

# KEWAUNEE COUNTY

# REVOLVING LOAN FUND

# MANUAL



Prepared By: Kewaunee County Revolving Loan Fund Committee, June 2013  
Revised: February 2016

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## **FOREWORD**

Community Development Block Grant (CDBG) funds are received from the U.S. Department of Housing and Urban Development. The Wisconsin Department of Administration (DOA) is the recipient and manages activities associated with economic development. These economic development funds are used to provide grants to local units of government that use the funds to loan to a business. The business, in return for use of the public funds, provides private investment towards the assisted activity and most importantly creates job opportunities, principally for the benefit of low and moderate income persons.

When a business repays the community the loan (principal and interest payments), these funds are classified as program income and used to capitalize a local revolving loan fund (RLF). With the RLF, the community can make additional loans to businesses wishing to expand or locate in the community. When successfully administered, the community's revolving loan fund can expand the amount in its RLF to an amount in excess of the original amount it was able to retain. This happens when the community exercises due diligence by performing a thorough credit analysis to determine business viability and adequately securing and servicing the loan. In administering a RLF, a Community becomes a "bank" and accepts all of the responsibilities of a commercial lender when it makes a CDBG or RLF loan to a business.

Policies and procedures contained in this manual govern the use of these revolving loan funds.

## **SECTION 1. GENERAL PROVISIONS**

### **1.1 TITLE**

These policies and procedures shall hereafter be referred to as the Kewaunee County Revolving Loan Fund Manual.

### **1.2 PURPOSE**

These policies and procedures have been established to set forth the criteria which will govern economic development activities assisted with funds made available through Kewaunee County's Revolving Loan Fund Program.

### **1.3 OBJECTIVES**

Economic development activities assisted with funds made available through this Program are intended to meet the following objectives:

- (1) To encourage the creation and retention of permanent jobs which represent a range of wage scales appropriate to the skills and experience of the local labor force. A minimum of 51 percent of the jobs created shall be made available to low- and moderate-income persons.
- (2) To encourage the leveraging of new private investment into Kewaunee County.
- (3) To maintain a positive and proactive business climate which encourages the retention and expansion of existing business and industry and helps to attract desirable new business.
- (4) To help implement the Kewaunee County economic goals and objectives.
- (5) To maintain and promote a diverse mix of employment opportunities, and to minimize seasonal or cyclical employment fluctuations.
- (6) To encourage the development of modern technology and safe, healthful work environments.
- (7) To encourage dairy producers to undertake capital improvement projects that will result in a significant increase in milk production.

### **1.4 AMENDMENTS**

Kewaunee County may from time to time amend the provisions imposed by these regulations; however, any such amendments are subject to prior written approval by the Wisconsin Department of Administration (DOA), administrator of the Wisconsin Community Development Block Grant Program (CDBG) that provides the funds used to capitalize the RLF.

## **SECTION 2. ADMINISTRATION**

### **2.1 PROGRAM**

- (1) Kewaunee County shall designate an administrator for the Revolving Loan Fund and establish a formal Loan Review Committee which shall consist of individuals representative of broad community interests, and having special expertise and knowledge of loan procedures and economic development processes, including for example, the governing body, the planning commission, the president of the local development corporation, the president of the local chamber of commerce, a local commercial lender, a local attorney, and the administrator appointed by the governing body. A majority of the Committee members shall consist of county residents. As an alternative to the establishment of Loan Review Committee, the county may designate an existing county board committee to carry out the functions and duties of the Loan Review Committee. Committee members shall be appointed to two year terms at the first meeting in April, after the election of the Kewaunee County Board of Supervisors.
- (2) The Loan Review Committee shall have the authority to review, select and recommend loan applications to the governing body for final approval. The Committee shall also have the authority to make policy recommendations for the administration of the program. Periodic activity reports prepared by the administrator shall be provided to members of Kewaunee County's governing body.
- (3) The administrator shall explain the Program to prospective applicants, provide written information, assist applicants in completing applications, and process requests for funding.
- (4) The administrator shall review all financial statements and loan amortization schedules, review and approve documentation of the Program expenditures, record security instruments, maintain the RLF accounting records which shall be segregated from other Kewaunee County accounts, and report to the Wisconsin Department of Administration regarding the use of the program.
- (5) Kewaunee County attorney shall prepare all loan agreements, review all promissory notes and mortgage or lien instruments, and counsel the County on default matters.
- (6) The administrator shall be responsible for the verification of the use of the funds, such as equipment, etc., financed with program funds.

