

PIERCE COUNTY
REVOLVING LOAN FUND COMMITTEE

Wednesday, February 21, 2007

Emergency Management Room, Courthouse Annex, Ellsworth, WI

MINUTES

Chair Hovel called the meeting to order at 9:05 a.m. Members present: Jim Hovel, Jim Camery, Jeff Holst, Rich O'Connell, Curt Kephart. Members absent: Jacque Foust, Claudia Traynor. Others present: Paul Barkla, Ben Plunkett. Staff present: Brad Lawrence, (Corporation Counsel), Julie Brickner (Finance), Bill Warner (Pierce County EDC) . Introductions by those present.

Finish First Fast Lube. Warner summarized recent payment history and passed out a revised amortization schedule prepared by Mike Malcheski in the fall of 2006. Lawrence related a conversation with owner Bob Curran where Curran had stated he had not missed a payment under the proposed \$400 per month schedule and was not interested in encumbering his personal property in Hager City as proposed by the Committee earlier in 2006. Lawrence had noted that Curran was not authorized to change the payment amount without signing all of the proposed documents for refinancing and suggested he get all payments current. Hovel noted that due to payment delinquency the restructuring was proposed to lower the monthly payment while shoring up the County's security position, and that Curran had been asked several times to appear before the Committee and always had scheduling conflicts. Lawrence noted that current security is a mortgage on the Prescott property and personal guarantees. An addendum to the original agreement was prepared but Curran did not execute any of it, so that the original terms have not changed.

Camery suggested that a letter be sent stating that the owner is in default, that the original agreement terms and conditions still apply, and that additional the collateral requirement must remain. Holst noted that Curran's property in Hager City was of no value. Hovel noted that a real estate security agreement is not a mortgage, it gives you an interest in the property's equity. Plunkett asked if an owner could borrow against that, Hovel replying that the bank must notify us. Brickner noted that checks have been coming in, not via direct deposit as required. Hovel asked if his payments get us up to speed on interest, Warner to research. *Motion by Camery, second by O'Connell to send Bob Curran a letter notifying him of the next meeting date with his attendance required and including the current loan status; all in favor.*

Health Centered Dentistry. Warner related recent e-mail correspondence from Impact Seven relative to resolution of construction lien situations and seeking possible closing dates. The purpose of revolving loan funds (equipment or construction) for this project has not been clear in loan files although the 20 year amortization with 12 year balloon suggests construction. Construction cost

increases were discussed, with the actual project cost approximately \$200,000 greater than initial projections and an appraised value of around \$900,000 for a \$1 million project. The Fund's collateral position was discussed, with two other lenders involved we may have a third or fourth position on the property. The original loan commitment letter on this project was in the spring of 2005. O'Connell suggested we get additional information on project costs, cash flow impact, and security interests. Lawrence suggested that we defer action on closing until additional information is received relative to creditors, security positions, and cash flow impact. *Motion to that effect by O'Connell, second by Hovel, all in favor.*

J & S Machine. This loan closed in November 2006 and is getting ready for closing on its permanent, SBA 504 financing, and the Wisconsin Business Development Finance Corporation has asked if the proposed capital structure with the Revolving Loan Fund in 3rd security position on the real estate was acceptable to all involved. Warner noted that the 20 year amortization implied a loan for construction, but file and e-mail documentation with the owners suggested that equipment financing was the intent. Holst noted that repayment term should match equipment useful life. Warner suggested that we investigate whether an additional security agreement covering specific equipment could be completed. *Motion to that effect by Holst, second by Camery, all in favor.*

CC's Jersey Crème. Warner noted that owner Michelle Wieghart had indicated that they are preparing for a bankruptcy filing. County security is a real estate mortgage and personal guarantees, a principal amount of \$15,979 remains.

Stone Legacy. Warner noted that payment history has been inconsistent, so additional attention may be warranted, but recent payments have been largely on time.

Revolving Loan Fund data & responsibilities chart. Warner distributed a summary of loan fund activity statistics for information and a draft chart of tasks & responsibilities for discussion. Camery asked how many hours are being required of the Corporation Counsel, Lawrence replying that it ramps up around loan closing time. Hovel asked if loan files included the note, mortgage, insurance, and personal guarantees, Warner replying that according to the revolving loan fund manual these are required to be held, and that most files reviewed to date do contain those documents, but that some are not organized precisely per the handbook's requirements.

