

County of Wood
Community Development Block Grant
for Economic Development (CDBG-ED)
Revolving Loan Fund Manual

*Adopted by Wood County Board of Supervisors
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FORWARD

The Wisconsin Community Development Block Grant (CDBG) Program, administered by the Wisconsin Department of Commerce, provides local government with funds to use for economic development, more specifically, for business start-ups and expansion. These funds, received from the U.S. Department of Housing and Urban Development, 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 loan (principal and interest payments) to the County, the funds are used to capitalize a local revolving loan fund (RLF). With the RLF, the county can make additional loans to businesses wishing to expand or locate in the community. When successfully administered, the county'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 county 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 county becomes a "bank" and accepts all of the responsibilities of a commercial lender when it makes a CDBG or RLF loan to a business.

The Wood County RLF Program makes funds available to businesses as a revolving loan fund (RLF) throughout Wood County. The funding is used for projects in the county that create additional employment opportunities, leverage additional private investment in the county, expand the county's tax base and provide for the merchandising of products to the many households in Wood County. The RLF can also be used as a means for business and industry to begin, continue, or expand operations where conventional financing is insufficient, unavailable, or not feasible. Wood County, as the RLF lender, has the ability to set loan terms, interest rates, payment schedules, and to accept subordinate collateral positions.

This manual is designed to outline the administration of the Wood County Revolving Loan Fund Program with general provisions addressing administrative practices, basic eligibility criteria, application procedures, loan processing and loan performance monitoring, and servicing procedures.

For further assistance and guidance, please contact:

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OVERALL GOALS FOR ECONOMIC DEVELOPMENT

The following goals and objectives are adopted by resolution of the Wood County Board of Supervisors to stimulate County economic growth:

1. County Growth and Development
 - A. Encourage the location of industries or other commercial uses in Wood County.
 - B. Encourage the retention and development of “living wage” employment opportunities within Wood County.

2. Economic Development
 - A. Support the development of land for business/industrial development in conformance with adopted comprehensive plans
 - B. Encourage industrial and non-retail businesses to locate in Wood County.
 - C. Encourage the provision of goods and services in central business districts that support the community’s comprehensive plan.
 - D. Attract higher technology and higher value-added industries.

SECTION 1. GENERAL PROVISIONS

1.1 PURPOSE

The purpose of these policies and procedures is to present the criteria that govern the economic development activities that are assisted with funds made available through the Wood County's Revolving Loan Fund (RLF) program.

1.2 OBJECTIVES

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

- (1) To encourage the creation and retention of permanent jobs, which provide a wage, appropriate to the skills and experience of the local labor force and that is competitive. 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 the County in the form of fixed asset investment, particularly in land and buildings.
- (3) To perpetuate a positive and proactive business climate which encourages the retention and expansion of existing businesses and helps to attract desirable new businesses.
- (4) To implement the County's Economic Development Plan 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 and use of modern technology and create safe work environments.
- (7) To assist and encourage business and industry to upgrade, remodel, or expand their present facilities in an effort to increase sales and develop a need for additional fulltime employees or the retention of existing employees.

1.3 PRIORITIES FOR USE

The County of Wood has identified priorities for the use of revolving loan funds. The County's first priority is to retain jobs in the County that would otherwise be lost. The County's second priority is for projects that are designed to create jobs in existing businesses. The County's third priority is to use revolving loan funds for projects that create new jobs through location of new companies in Wood County.

1.4 AMENDMENTS AND MODIFICATIONS

The County may from time to time amend the provisions imposed by the policies and procedures contained within the RLF manual and such amendments are subject to prior written approval by the Wisconsin Department of Commerce, administrator of the

Wisconsin Community Development Block Grant Program (CDBG) that provides the funds used to capitalize the RLF.

SECTION 2. ADMINISTRATION

2.1 LOAN REVIEW BOARD

- (1) The Loan Review Board (LRB) shall be comprised of the Chairman of the Wood County Transportation & Economic Development Committee, two commercial bankers and two businesspersons. The Chairman of the Transportation & Economic Development Committee shall chair the LRB. The County Board Chairman shall appoint the other members to the LRB for two-year staggered terms, with concurrence from the Wood County Board of Supervisors.
- (2) The Loan Review Board shall have the authority to review, select and recommend loan applications to the County Board for their approval, pursuant to s. 5.5 (2). The Board shall also have the authority to make policy recommendations for the administration of the program. Periodic activity reports prepared by the RLF Administrator shall be provided to members of the County Board. The Loan Review Board may request the presence of other County staff for any matters it deems necessary.
- (3) The RLF Administrator shall be the Wood County Planning & Zoning Director. The RLF Administrator shall explain the program to prospective applicants, provide written information, assist applicants in completing applications, and process requests for financing. The Administrator, where necessary and appropriate, shall counsel or guide loan applicants to other more appropriate technical and financial resources when the loan applicant has needs beyond those available from the RLF program.