### **2.2 MEETINGS**

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

## 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 as confidential records with limited access by authorized personnel. The County Attorney shall be consulted in regard to compliance with state and municipal open records laws.

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

(1) Loan Package: All credit and loan information submitted to Kewaunee County, including all applicable correspondence, shall be placed in a permanent file.

(2) Loan Closing: The Kewaunee County attorney will be responsible for all loan closings. The administrator will assist in assembling the legal documentation for the loan closings, as well as recording all loan closing documents. All legal documents from the loan closing, including all applicable correspondence, shall be placed in a locked, fireproof safe.

All loan recipients will be required to enter into a loan agreement with Kewaunee County. The collateral requirements will be determined on an individual basis and may include: mortgages on land and buildings, liens on machinery and equipment, and liens on accounts receivable and inventory. This collateral may be subordinated to private sector financial institutions participating in the project to a reasonable extent, if required. Personal guarantees from the principals of the business usually will be required. In addition, key-person life insurance coverage naming Kewaunee County as a beneficiary, with a declining balance equal to the outstanding loan balance, and junior liens on all corporate assets may be used where appropriate. Finally, businesses receiving loans for fixed assets will be required to obtain property-casualty insurance for the appraised value of the property being financed, and have Kewaunee County listed as an additional insured or loss payee or mortgagee, whichever is applicable.

Copies of the loan closing documents will be provided to the loan recipient, along with an invoice, if applicable, for loan closing and servicing fees and an amortization schedule.

(3) Tickler File System: A tickler file system shall be established and maintained to ensure that financial information, loan agreement and collateral review requirements, and UCC continuations are tracked and obtained as required. The system should include the following monthly coded index files for:

- 1) expiration dates for property, casualty and life insurance policies;
- 2) due dates for all financial statements;
- 3) expiration dates for UCC financing statements, with a check three months before expiration;
- 4) dates of annual loan performance and covenant reviews;

- 5) annual dates of field visits;
- 6) due dates for property tax payments and notification from borrower for documentation of property tax payments;
- 7) review dates for job monitoring; and
- 8) dates on which loan recipients will be notified of changes in repayment amounts.

(4) Financial Statements: All loan recipients will be required to submit periodic financial statements to Kewaunee County. The administrator will provide a financial analysis and compare the statement with historical trends and budget.

(5) Progress Reports: Loan recipients will be required to submit periodic progress reports during the outstanding term of the loan (Schedule D). Kewaunee County will also make annual on-site inspections as described below. The administrator will provide progress reports to the Committee and annual reports as prescribed to the Wisconsin Department of Administration.

(6) Field Visits: Site visits shall be conducted periodically 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.

1) Repayment Monitoring: All loans must be paid within 30 days of the due date. Late payment penalties will be levied for payments that are overdue. Kewaunee County will notify the loan recipient in writing of the deficiency and the action that will be taken should the payment not be made. Should a late payment penalty be levied, Kewaunee County will contact the loan recipient to determine the reason for the delayed payment. Contact will then be made with the participating lender to determine if the first matching loans are current and to alert the lender of a potential problem. All payments shall be applied first to accrued late payment penalties, then to interest accrued, and then to principal.