Amortization calculations. Warner summarized the current software package [Tvalue] amortization options of "normal", which allows capitalization of unpaid interest, and "US Rule", which maintains a separate column of accrued interest and does not add those amounts back into the principal amount. Lawrence noted that it appears that a case could be made for allowing compound interest, but that the documentation does not specify it well. If the Normal calculation is acceptable with the Department of Commerce, the Committee should still change its documents to specifically state that. Warner noted that Ann Raid from the West Central Wisconsin Regional Planning Commission says that US Rule should be used.

Commerce Department payments. Hovel asked if Milk Volume Production loan repayments stay within the county, Brickner noting that for the Brand loan ½ of the repayments are being returned to the State. Holst suggested that those funds should stay here and that the original understanding relative to repayment had been changed.

Ad hoc Committee on Economic Development. Camery summarized this committee's report that goes next to the Finance & Personnel Committee, and then to the full County Board. Greater accountability is a key issue addressed by the report.

Revolving Loan Fund administration. Warner noted that the last addendum to the original contract with Pierce County EDC for loan fund administration was for a term expiring December 31, 2006. Lawrence noted that the understanding has been that administration agreement was implied to continue while the ad hoc committee was underway. Holst noted that others can do this too, for less. Warner suggested that an examination of fee structure to reflect ongoing servicing activity, not just a one-time up front fee at closing, may be worthwhile.

Regionalization of revolving loan funds discussion. Warner noted that the State has been encouraging regionalization of local loan funds to get greater use of stagnant funds and to eliminate the range of Federal requirements that follow Federal funds that capitalize local funds such as Pierce County's. O'Connell noted that at last year's Legislative Days the lack of use of funds has been an issue elsewhere in the state. Warner to continue monitoring this activity.

Other business. Warner noted that the Revolving Loan Fund Handbook dated 2000 was current. Members suggested we review the manual in the near future to identify possible changes and updates.

Next meeting set for 9:00 a.m. on Wednesday, March 14, 2007, at the Courthouse in Ellsworth.

Meeting adjourned at 10:57 a.m. (Hovel, O'Connell).

PIERCE COUNTY
REVOLVING LOAN FUND COMMITTEE

Wednesday, April 18, 2007

County Board Room, Pierce County Courthouse, Ellsworth, WI

MINUTES

Chair Hovel called the meeting to order at 9:03 a.m. Members present: Jim Hovel, Jim Camery, Claudia Traynor, Rich O'Connell, Curt Kephart. Members absent: Jeff Holst. Others present: none. Staff present: Brad Lawrence, (Corporation Counsel), Julie Brickner (Finance), Bill Warner (Pierce County EDC).

March 14, 2007 minutes. Approved as drafted (*O'Connell, Kephart*).

Finish First Fast Lube. Following last month's committee meeting, Warner provided banker Steve Monchamp from Hiawatha National Bank a current balance and payoff amount, and the County subsequently received a check from the bank to pay off this loan. Warner noted that other performance requirements in the loan documents such as job creation reporting have not been completed. The original job creation commitment was for three full time and three part time positions. The latest financial statements from the business indicate that some personnel expense is there, indicating job creation of perhaps one full time and two part time positions. Loan documents state that the Committee may impose per-job penalties for positions not created, at its "reasonable discretion." Hovel said that we have been hoping to get this loan paid off and noted that there have been some loose ends and sloppiness in recordkeeping on our part to be addressed in the future. *Motion by Kephart to accept the payment from Hiawatha as payment in full for this loan and to close out this loan, second by Traynor and agreed to.*

Health Centered Dentistry. We have received additional financial statements from the business and owners that appear strong. Principal Judith Laughlin noted that they have created two full time jobs so far and said that former EDC Director Russ Korpela had discussed two FTE's as the job creation target. Warner noted that the original application indicated five jobs to be created along with the County's guideline of one job per \$10,000 in financing. Hovel asked about the appraisal value, Warner indicating that the final post-construction appraisal was for \$900,000 with loans totaling \$800,000. *Motion by Camery to maintain the requirement for five jobs to be created and to proceed with preparation of closing documents, second by O'Connell and agreed to.*

J & S Machine. Warner noted his discussion about subordination agreements and collateral lists with Mike Dieckman, Wisconsin Business Development Finance Corporation, and Tim Nemec, lead

banker with Bank Mutual. Both entities will prepare subordination agreements and agreed to the suggested list of equipment to be pledged as collateral for the County's loan. Hovel asked if we would do a UCC filing or a General Business Security Agreement, Lawrence will look at both options. *Motion by Camery to approve execution of the subordination agreements and proceed with filing security positions on the equipment list, second by Hovel and agreed to.*

CC's Jersey Crème. No additional contact or payments to date. The outstanding balance is a little more than \$15,000. The County has a real estate mortgage and personal guarantees from the owners.