The RLF Administrator shall maintain the official records of the activities of the RLF program and record all security instruments and maintain all completed loan applications and supporting documents. The Administrator shall also maintain records related to the expenditures of the RLF monies for program administration purposes.

- (4) The Administrator and County Finance Officer shall periodically review all financial statements and loan amortization schedules of RLF loan recipients, review and approve documentation of loan draw-downs and overall program expenditures financed with RLF proceeds, record RLF security instruments, maintain separate RLF accounting records, advise the County Board and Loan Review Board on default matters, and report semi-annually to the Department of Commerce regarding the use of the RLF funds.

The LRB shall meet, at a minimum, on a quarterly basis, to review RLF program activities.

- (5) The County Corporation Counsel shall prepare all loan agreements, review all promissory notes and mortgage or lien instruments, and counsel the Loan Review

Board, the RLF Administrator and appropriate Wood County departments and committees on default matters.

2.2 MEETINGS

Loan review meetings shall be held on an as-needed basis. A majority of the members shall constitute a quorum. A majority of the Loan Review Board in attendance at a meeting constituting a quorum shall be required for official Board action. Vacant positions on the Board shall be counted in determining the total number of Board members.

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 should be maintained in a secure place with limited access to authorized personnel. The County Corporation Counsel shall be consulted in regard to compliance with state and municipal open records laws.

The applicant's portfolio shall contain the following:

- (1) Loan Application File: All application, business financial statements, personal financial statements, credit reports, business plan documents, and other supporting loan information submitted to the County, including all applicable correspondence, shall be placed in a permanent file.
- (2) Loan Recommendation File: This file contains a summary of the analysis, recommended actions for the application, a copy of the minutes for the Loan Review Board meeting summarizing the action taken on the loan request, and a copy of the County Board resolution authorizing final approval of the loan.
- (3) Loan Closing File: This file contains copies of all loan-closing documents, including security instruments, the note and other applicable correspondence and shall be placed in a locked, fireproof safe. The County Corporation Counsel helps create and complete this file to insure 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.
- (4) "Tickler File" System: A tickler file system will be 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. The tickler system includes the following:
 - A. Expiration dates for property, casualty and life insurance policies;
 - B. Due dates for all financial statements;
 - C. Expiration dates for UCC financing statements, the reminder to update being at least 45 days prior to the expiration of the UCC filing on hand;
 - D. Scheduled dates of annual loan performance and covenant reviews;

- E. Dates for site visits;
 - F. Review dates for job monitoring; and
 - G. Dates on which loan recipients will be notified of scheduled changes in the loan amortization scheduled per loan agreements.
- (5) Financial Statement File: This file contains the business' periodic financial statements as required by the loan covenants with a statement indicating that the RLF administrator reviewed the data.
 - (6) Progress Report File: Loan recipients may be required to submit periodic progress reports during the outstanding term of the loan. The County may make periodic site visits to verify information in the progress report and financial statements. The County representatives making the visit will document site visits in writing.
 - (7) Repayment Monitoring File: This file includes the loan amortization schedule, status of payments, and the outstanding balance of the loan.

At the discretion of the Administrator, observations and notations suggesting concerns or problems may be placed in the tickler file as a reminder of the need to provide continued monitoring. If loan payments are made, there may be a file of payment receipts and there may be a system in place to insure the timely notification of payments to the RLF Administrator. The Administrator will notify the loan recipient, in writing, of a deficiency and of corrective actions. Should there be a late payment, the Administrator may contact the loan recipient to determine the reason for the delayed payment. Contact may need to be made with other participating lender(s) to determine if their loans are current and to alert the lender of a potential problem. All payments shall be applied first to accrued late payment penalties, if any, then to interest accrued and then to principal.

- (8) Loan Review File: All loans are to be reviewed on an annual basis and at such other times as may be deemed necessary by the Loan Review Board.