(7) Loan Assessments: All loans will be assessed on an annual basis (Schedule B), and at such other times as may be deemed necessary by Kewaunee County. The annual assessment will follow receipt of the fiscal year-end financial statement, the year-end progress report, and the annual field visit. The following criteria will be used to determine the status of all loans: 1) timeliness of monthly payments; 2) maintenance of collateral securing the loan; 3) overall financial condition of the business; 4) presence of material liens or lawsuits; and 5) violations of loan covenants. If the business is experiencing problems with any of the above criteria, Kewaunee County will work with the loan recipient to determine the actions that are needed to correct the identified deficiencies, including possible restructuring of the loan as defined in the Kewaunee County Revolving Loan Fund Plan. If appropriate, Kewaunee County will arrange for counseling assistance either through the University of Wisconsin-Extension, Small Business Development Center (SBDC) the Service

Corp of Retired Executives (SCORE), or other services available.

Should the loan recipient default on the CDBG-ED or RLF loan, the account will be turned over to the Kewaunee County attorney for legal action in order to recover loan proceeds through the liquidation of collateral and the exercising of personal guarantees.

#### **2.4 ADMINISTRATION / COSTS**

The administrator will be responsible for day-to-day administration of the CDBG- ED and RLF portfolio, including establishment and maintenance of record keeping and tickler file systems, preparing and submitting progress reports, collecting and analyzing financial statements, conducting field visits, monitoring repayments on CDBG-ED and RLF loans, and working with problem loans.

- (1) Up to twenty (20) percent of program income, including the principal and interest payments, each year may be used for direct loan administrative costs, including the following:
  - (a) Legal costs for preparing loan documents.
  - (b) Consulting fees to review business plans and to provide technical assistance.
  - (c) Office supplies and expense such as copying, typing, mailing, etc.
  - (d) Training costs related to the administration of the RLF Program.
- (2) If necessary, for the successful administration of the program, Kewaunee County may also establish a loan origination fee. Fees would be one-time fees and may vary with the complexity of the loan package. However, all fees must go through the RLF.

### **SECTION 3. ELIGIBILITY**

#### **3.1 ELIGIBLE AREA**

Eligible activities shall take place within the corporate limits of Kewaunee County.

#### **3.2 ELIGIBLE APPLICANTS**

- (1) Applications may be submitted by the Owner(s) or Chief Executive Officer of any business or industry wishing to establish a new operation or expand an existing operation in Kewaunee County.
- (2) No member of the governing body, loan review committee, or any other official, employee, or agent of Kewaunee County who exercises decision- making functions or responsibilities in connection with the implementation of this program, is eligible for financial assistance under this program.
- (3) No program loans will be made which are in conflict with Section 946.13 of the

Wisconsin Statutes (Private Interest in Public Contract Prohibited).

- (4) Applicant shall not be discriminated against on the basis of age, race, religion, color, handicap, sex, physical condition, development disability as defined in s. 51.01(5), sexual orientation or national origin.

### **3.3 ELIGIBLE ACTIVITIES**

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

- (1) The acquisition of land, buildings, and fixed equipment.
- (2) The site preparation and construction, reconstruction or installation of buildings and fixed equipment.
- (3) The clearance, demolition, removal or rehabilitation of buildings and improvements.
- (4) The payment of assessments for sewer, water, street, and other public utilities if the provision of the facilities will directly create or retain jobs.
- (5) Working capital (inventory and direct labor costs only).
- (6) Purchase of dairy animals resulting in significant long-term increases in capacity to produce milk.

### **3.4 INELIGIBLE ACTIVITIES**

Program loans shall not be available for the following activities:

- (1) Refinancing or consolidating of existing debt.
- (2) Reimbursement for expenditures prior to loan approval.
- (3) Specialized equipment that is not essential to the business operation.
- (4) Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business or industrial operation).
- (5) Routine maintenance.
- (6) Professional services such as feasibility and marketing studies, accounting, management services, and other similar services. Legal services incurred in the closing of a RLF loan are eligible.
- (7) Other activities that the Loan Review Committee may identify during the administration of the program.