Mack-K Construction. Warner distributed a copy of a memo from Lawrence summarizing the liquidation of equipment and the execution of an Agreement of Surrender and Waiver of Deficiency by the County last summer. Lawrence noted that the equipment sale by Malcheski was the right thing to do and that such action by the administrator was not specifically authorized in the RLF manual. He suggested that at a minimum the Director and the Committee Chair should be on the same page. *Motion by Kephart to write off the remaining principal balance and close out this loan, second by Traynor and agreed to.*

Commerce Department. No meeting yet, Warner will be setting up a late April or early May visit.

Beane Sprouts Child Care and Learning Center. Warner summarized this Prescott new construction proposal and noted that the venture's status changed to a 501 (c)(3) corporation in August 2006, making it ineligible for SBA financing and raising the question of whether such an entity would be eligible for RLF consideration. O'Connell asked if they would be paying property taxes, Warner responding yes since an "alter ego" for-profit entity will be leasing the building to the daycare facility with common ownership of both. Camery noted that the other group daycare facility in Prescott asked for funding through the RLF and was rejected. He also said that lower wages may be an issue. Hovel noted that Davis-Bacon prevailing wage requirements may affect the contractor who is non-union. Hovel asked if we should get Department of Commerce clarification and whether we come under the Department's regulations on eligibility of charitable ventures like this. Camery noted that we have both fiduciary and public policy goals and that it would make sense to consider it assuming it is acceptable to Commerce. Warner to investigate further and

Loan Fund status. Warner noted the balance as of March 31st was \$239,554.45. The proposed \$50,000 loan to Health Centered Dentistry would be subtracted from that amount.

Other business. Warner noted recent correspondence with Sandy Ferrian from Kasco Machine relative to a discrepancy in her loan amortization schedule compared to the one we prepared for their loan. Warner distributed an illustration of two different formulas with different interest allocation results with the Excel spreadsheet program but without apparent explanation at this point, further investigation required.

Kephart noted that Pierce County has been selected to host Farm Technology Days in 2010.

Hovel asked about whether we can ask Commerce to raise the recapture limit for loan repayments, Warner to investigate.

Next meeting set for May 9th at 8:30 a.m.

Meeting adjourned at 10:00 a.m .(Kephart, Traynor).

Approved: _____ (date) _____ (signed)

PIERCE COUNTY
REVOLVING LOAN FUND COMMITTEE
Wednesday, May 9, 2007

Pierce County Office Building, Ellsworth, WI

MINUTES

Chair Hovel called the meeting to order at 8:35 a.m. Members present: Jim Hovel, Jim Camery, Claudia Traynor, Rich O'Connell. Curt Kephart joined the meeting in progress. Members absent: Jeff Holst. Others present: Kathleen Beane, Melissa Godden, Judith Laughlin, Andy Pichotta. Staff present: Brad Lawrence, (Corporation Counsel), Julie Brickner (Finance), Bill Warner (Pierce County EDC).

April 18, 2007 minutes. Approved as drafted (*Camery, Traynor*).

Beane Sprouts Child Care and Learning Center, Prescott. Warner provided a summary of this loan proposal seeking up to \$89,000 as part of a financing package with First National Bank of River Falls- Prescott to develop a new child care center in Prescott. His discussion with state of Wisconsin RLF specialist Peter Norman about whether a loan could be made to a 501(c)(3) charitable organization indicated that it would be an eligible use of revolving loan funds. Owner Kathleen Beane gave a summary of their history and her experience. Loan officer Melissa Godden described the bank's participation and the need for RLF assistance beyond the bank's limit.

Camery noted that Kathleen and Jerry Beane will be owning the property and leasing it to the child care center, so the property will be paying property taxes, but asked what happens if the 501(c)(3) entity bought the property. Beane replied that that has not been their intent. Hovel noted that we could make that a condition of the loan. Lawrence asked about the proposed term of the loan, Warner noting a 7 year term with 20 year amortization, so there will be a balloon payment to be refinanced at that time. Discussion of interest rate risk seven years from now. Hovel asked about the intended wage scale, Beane noting that their rates are based on schooling and experience, and their rates are higher than the average daycare wages in the region. Discussion of the center's nonprofit status, Beane noting that it will make them eligible for food program reimbursements and other grant dollars.