If the business is experiencing problems with any of the above criteria, the RLF Administrator is to work with the loan recipient to identify actions that are needed to correct the identified deficiencies. Corrective actions may be achieved through restructuring or, if necessary, foreclosure actions.

2.4 ADMINISTRATION

Local funds may be used in situations when loan repayments are insufficient to cover administrative costs. Administrative expenses of fifteen (15) percent of program income may be used for direct loan administrative costs. In addition to paying costs for a RLF Administrator and related administrative expenses, these funds may be used for the following:

- (1) Legal costs.
- (2) Consulting fees for credit analysis, business plan reviews and technical assistance.

- (3) Office supplies, copying, typing, mailing, and related.
- (4) Training costs.
- (5) Up to 2% of the 15% may be used for marketing.
- (6) A non-refundable \$100 application and processing fee will be charged and deposited into the RLF at the time of the application.

To generate additional revenue to cover administrative costs, the County may also establish loan origination fees, closing fees, servicing fees, and other fees to cover charges directly related to either processing an application or servicing a loan. All fees collected go to the RLF. The accounting of the fee revenue placed in the RLF should include separate line items to track administrative expenses recovered.

SECTION 3. ELIGIBILITY CONSIDERATIONS

3.1 ELIGIBLE AREA

The area served by the RLF program shall be within the County of Wood.

3.2 ELIGIBLE APPLICANTS

- (1) The sole proprietor or Chief Executive Officer of any business wishing to establish a new operation or expand an existing operation in Wood County may submit applications.
- (2) No member of the Wood County Board of Supervisors, Loan Review Board, or any other official, employee, or agent of the 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) Applicants shall not be disqualified based on age, race, religion, color, handicap, sex, physical condition, development disability as defined in s. 51.01(5), Wis. Stats., 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) Site preparation and the construction or reconstruction of buildings or the installation of fixed equipment.

- (3) Clearance, demolition, or the removal of structures or the rehabilitation of buildings and other such 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).
- (6) Legal services incurred in the closing of a RLF loan are eligible.

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 Board may identify during the administration of the program.
- (8) Payroll costs.

3.5 INELIGIBLE BUSINESSES

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 County.

3.6 MINIMUM REQUIREMENTS

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

- (1) Private Funds Leveraged. The applicant must leverage a minimum of two dollars of private funds for every one dollar of loan funds requested. Higher leverage may be required at the discretion of the Loan Review Board. Personal equity from the applicant shall be in an amount at least equal to 20% of the total project cost or a showing that additional private equity is not possible. Equity can include a private loan, which is subordinated to the RLF-ED loan(s), or other matching funds available to the applicant.
- (2) Cost Per Job Created or Retained. At least one (1) full-time permanent position or full-time equivalent must be created for every \$20,000 of program funds requested. The Board 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 all its debt obligations.
- (4) Low and Moderate Income (LMI) Benefits. The project shall provide increased permanent employment or will retain existing jobs, which would have been lost locally. Of the jobs created or retained, at least 51 percent of those jobs, based on the money loaned, must be made available to low to moderate income persons, (as defined by household incomes published by the U.S. Housing and Urban Development and available through the Wisconsin Department of Commerce).
- (5) Compliance with Applicable Laws. Applicants 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. Applicants shall provide the County a project implementation schedule not exceeding 24 months for project completion and job creation, and maintain the positions created for 24 months. The Loan Review Board may extend this deadline, based on circumstances beyond the control of the applicant.

SECTION 4. TERMS AND CONDITIONS

4.1 TERMS AND CONDITIONS

Direct loans to industries or businesses are available to eligible applicants meeting all the minimum program requirements. Loan proposals from applicants should be based on the merits of the company for the loan and the ability of the company to repay its loans. In making your loan proposal, keep in mind the following "best possible" terms and conditions:

- (1) Loan Amount. Loan amounts are subject to the availability of program funds.