### **3.5 INELIGIBLE BUSINESS**

Program loans shall not be available for the following businesses:

- (1) Speculative investment companies.
- (2) Real estate investment companies.
- (3) Lending institutions.
- (4) Gambling operations.
- (5) Non-public recreation facilities.
- (6) Other businesses not serving the interests of the Community.

### **3.6 MINIMUM REQUIREMENTS**

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

- (1) Private Funds Leveraged. The applicant must leverage a **minimum of one (\$1.00) dollar of private funds for every one (\$1.00) dollar of loan funds requested.** Higher Leverage may be required at the discretion of the Loan Review Committee.
- (2) Cost Per Job Created. At least **one (1) full-time permanent position or full-time equivalent must be created for every \$35,000 of program funds requested.** The Committee may require lower job cost where warranted, (i.e. taking into consideration type of jobs, hourly wage, etc.)
- (3) 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.
- (4) Low and Moderate Income (LMI) Benefits. Each project must demonstrate that it meets the CDBG-ED national objective of benefiting low to moderate income persons as defined by CDBG regulations.

The project shall create jobs, at least 51% of the jobs will be held by or Made Available to LMI Persons.

“LMI Persons” means persons with household income less than eighty (80) percent of the median household income by family size in the County where the Project is located.

“Made Available to LMI Persons” means the Borrower will document that at least 51% LMI Persons were hired or Received First Consideration by interviewing at least 51% LMI Persons for created positions that do not require special skills or education beyond high school.

“Received First Consideration” means the Borrower must document and use a hiring practice that results in at least 51% LMI Persons interviewed for created positions and demonstrate that under usual circumstances this hiring practice will result in at least 51% LMI persons being hired. Part of the Borrower’s hiring practice must include the posting of available positions with the local Job Service Office or

Workforce Development Board.

The following documentation evidencing compliance must be collected:

A listing of all job titles which were planned to be held by or made available to low to moderate income persons, a commitment to hire or make at least 51% of jobs available to low to moderate income persons, a written plan for how such persons were given first consideration for jobs including what hiring process was used, a list of the low to moderate income persons interviewed for particular positions, including the size and annual income of the person's family prior to interviewing for the position.

- (5) Compliance With Applicable Laws. Applicant shall comply with all applicable local, state, and federal laws and codes.
- (6) Project Completion. Projects shall be completed within 24 months from the date of the loan approval. Applicant shall provide Kewaunee County a schedule not exceeding 24 months for project completion. Timetable should include a hiring schedule, construction completion schedule and any pertinent information and dates relating to the proposed project.
- (7) Federal Anti-Piracy. The borrower must certify that it does not have immediate plans to relocate jobs in violation of CDBG Anti-Piracy regulations. The following language will be included in all agreements with the borrower. "The Borrower certifies it is and will maintain compliance with CDBG Anti-Piracy regulations as stated in 24 CFR 570.482(h). Violation of this regulation will constitute an Event of Default."

## **SECTION 4. TERMS AND CONDITIONS**

### **4.1 DEFINITION**

Direct loans are available to eligible applicants meeting all the minimum program requirements.

### **4.2 CONDITIONS**

Loan proposals should be based on need and ability to repay. Minimum standards include the following:

- (1) Loan Amount. Loan amounts are subject to the availability of program funds.
- (2) Interest Rate. The interest rate shall be negotiable, depending on the need of the company, between the prime rate as published in the Wall Street Journal at the time the contract is signed and 4%.
- (3) Terms for Loans.
  - (a) Working capital shall have a maximum term of seven years.
  - (b) Machinery, equipment and fixtures, and livestock shall have a maximum term of ten years.