Warner noted the intended donation of materials and labor to reduce construction cost and included treatment of \$30,000 of that expected value as a contingency in the event that expected contributions did not materialize; based on final accounting, the final loan amount would be between \$59,000 and \$89,000. Godden noted that there is strong interest in space at this center but the nonprofit status makes them ineligible for SBA and other financing. Discussion of the timing of the project, Camery

noting that the excavator has been working at the site. Beane noted that their current lease expires September 1. Camery asked what reasons would there be not to approve the application, Warner replying that if there were other sources of funds readily available. Beane provided a copy of the state plan approval letter for review, Warner noting that sometimes state review comments suggest other work to be done beyond the contractor's original scope that might increase the cost of the project, which is another reason to have a contingency built in.

Motion by Camery to approve the loan amount of \$89,000 and loan structure as presented, second by O'Connell and agreed to, Kephart abstain.

Steve's Scoring Service, Inc. loan application consideration deferred. Traynor asked for reasons, Warner speculating they have other projects in the works that may be higher priorities or that this equipment purchase may be part of a larger package to be forthcoming.

Health Centered Dentistry. Warner summarized his conversation with Pete Norman at Commerce relative to the timing of the project and whether jobs which have already been created by HCD could be considered as satisfying the job creation requirements of the program if that happened prior to closing, Norman indicating they would not be considered and further suggesting that the use of funds would be considered "refinancing" and ineligible. Owner Judith Laughlin noted that her initial conversation with then-EDC director William Bay stated that the job creation requirement was one per \$25,000 of RLF financing, and that he understood that they would need extra staff before moving into the new building for training. They have hired three new employees. Final lien waivers for the construction project are now in place from the title company.

Warner noted that the original loan application stated five jobs would be created. He said that there has been no hesitation to close on this Committee's part but that construction delays made that impossible and that we need to maintain relationships with Commerce department staff. Camery said there were two things to discuss here, one being the number of jobs committed and the other being the Commerce position on refinancing. Lawrence noted that the RLF Handbook states that refinancing is ineligible, but said the definition of refinancing wasn't certain. Warner outlined the change in proposed capital structure for the project over time, noting that the loan amounts from the participating lenders were the same as originally intended and that increased costs were covered by the Laughlins so that the owner's equity injection was greater. Judith Laughlin indicated that they wanted to get this done as soon as possible.

Traynor noted that the lack of job creation monitoring has been an issue for RLF administration and that timing of job creation has been unclear. O'Connell noted that it's been almost two years since the original loan commitment letter. *Camery moved to approve the job creation target of two full time equivalent jobs for the \$50,000 loan commitment and go forward unless Commerce has a major issue, second by Kephart.* Kephart would like to see a window of time in which Commerce could

intervene, otherwise we will proceed with loan closing. He noted that the Committee might not structure this loan in the same way if we were looking at it now, but suggested that we need to continue based on the terms of our original commitment. Hovel said that permanent financing to take out construction loans is not refinancing, he thinks it is still eligible and that we have not been holding up the process. Hovel asked how many jobs have been created since the project began, Laughlin replying two full time, one part time hygienist three days a week, and they are interviewing another dentist for part-time help. *Motion agreed to, O'Connell abstain.*

J & S Machine. Warner has received mortgage subordination documents from Wisconsin Business Development Finance and Bank Mutual. Next step is to meet with Lawrence and work up security filings for designated equipment.

CC's Jersey Crème. No additional contact or payments to date, AgStar is the lead lender.

Brandvale Farms. Warner noted that owners Steve & Mary Brand have asked for a current loan balance for their MVP project, approximately \$35,000 remaining on the original \$55,000 loan. Payment history has been inconsistent. Warner will be visiting after this meeting.

Commerce Department. Warner met with revolving loan specialist Peter Norman last Wednesday to review our loan fund status and reporting requirements and had a positive visit. Discussion about pass-through payments to Commerce, Warner noting those apply to CDBG loans (including MVP) and relating Norman's comments about limited DoC staff available for recordkeeping and they are no longer issuing coupon books. Brickner noted that that Commerce does not track payments well. Traynor said that her impression of the MVP loans was that the requirement to pass through one half of payments to Commerce did not apply, Warner noting previous similar comments from Holst. This will need clarification through file review and Commerce consultation. Additional discussion about actual job creation performance compared to targets in contracts, Warner to review files and meet with clients to complete reporting, Traynor noting that Genesis has submitted employment reports. O'Connell asked if the listed repayment term for Fiberstar had changed, the initial term of five years was scheduled to be completed last year but payments were still being made, Warner to check. Current loan balance (before Beane Sprouts and Health Centered Dentistry loans) is \$260,544.23 as of April 30th.