- (2) Interest Rate. The interest rate may be fixed or graduated on a fixed schedule. In no case shall the interest rate be less than 4% nor greater than 2% above the prime rate at the time the loan agreement is signed.
- (3) Terms for Loans. The length of loan repayment shall be no longer than the term of the private financing. In no case shall the term exceed 10 years (amortization not to exceed 20 years). The term of the loan cannot exceed the blended life expectancy of the security pledged for the loan.
- (4) Period of Payment. Terms may include longer amortization schedules with balloon payments. Amortization schedules shall be set up for monthly payments.
- (5) Frequency of Payment: The repayment schedule shall be set up for monthly payments.
- (6) Repayment. Payment of interest and/or principal may be deferred for up to one (1) year, if justified in the loan application. Interest shall 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.
- (7) Prepayment. There shall be no prepayment penalties.
- (8) Collateral. Reasonable security will be required for 100% of the loan. Collateral shall, at least, consist of a first or second lien on all assets to be purchased with loan proceeds; a first or second lien on the company's fixed assets in the City; or lien on all other assets owned and used in the business. Personal guarantee of the person with majority control of the business will be required.

SECTION 5. APPLICATION PROCEDURES

5.1 APPLICATION SUBMITTAL PROCEDURES

- (1) Prior to submitting an application, the applicant shall discuss the RLF-ED program with the RLF Administrator. The Administrator shall provide the applicant with the appropriate application forms and shall assist the applicant, as is reasonable necessary, in completing the application. All financial information should be kept in a secured place with limited access by authorized personnel only. A non-refundable \$100 application and processing fee will be charged and deposited into the RLF at the time of the application.
- (2) After the company has submitted the application, the RLF Administrator shall prepare a summary of the material in the application. The Administrator shall then transmit the summary and copies of the application to members of the Loan Review Board for review prior to the meeting at which the application is to be discussed.
- (3) After review and discussion, the Loan Review Board may approve, table, deny, or modify the requested loan. If an application is not approved, the LRB shall identify

the reasons for not approving and what information is required before they will undertake additional review and discussion of the application. If the loan is approved, the LRB will establish rates, a repayment schedule and other terms and conditions of the loan.

- (4) The Loan Review Board shall hold meetings to review and discuss RLF-ED applications on an as-needed basis, at least quarterly. Such meetings shall be held at a designated location. All members shall be given prior notice of each meeting.

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 and based on readiness for the proposed project to proceed. In the event that loan funds requested 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, and the type jobs and wages.
- (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 by the Loan Review Board.

5.4 LOAN APPLICATION

Applicants shall submit an application using the form available from the RLF Administrator. The application shall include the following information:

- (1) 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 in the business; educational background, and role in the proposed or existing business.
 - D. Three years of financial history including balance sheets, profit/loss statements, cash flow statements and accountant notes.
- (2) Project Description. A description of how the business plans to use the requested funds and a brief description of the project.
- (3) Commitments from Private Lenders. This consists 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, availability, and repayment schedule and amounts. A letter of commitment from the bank must include a statement that without the RLF loan this project cannot proceed.

These commitments shall be obtained concurrently with the negotiation of the terms and conditions of the RLF Program loan to insure the interest of the County are secured.

- (4) Projections. Provide proformas, prepared by an independent consultant, a balance sheet & income statement and cash flow statement. These should cover a three-year period and should be based on the assumption that the business will receive the requested loan.
- (5) Additional Information. The Loan Review Board or the Administrator may require additional information, such as credit reports, appraisals, etc.
- (6) Equity Commitment. Include documentation for the commitment of equity funds or a demonstration that additional equity funding is not possible.
- A. The commitment of new equity can be documented by a letter from a financial institution showing that such funds are available and will be released to the company with the approval of the RLF-ED loan.
 - B. Documentation that no new equity funding is possible can be shown where the principal(s) of a business can document that they have pledged all available resources to the furtherance of the company.