- (c) Real estate loans shall have a maximum term of 10 years which can be amortized on a 20-yr basis with the option of refinancing for an additional 10 years.
- (d) But in any case, not longer than the term of private financing.
- (4) Period of Payment. The repayment schedule shall be set up for monthly payments. ACH payments are required.
- (5) Repayment. Payment of interest and/or principal may be deferred for up to two (2) years if justified in the loan application. Interest shall accrue during the deferment period and shall be added to the principal amount of the loan. Thereafter, interest and principal shall be collected for the remaining term of the loan.
- (6) Prepayment. No loan shall be subject to any penalty for prepayment prior to the term of the project.
- (7) Collateral. Reasonable security will be required for each loan. Collateral may consist of a first or second lien on all assets to be purchased with loan proceeds, liens on all other assets owned and used in the business. Personal guarantees will be required on all new loans

## **SECTION 5. APPLICATION PROCEDURES**

### **5.1 DISCUSSION OF REQUIREMENTS**

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

### **5.2 TIMING**

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

### **5.3 PRIORITY**

Applications shall be reviewed in the order received. In the event that funds requests exceed available funds, the following criteria will be used to determine which business(es) will be awarded the loan(s):

- (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 jobs are to be created.
- (5) The extent to which the loan can be secured.

- (6) Evidence of ability to repay the loan.
- (7) Size of the loan requested.
- (8) Timing of the proposed expenditures.
- (9) Completeness of application.
- (10) Other factors as deemed appropriate.

#### **5.4 LOAN PACKAGE**

Applicants shall submit a loan package consisting of the following information:

- (1) Application. A completed application form as provided by the administrator.
- (2) Business Description. A written description of the business, including the following:
  - (a) A brief history of the existing or proposed business, including when it started or is to start, type of operation, legal structure, markets, and products.
  - (b) Key customers and clients.
  - (c) A personal resume of each principal associated with the business, including: number of years of experience; educational background; and personal involvement in the proposed or existing business.
  - (d) The Administrator shall require, depending on the size of the business or the proposed project, three years of federal income tax statements(if applicable) or three years of financial history (if applicable) reviewed or audited in accordance with generally accepted accounting principles by an independent accountant and including balance sheets, profit/loss statements and accountant notes.
- (3) Project Description. Explain how the business plans to use the requested funds.
- (4) Commitments from Private Lenders. Include documentation of commitments from all private lenders making loans to the project. Lender commitment letters should include:
  - (a) Description of the type of loan being made by the lender (first mortgage, permanent financing, construction financing, etc.)
  - (b) The amount of the loan, interest rate, term, and security.
  - (c) Statement that private financing or investment is contingent only on the receipt of RLF program financing.

- (5) Projections. Provide a balance sheet & income statement and cash flow statement to show clearly that the requested loan is necessary to make the project work. These should cover a three-year period or until a break-even point is reached and should be based on the assumption that the business will receive the requested loan. The administrator may require that the projected financial statements be signed by an independent accountant.
- (6) Additional Information. Additional information as may be required by the Loan Review Committee, or the administrator.

## **5.5 REVIEW PROCESS**

Specific steps in the review process include the following:

- (1) Preliminary Review. The administrator will review the application for completeness and verify that the proposed project meets the minimum requirements provided in Section 3.6. If the application is not complete, the Administrator will inform the applicant of the deficiencies.
- (2) Formal Review. The Loan Review Committee will meet for formal review of the application within 30 days of the receipt of a completed application. Once the review is completed and the proposal is acceptable for funding, the Loan Review Board will forward the proposal to the governing body for final approval.
- (3) Notice of Award. If the application is approved, a meeting will be arranged to execute the necessary loan documents.
- (4) Negotiation of Terms. Upon acceptance by the governing body, the administrator will contact the business in writing to negotiate and arrive at a consensus on terms of the loan.
- (5) Rejection of Award. If the application is not approved, the Administrator will send a letter to the applicant stating the reasons for rejection.