RLF Handbook changes. Suggestions will likely be ready for the next Committee meeting. Commerce department approval of changes and revisions is required.

Next meeting set for Wednesday, June 28th at 8:30 a.m. in Ellsworth unless applicant circumstances suggest an earlier meeting.

Meeting adjourned at 9:55 a.m. (Traynor, O'Connell).

Approved: _____ (date) _____ (signed)

PIERCE COUNTY
REVOLVING LOAN FUND COMMITTEE
Wednesday, July 25, 2007

Pierce County Courthouse, Ellsworth, WI

MINUTES

DRAFT (unapproved)

Chair Hovel called the meeting to order at 8:31 a.m. Members present: Jim Hovel, Jim Camery, Claudia Traynor, Jeff Holst. Members absent: Rich O'Connell, Curt Kephart. Staff present: Bill Warner (Pierce County EDC).

May 9, 2007 minutes. Approved as drafted (*Camery, Traynor*), Holst abstaining.

Stone Legacy loan close-out. Warner reported that Stone Legacy has paid their loan and reported a current full time job level of 8, with a prior year peak of 11 full time and five part time compared to a commitment level of 14 full time. The company has suggested that market conditions in the form of an uncertain travel market following 9/11 was the primary reason behind below-projected job creation performance. Warner suggested that reported employment levels represented sufficient effort as required by the program. Motion by Holst to accept Stone Legacy's final payment and employment report and take necessary steps to close out the loan and release collateral positions as needed, second by Camery and agreed to.

Portfolio status chart. Warner distributed an updated portfolio status chart highlighting a new column on outstanding balance, (\$1,097,362 total in 14 loans), additional data on average loan size by type of loan (3 CDBG @ \$350,000 average; 3 MVP @ \$97,000 average; 24 RLF @ \$67,850 average), loan losses to date (\$4,789 or 0.16% of total loan dollars, 0.32% of repaid loan dollars), and a current balance in the loan fund of \$290,967 before two loan commitments not yet disbursed of \$139,000. Warner also distributed a summary chart of current UCC filings relative to active loans that includes expiration dates (next is in 2008) that also shows other financing's secured parties.

Client updates. Warner summarized amortization schedule formula research relative to *Skruzacek Properties* and suggested that available evidence showed that the original schedule was appropriate to use. No representative from the borrower was present. *Health Centered Dentistry* is scheduled to close later this morning (July 25th). Warner is discussing the possibility of the Regional Planning Commission's Business Capital Fund participating in the *Beane Sprouts* loan at 50% at the same rates and terms, Committee consensus to proceed, possible late August closing. Warner has the equipment list for *J & S Machine* for preparation of a UCC filing and will coordinate with Corporation Counsel

Lawrence. Warner has notified *CC's Jersey Crème* of the approximately \$54 in interest accruing per month on their outstanding loan balance and has volunteered to work with prospective purchasers, no response to date.

Commerce Department update. Warner summarized comments from program manager Peter Norman about the need to verify past payments to the Department along with the program payment history and will be working on that with finance director Brickner, otherwise the semi-annual report appears to be adequate for the Department.

RLF Handbook changes. Warner to have revisions for consideration in advance of the next Committee meeting.

Other business. Camery asked if the Committee was still one person short (yes), and the Committee reviewed the current Handbook's recommendations on membership [*"The Committee optimally shall include representation from the governing body, the local development corporations, accounting profession, the local banking community, an attorney, and the RLF administrator appointed by the County."*]. Warner suggested that the RLF administrator should not be a member of the Committee, members in agreement. Camery suggested that with representation from the Corporation Counsel, an attorney on the Committee would not be necessary. Members invited to suggest nominees for the County Board Chair to consider. Warner will investigate past County Board minutes to establish member position terms and make appropriate changes to the Handbook.

Warner also summarized the client situation previously on the Committee agenda for the June meeting, noting that he and the client were investigating a specialized SBA line of credit guarantee program that may be more appropriate for the situation.

Next meeting to be held in mid to late September depending on client demand and Handbook revisions.

Meeting adjourned at 9:07 a.m .(Holst, Traynor).

Approved: _____ (date) _____ (signed)