan to ensure that CCRLF loans are adequately protected.

4.3 DEFAULT PROCEDURES:

In the event of a default or a pending default, the EDC will notify the loan recipient in writing of a deficiency and the subsequent actions to be taken should the payment not be made within a specified time frame. Late payments and default situations will be set forth in the Borrower's promissory or business note. All payments received from applicant shall be applied first to accrued late payment penalties, then to interest accrued, and then to principal.

If an applicant anticipates or is experiencing problems with meeting reporting criteria and/or experiencing other operational problems impacting the ability to meet loan criteria, the Borrower shall contact the City and the Consultant and EDC may work with the borrower to identify actions necessary to correct the identified problems or deficiencies.

Should the routine loan review process reveal evidence of problems during the loan period that may place the loan at risk of default, the account shall be turned over to the City Attorney to initiate legal actions necessary to protect the loan and to ensure the maximum repayment of the balance due. If necessary, the City Attorney will initiate foreclosure proceedings or take other legal action deemed necessary to protect the City's interests.

SECTION 5. APPLICATION PROCEDURES

5.1 DISCUSSION OF REQUIREMENTS

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

5.2 TIMING

Applications may be submitted at any time during the calendar year. The process to approve a loan application includes a meeting with the loan review committee which will occur within one month of submission of all documentation necessary for the committee to make a determination. If an application is recommended for approval, the Committee will forward the application to the EDC for approval.

5.3 PRIORITY

Applications will be reviewed in the order received and based on readiness for the proposed project to proceed. In the event that multiple loan fund requests exceed available funds, the following criteria will be used to determine applicant priority:

(1) Eligibility of the applicants.
(2) Eligibility of the project to be undertaken.
(3) The extent to which private funds are to be leveraged.
(4) The extent to which the loan can be secured.
(5) Evidence of ability to repay the loan.
(6) Size of the loan requested.
(7) Timing of the proposed expenditures.
(8) Completeness of application.
(9) Other factors as deemed appropriate.

5.4 LOAN APPLICATION

Applicants shall submit an application using the CCRLF form. Applicants shall adhere to the requirements set forth in Section 3 of this manual, in addition to any other requirements established by the Committee or the EDC.

5.5 REVIEW PROCESS

Specific steps in the review process include the following:

(1) Preliminary Review. The CCRLF Consultant will review the application for completeness and verify that the proposed project meets the minimum requirements. If the application is not complete, the Consultant will inform the applicant of the deficiencies.

(2) Formal Review. The Loan Review 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 deemed appropriate for funding, the Committee will forward the proposal to the EDC for approval.

(3) Notice of Award. If the application is approved, a closing date will be scheduled to execute the necessary loan documents.

(4) Rejection of Award. If the application is not approved, the Consultant 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 EDC must review and approve a complete application for an eligible applicant.

(2) Loan Agreement. The City Attorney will cause preparation of a loan agreement, which shall be executed by the City Manager and the Chief Executive Officer or authorized representative of the business.

(3) Promissory Note. A promissory note shall be prepared and signed by the Chief Executive Officer of the business at the time of loan closing. The note must be dated; it must reference the agreement between the City and the business; and it must specify the amount and terms of the loan funds delivered.

(4) Security. Mortgage or lien instruments or personal guarantees provided as security for all loans shall be prepared and executed at the time of the loan closing. The City Attorney shall record the instrument and place a copy in the project file to 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 will be prepared by the Consultant after the loan proceeds are fully disbursed. The repayment schedule shall be dated and signed by both the City and the Chief Executive Officer of the business. At that time, the repayment schedule shall be attached to both parties' copies of the agreement.

(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 to evidence program expenditures. 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 Consultant.

(8) Fixed Equipment. The Consultant will verify the installation of fixed equipment.

(9) Other Documentation. As appropriate or necessary, the applicant 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 or Corporate resolution authorizing the borrowing of funds and a 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 a Phase I, II, or III analysis, depending on the environmental condition of the site.

With the above documentation in place, the Consultant and City Attorney 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 the Secretary of State.

SECTION 7. POST APPROVAL REQUIREMENTS

7.1 OBLIGATION OF LOAN RECIPIENT

In addition to the terms and conditions of the loan, Borrowers shall agree to comply with the following. Refusal to comply with any of these could place the loan in default. Borrower shall:

(1) Not discriminate on the basis of age, race, color, creed, religion, sex, national origin, ancestry, handicap, physical condition, developmental disability as defined in s. 51.01(5), Wis. Stats., marital status, sexual orientation, or other basis prohibited by the laws of the State of Wisconsin or the United States of America in any employment or construction activity related to the use of the business loan funds.
(2) Use loan proceeds in accordance with the loan agreement.
(3) Permit inspections by persons authorized by the City of all projects and properties assisted with loan funds.
(4) Maintain records on the project as may be requested by the City. These files shall be maintained as long as the loan is active or for at least three (3) years after completion of the work for which the loan has been obtained, whichever is longer.
(5) Maintain fire and extended coverage insurance on the project property required during the term of the loan. City of Fort Atkinson shall be listed as Loss Payee, Mortgagee, or "additional" insured on the policy if loan proceeds were used to purchase items covered by insurance. Term life insurance may be required of the applicant to cover the loan balance through the life of the loan.
(6) Abide by all federal, state and city laws, when applicable.

SECTION 8. PERFORMANCE MONITORING

8.1 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 The City's/EDC's option, become immediately due and payable. To exercise this option, the City/EDC will prepare a written notice to the business. The notice will 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 collective action.
(d) Any penalties incurred as a result of the default.

SECTION 9. USE OF LOAN REPAYMENTS AND REPORTING

9.1 CCRLF PROGRAM

Repaid loans will be re-deposited into the CCRLF account and used in a manner consistent with the policies and procedures manual. A separate accounting record for each loan will be kept to account for all funds loaned. The CCRLF account will be audited on an annual basis and the Finance Department will provide reports at times and on forms as required by the funding streams.

SECTION 10. LOAN SERVICING

10.1 MONITORING

The CCRLF Consultant will 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 in regard to job creation and expenditures of matching funds.

A loan servicing file shall be established and maintained for each loan recipient that includes all written correspondence; a record of important telephone conversations; a list of applicable loan covenants; certificates of insurance for builder's risk, property-casualty, and life insurance, as applicable.