## **SECTION 6. DISTRIBUTION OF FUNDS**

### **6.1 LOAN PROCEDURES**

Prior to releasing funds, the following terms and conditions must first be met:

- (1) Notice of Award. The Loan Review Committee must have reviewed and approved a complete application for an eligible applicant.
- (2) Loan Agreement. The Kewaunee County attorney shall prepare a loan agreement which shall be executed by the CEO, Clerk and the Chief Executive Officer of the business.
- (3) Promissory Note. A promissory note shall be prepared and approved by the Kewaunee County attorney. The promissory note must be signed by the Chief Executive Officer at the time of loan closing. The note must be dated; it must

reference the agreement between Kewaunee County 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 must be prepared by the Kewaunee County attorney and executed at the time of the loan closing. The Kewaunee County 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 as may be appropriate.
- (5) Repayment Schedule. A loan repayment schedule shall be prepared by the administrator. At the closing, the repayment schedule shall be dated and initialed by both the CEO 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 prior to the release of funds. Documentation shall include invoices, receipts for materials, approved requests for payment, final bills of sale or canceled checks. All documentation shall be reviewed and approved by the administrator.
- (8) Fixed Equipment. Fixed equipment financed with program funds must have been purchased, delivered, and installed. The administrator shall verify the installation of fixed equipment.
- (9) Title opinion by Kewaunee County attorney when necessary.
- (10) Miscellaneous documents from business may include:
  - (a) Good standing certificate from the Department of Financial Institutions.
  - (b) Articles of Incorporation and By-Laws.
  - (c) Board resolution and Secretary's certificate.
  - (d) Current financial statement.
  - (e) Evidence of private funds.
  - (f) Environmental Assessment for real estate loans that will meet the Kewaunee County requirements.

- (11) Loan Closing: The administrator will schedule a loan closing. All documents will be executed before funds are disbursed, 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 above mentioned terms and conditions, all applicants shall agree to comply with the following:

- (1) The applicant is expected to create or retain the obligated number of jobs within **24 months** of the date of the execution of the loan agreement with Kewaunee County.
- (2) The applicant shall not discriminate on the basis of age, race, religion, color, handicap, sex, physical condition, and developmental disability as defined in s. 51.01(5), sexual orientation or national origin in any employment or construction activity related to the use of industrial or business loan funds.
- (3) The applicant shall use the loan money only to pay the cost of services and materials necessary to complete the economic development activities for which the loan funds were awarded and shall permit Kewaunee County the right of audit/inspection to verify compliance.
- (4) The applicant shall permit inspections by persons authorized by Kewaunee County 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 applicant within four (4) working days of the request.
- (5) The applicant shall keep such records concerning the economic development work as may be requested by Kewaunee County. These files shall be maintained for at least three (3) years after completion of the work for which the loan has been obtained.
- (6) The applicant shall submit periodic progress reports to the administrator. These reports shall give an update on the project and shall include minimum current and projected employment levels and the financial statements.
- (7) The applicant shall maintain fire and extended coverage insurance on the project property required during the term of the business loan. Kewaunee County shall be listed as Loss Payee, Mortgagee, or "additional" insured

on the policy. Term life insurance may be required of the applicant to cover the loan balance through the life of the loan.

- (8) To abide by all federal and state laws, when applicable. These include, but may not be limited to: The Civil Rights Act of 1964; the Age Discrimination Act of 1975; the Davis-Bacon Act, as amended; the Contract Work Hours and Safety Standards Act; the Copeland "Anti- Kickback" Act; and, all regulations pursuant to these Acts.
- (9) Applicant must abide by all federal laws, when applicable. These include, but may not be limited to: The Civil Rights Act of 1964; the Age Discrimination Act of 1975; the Davis-Bacon Act, as amended; the Contract Work Hours and Safety Standards Act; the Copeland "Anti- Kickback" Act; and, all regulations pursuant to these Acts.
- (10) To collect the attached self-certification forms from every applicant for each job created by CDBG funds.