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 Board will meet to review an application within 30 days of the receipt of a completed application or at some other predetermined schedule. Once the review is completed and the proposal is acceptable for funding, the LRB will forward the proposal to the County Board for final approval or disapproval.
- (3) Negotiation of Terms. Upon the tentative acceptance by the governing body, the Administrator will contact the business in writing to review and explain the terms of the loan.
- (4) Notice of Award. If the application is approved, a closing will be scheduled to execute the necessary loan documents.
- (5) Rejection of Award. If the application is not approved, the Administrator 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 Loan Review Board must have reviewed and approved a complete application for an eligible applicant.
- (2) Loan Agreement. The County Corporation Counsel shall prepare a loan agreement, which shall be executed by the County Board Chairman, Clerk and the Chief Executive Officer of the business.
- (3) Promissory Note. A promissory note shall be prepared by the County Corporation Counsel and signed by the Chief Executive Officer or designee of the business at the time of loan closing. The note must be dated; it must reference the agreement between the 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 shall be prepared by the County Corporation Counsel and executed at the time of the loan closing. The County Corporation Counsel, or Administrator, 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. The Administrator shall prepare a loan repayment or amortization schedule after the loan proceeds are fully disbursed. The repayment schedule shall be dated and signed by both the County Board Chairman 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 bills and invoices, purchase agreements or receipts for materials, 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 installation of fixed equipment shall be verified and evidence furnished to the Administrator.
 - (9) Other Documentation. As appropriate or necessary, the borrower may be asked to provide the following:
 - A. A certificate of status from the Department of Financial Institutions.
 - B. The Articles of Incorporation and by-laws.
 - C. A Corporate Board resolution to borrow funds and Corporate Secretary's certificate.
 - D. Current financial statements.
 - E. Evidence of having secured other funds necessary for the project.
 - F. If applicable, an Environmental Assessment for real estate loans that may be a Phase I, II, or III analysis, depending on the environmental condition of the site.

With the above documentation in place, the Administrator will schedule a loan closing. All documents will be executed before funds are disbursed, and mortgages and UCC Statements shall be recorded with the Wood County Register of Deeds and the Department of Financial Institution.

SECTION 7. POST APPROVAL REQUIREMENTS

7.1 OBLIGATION OF LOAN RECIPIENT

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

- (1) The creation or retention of the agreed upon number of jobs within 24 months of the date of the execution of the loan agreement with the County.
- (2) Not to discriminate 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 in any employment or construction activity related to the use of the business loan funds.
- (3) To use the loan money only to pay the cost of services and materials necessary to complete the project or activity for which the loan funds were awarded.
- (4) To permit inspections by persons authorized by the 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. The borrower shall comply with requests for inspection.
- (5) To maintain records on the project as may be requested by the County. 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.
- (6) To submit periodic progress reports to the Administrator in accordance with the schedule in the loan agreement. These reports shall report on project progress including number of jobs created or retained during the loan agreement.
- (7) To maintain fire and extended coverage insurance on the project property required during the term of the loan. The 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 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.

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. In order to verify compliance the Administrator may request such documentation as may be deemed necessary. Job creation must be documented using payroll records. To document job creation, the borrower shall provide before-project and after-project payroll records. Failure of the business to provide the targeted number of LMI level jobs may be a condition for default unless the business can show it made a good faith effort to create the targeted number of LMI jobs, but did not succeed due to reasons beyond its control.

8.3 DEFAULT

In the event the business is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties, shall, at the County's option, become immediately due and payable upon the recommendation of the Loan Review Board and approved by the County Board. To exercise this option, the County Corporation Counsel shall prepare a written notice to the business. The notice shall specify the following:

- (1) The default.
- (2) The action required to cure the default.
- (3) A date, not less than 30-days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action.
- (4) Any penalties incurred as a result of the default, jobs, etc.

SECTION 9. USE OF LOAN REPAYMENTS AND REPORTING

9.1 RLF PROGRAM

Repaid loans and interest shall be re-deposited into the Revolving Loan Fund account and used in a manner consistent with the policies and procedures as defined in this manual. A separate accounting record for each loan shall be kept to account for all funds loaned. The RLF account shall be audited on an annual basis and the Administrator shall provide semi-annual reports to the Department of Commerce, June 30 and December 31, regarding the use of program income. Reports shall be submitted on forms prescribed by the Commerce.

SECTION 10. LOAN SERVICING

10.1 MONITORING

The Administrator shall monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the business to insure continued repayment of the loan. The monitoring will also ensure that all record keeping 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; and documentation for job creation and retention including low and moderate income certifications forms.

10.2 RECORDKEEPING

In addition to the above, the RLF financial management records must be comprehensive and designed to provide the following information:

- (1) A Revolving Loan Fund Register that records all deposits and disbursements to and from the RLF, including funds used for RLF administration.
- (2) A CDBG Loan Repayment Register that records repayments made by each business that has received a loan from the RLF. It also tracks the balance of repayments from all loans from the RLF.
- (3) A Collection Register for every loan made. Each register contains the business name, loan date, loan amount, terms, and date repayment begins. Payments are divided into principal and interest payments with a declining principal balance.
- (4) RLF Loan Repayment registers that record 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.