## **SECTION 8. PERFORMANCE MONITORING**

### **8.1 PRIVATE LEVERAGE COMMITMENTS**

The administrator 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 HIRING OF NEW EMPLOYEES**

The Administrator shall monitor the borrower's progress in meeting agreed upon job creation or retention goals. Job creation must be documented using payroll records. Before-project and after-project payroll records should be provided by the borrower to document job creation. Failure of the business to provide the targeted number of jobs may be a condition for default unless the business can show it made a good faith effort to create the targeted number jobs but did not succeed due to reasons beyond its control. In all hires the borrower must meet the LMI requirement. *In addition, to ensure compliance with the LMI requirements, employers must collect the attached self- certification forms from every applicant for each job created by CDBG funds.*

### **8.3 DEFAULT**

- (1) In addition to other grounds specified in the loan agreement, the following shall be considered a default:
  - (a) Failure of the business to make any payment of principal or interest within 30 days after the payment is due and payable.
  - (b) Defaulting on other loans with private lenders.
  - (c) Cessation of operations or movement of the business from Kewaunee

County.

- (d) The business is sold.
- (2) In the event of a default, all sums due and owing, including penalties, Kewaunee County shall, at Kewaunee County's option, become immediately due and payable. To exercise this option, the Kewaunee County attorney shall prepare a written notice to the company. The notice shall specify the following:
- (a) The default.
  - (b) The action required to cure the default.
  - (c) A date, not less than forty-five (45) 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, jobs, etc.

## **SECTION 9. REUSE OF FUNDS**

### **9.1 ACTIVE PROGRAM**

Repaid funds shall be deposited into a revolving loan fund account and used in a manner consistent with the policies and procedures manual. A separate accounting record shall be kept so that a clear auditable account can be maintained to show how funds have been collected. The revolving loan fund account shall be audited on an annual basis and the Administrator shall provide reports at times and on forms as required by the State of Wisconsin. The results of the audit shall be presented to the Revolving Loan Fund Committee.

## **SECTION 10. LOAN SERVICING**

### **10.1 SERVICING FILES**

The Administrator shall obtain information on the continuing operations of the borrowers to ensure compliance with the loan to adequately protect Kewaunee County's security interest in all loans granted (Schedule A). The servicing will also ensure that all requirements are met on the ongoing filing and recording of documents needed to perpetuate the secured position of Kewaunee County.

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; and documentation for job creation and retention including low and moderate income certifications forms.

### **10.2 RECORD KEEPING**

In addition to the above financial management records must include a

comprehensive system designed to provide the following RLF information for each loan recipient:

Revolving Loan Fund Journal. This journal shows all deposits and disbursements to and from the RLF, including funds used for RLF administration. It also provides a current balance statement.

CDBG Loan Repayment Registers. This register charts 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.

Collection Ledger. This collections ledger shows the total of all awards for which you have used the CDBG-ED and RLF. Each award is detailed with business name, terms, loan amount, loan date, and date repayment begins. Payments are divided into principal and interest payments with a declining principal balance.

RLF Loan Repayment Registers. This register charts 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.

# LOAN CLOSING DOCUMENTATION CHECKLIST

PROGRAM:

AGENCY REP:

Date Requested	Date Received	If Recording Required:		Not Applicable
		Date Recorded	Date Returned	

**FOUNDATION DOCUMENTATION**

Financial Statements	_____	_____	_____	_____	_____
Certificate of Corporate Good Standing from Sec. of State	_____	_____	_____	_____	_____
Loan Commitment Letter	_____	_____	_____	_____	_____
Loan Agreement	_____	_____	_____	_____	_____
Borrowing Resolution or Agreement	_____	_____	_____	_____	_____
Certified Copy of Resolution Authorizing Actions Taken	_____	_____	_____	_____	_____
Sole Ownership Affidavit	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____

**GUARANTEES/DEBT SUBORDINATION**

Unlimited, Limited, or Specific Guarantee	_____	_____	_____	_____	_____
Spousal Consent	_____	_____	_____	_____	_____
Debt Subordination	_____	_____	_____	_____	_____
Authorizing Resolution or Agreement	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____

**POSSESSORY COLLATERAL INCLUDING LIFE INSURANCE**

Possession of Policy	_____	_____	_____	_____	_____
Assignment of Policy as Collateral	_____	_____	_____	_____	_____
Transmittal Letter and Request for Acknowledgment and Policy Information	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____

**NONPOSSESSORY COLLATERAL**

Release of Prior Lender Filings	_____	_____	_____	_____	_____
Security Interest Subordination Agreement	_____	_____	_____	_____	_____
Business Chattel Security Agreement	_____	_____	_____	_____	_____
Selective Business Security Agreement	_____	_____	_____	_____	_____
Financing Statement	_____	_____	_____	_____	_____
Financing Statement Fixtures - Real Estate Records	_____	_____	_____	_____	_____
Motor Vehicle Perfection	_____	_____	_____	_____	_____
Insurance Binder on Collateral	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____

**REAL ESTATE**

Survey	_____	_____	_____	_____	_____
Appraisal	_____	_____	_____	_____	_____
Casualty Insurance Binder	_____	_____	_____	_____	_____
Title Insurance Binder	_____	_____	_____	_____	_____
Title Insurance Policy	_____	_____	_____	_____	_____
Title Opinion Based on Abstract	_____	_____	_____	_____	_____
Check of Legal Description on Survey Against Deed Against Mortgage Against Title Insurance Binder	_____	_____	_____	_____	_____
Environmental Audit	_____	_____	_____	_____	_____
Mortgage	_____	_____	_____	_____	_____
Business Real Estate Security Agreement	_____	_____	_____	_____	_____
Flood Plain Certificate	_____	_____	_____	_____	_____
Flood Plain Notice	_____	_____	_____	_____	_____
Real Estate Mortgage Subordination Agreement	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____

**NOTE DISBURSEMENTS**

Business Note	_____	_____	_____	_____	_____
____ Statement	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____

COMPLETED BY:	DATE:
RENEWED BY:	DATE:

**Schedule B**  
**Loan Review Report**

Loan Recipient:

1. Monthly Payments Current?	Yes	No
2. Quarterly Financial Statements Current?	Yes	No
3. Annual Reviewed Financial Statements Received?	Yes	No
4. Progress Reports Received?	Yes	No
5. Annual Field Visit Completed?	Yes	No
6. Insurance Renewed; Property-Casualty?	Yes	No
7. Amount of Property-Casualty Insurance?	\$	
8. Property Taxes Paid?	Yes	No
9. New and LMI Jobs Created?	Yes	No
10. Jobs Retained for 12 Months?	Yes	No
11. Loan Payments Current for First Lien Holders?	Yes	No
12. Events of Default, Actions Pending, or Promissory Notes Prematurely Called?	Yes	No
13. Going Concern?	Yes	No
14. Change in Ownership?	Yes	No
15. Incurred Additional Indebtedness?	Yes	No
16. Amount of Annual Officers' Compensation? Contract Amount?	\$ \$	
17. Outside Employment for Officers?	Yes	No
18. Other Distributions of Equity?	Yes	No
19. Any Prohibited Loans or Advances?	Yes	No
20. Any Prohibited Rentals or Leases?	Yes	No
21. Documentation Received for Letters of Credit?	Yes	No
22. Adequate Collection on Accounts Receivable?	Yes	No
23. Vendors Paid in a Timely Fashion?	Yes	No
24. Inventory Control?	Yes	No
25. Positive Operating History?	Yes	No
26. Sales Growth?	Yes	No
27. Profitability Control?	Yes	No
28. Business Control Expenses?	Yes	No
29. Business Truly Profitable?	Yes	No

## Schedule C

### Field Visit Report

Date:

Loan Recipient:

Name:

Address:

Contact:

Phone No.:

Collateral Funded:

Comments on Presence and Condition of Collateral:

Number of Jobs Created or Retained Contract Goal:

Number of Jobs Created or Retained Actual: Comments  
on Deviations:

Property Casualty Insurance Current and in an Adequate Amount?

Yes

No

Financials Current and Represent Proper Entities?

Yes

No

Comments:

Property Taxes Paid?      Yes      No

First Lien Note Current?      Yes      No

Firm in Need of Additional Assistance?

    Financing:              Yes      No

    Counseling:             Yes      No

Additional Areas of Discussion:

