



City of Sheboygan Leverage Loan Program

Policies and Procedures

Adopted March 3, 2014

SECTION 1 GENERAL:

1.1: The following Loan Program Policies and Procedures (“the Program”) have been approved by the City of Sheboygan Common Council. Any changes or amendments to said Program must be approved by the Council.

1.2: The primary objectives of this Program are to provide funding to business enterprises to aid in business expansion and attraction and leverage other sources of capital.

1.3: This program shall provide funding to projects that increase in tax base in 2-3 years, but not necessarily create new jobs.

1.4: On a specific project, applicants are restricted to applying to this program or the City of Sheboygan Economic Development Loan Program, but not both.

1.5: The Program is a City established/operated revolving loan fund funded in part through local general fund revenues and loan allocations will be provided on a first come-first served basis.

SECTION 2 ELIGIBILITY REQUIREMENTS:

2.1: Only businesses located in the jurisdictional limits of the City of Sheboygan, WI (“the City”) are eligible to apply for Program funds.

2.2: Eligible uses include manufacturing, warehousing, retail and services, residential development of over 10 units, Information Technology, or office expansion.

2.3: Applicants must have been in operation for at least two year and have at least two tax returns.

2.4: Eligible applicants include sole proprietorships, partnerships, Corporations, Subchapter S Corporations, and Limited Liability Companies.

2.5: Fixed productive assets purchased with program funds must be physically located in the City.

SECTION 3: INELIGIBLE TO APPLY:

3.1: Ineligible applicants include business startups, businesses with less than one year of operations, not for profits, governmental, and quasi-governmental entities, & lending institutions.

3.2: If the applicant, its owners and/or principals is in default on any existing payment(s), loan(s) or grant(s), it is ineligible to apply.

3.3: If the applicant, its owners and/or principals are delinquent in payment of any real estate or personal property taxes, PILOTS, it is ineligible to apply. This ineligibility also applies to any applicant business located at the site of the aforementioned delinquent(s).

3.4: If the applicant, its owners, and/or principals have filed for corporate or personal bankruptcy in the last five (5) years it is ineligible to apply.

SECTION 4: ELIGIBLE AND INELIGIBLE USE OF PROGRAM FUNDS:

4.1: Eligible use of program funds includes acquisition of real property, new construction, renovation, equipment, furniture, fixtures, working capital for contract fulfillment, or leasehold improvements.

4.2: Ineligible use of program funds includes refinancing existing debt, inventory, and project related costs such as legal, environmental, architectural, and engineering. These items shall be paid using other funds and/or applicant equity.

SECTION 5: PROGRAM LENDING TERMS AND CONDITIONS:

5.1: Minimum and Maximum loan amounts range from \$5,000 to \$50,000.

5.2: Program funds cannot exceed 40% of the Total Project Cost.

5.3: Letter of commitment from Financial Institutions and/or Owners equity contribution for project costs funded by other sources.

5.4 Loan Terms are as follows: No more than five (5) years if program funds are used for the acquisition of real property or new construction. No more than three (3) years if program funds are used for equipment, furniture, fixtures, working capital for contract fulfillment or leasehold improvements.

5.5: Applicant shall document eventual expansion of tax base within a three year timeframe.

5.6: The loan interest rate shall be 3% above the Wall Street Journal prime rate the day the loan is approved by the Finance Committee.

5.7: All program loans will be repaid by equal monthly payments of principal and interest sufficient to fully amortize the loan over its term. Borrowers are allowed to pre-pay the loan in whole or in part without penalty.

5.8: Collateral and Security: In exchange for the program funds, the City of Sheboygan requires a security interest in the assets purchased with its program funds, and any and all additional assets the City believes are necessary to secure its loan.

5.9: The City will also require a security interest in the personal assets of owners and/or principals that have at least 20% ownership of the borrowing entity.

SECTION 6: RELATED PARTIES AND SUBORDINATION

6.1: The applicant is required to provide equity of at least 20% of the total project cost. The equity cannot be “sweat equity”, nor can it be borrowed funds of any kind such as home equity loans, bank loans, or cash advances on credit cards. Applicants will be required to provide detailed verification of funding sources of the equity. The equity cannot be a grant from any of the City’s other programs.

6.2: Besides the aforementioned equity component, other sources of project funding include private sources such as banks, trust companies, credit unions, savings and loans. Public sources of funds include federal and state loan programs.

6.3: The City prefers to be in first position, but may consider a second subordinated position with mandatory personal liquid guarantees by all owners of 20% or more of the business.

SECTION 7: THE APPLICATION PROCESS

7.1: The Department of City Development staff shall administer the program on behalf of the City of Sheboygan. Development staff will entertain loan requests through a completed application process and provide the City Finance Committee a loan report for acceptance. Based on the company, and the personal financial information furnished by the applicant, together with credit checks, staff will evaluate the financial strength of the project, the business and its owners and make a recommendation to the Finance Committee to approve, modify or decline the loan request.

7.2: The Common Council has provided the Finance Committee with approving authority for the loans. At regular scheduled meetings the Committee will review and discuss the loan application and staff’s report and recommendation(s) in closed-session. Any action will follow in open session. The authority of the City Finance Committee is granted in Resolution 140-13-14.

7.3: The following attachments must be submitted for a complete application:

- a. Two years of most recent Federal Tax Returns
- b. Personal Financial Statements, Net Worth Statement
(required for each owner of the business with more than 20% equity).
- c. Financial Projections with detailed explanation of the proposed project.
(three year projection including balance sheet, profit and loss, and monthly cash flow)
- d. Business Plan
- e. Documentation of 2-3 year tax base expansion as a result of the project proceeding forward
- e. \$500 Application Fee, made payable to the City of Sheboygan
- f. Proof of Insurance

7.4: Once approval is received, a loan agreement specifying the use of the loan proceeds, the loan amount, rate, term, payment terms, collateral, security, guarantees and other conditions will be sent to

the applicant. Should the loan request be denied, a decline letter will be sent to the applicant within ten (10) days specifying the reason(s) for the denial.

SECTION 8: THE CLOSING PROCESS

8.1: The City Attorney in collaboration with City staff has the sole responsibility to direct the preparation of all required closing documents based on the loan terms approved by the City Finance Committee. Further, the attorney and staff will make certain that the loan closing is in compliance with all applicable federal, state, and local laws, regulations, and approvals.

8.2: The City Attorney will be responsible for perfecting all of the City's security interests including, where appropriate, the execution of security agreements, the filing of financing statements, the execution and filing of mortgage documents, execution of guarantees, and any other appropriate actions to adequately protect the City's security interests. The applicant is responsible for all filing and recording fees prior to closing.

SECTION 9: LOAN FUND DISBURSEMENT PROCEDURES

9.1: Should any debt and/or equity be part of the total project funding, said debt and/or equity must be evidenced by documentation such as executed commitment letters, bank statements, and escrow amounts.

9.2: Depending on the use of the funds, loan proceeds may be disbursed in one lump sum or over a number of separate draws.

SECTION 10: LOAN PORTFOLIO MANAGEMENT PROCEDURES

10.1: The City shall charge interest after the maturity date of the note or an occurrence of an event of default at the rate of twelve (12%) percent per annum.

10.2 The repayment period commences the first of the month following 60 days after closing.

10.3: Failure to comply with any of the provisions of this loan program may result in default. The following, among other reasons, shall be considered as a default:

- a. Failure to make any payment of interest or principal within 30 days after payment due date;
- b. Defaulting on other loans with private lenders;
- c. Cessation of operations or movement of business from the City;
- d. Sale of business

In the event of default, the City will issue a Notice of Default. Once issued all sums due and owing the City shall, at the City's option, become immediately due and payable. To avoid foreclosure and any other collective actions, the default must be cured not less than 60 days from the date of the notice.

10.4 Any requests by the borrower to amend or adjust any terms and conditions of the loan will be first reviewed by City Staff and the City Attorney to determine if it merits consideration. If so, said request will proceed as follows:

10.5 Staff will prepare a written narrative of the request with any supporting documentation, and its recommended course of action to the City Finance Committee for its consideration and final decision.

10.6: The Committee's decision will be sent to the borrower in writing within ten (10) calendar days regardless if it is denied, approved with modifications or approved as requested. In the case of approvals, any costs associated with modifications of the loan agreements and security agreements will be paid by the borrower.



City of Sheboygan Leveraged Loan Program Application

Amount Requested (Maximum \$50,000)	Purpose: <input type="checkbox"/> Equipment <input type="checkbox"/> Renovation <input type="checkbox"/> New Const. <input type="checkbox"/> Expansion <input type="checkbox"/> Furniture <input type="checkbox"/> Working Capital <input type="checkbox"/> R&D <input type="checkbox"/> Fixtures <input type="checkbox"/> Acquisition <input type="checkbox"/> Other _____ <i>check all that apply</i>
Other Sources	Describe Use(s): _____ _____ _____

ABOUT YOUR BUSINESS

Business Contact Person (for any questions related to this application or the communications)		Best Phone: _____	
		Best Email: _____	
Business Exact Legal Name	DBA (if applicable)		
Business Street Address (Cannot be a PO Box)	City	County	State
			Zip Code
Mailing Address (if different than above)	City	County	State
			Zip Code
Business Email	Business Phone	Business Cell Phone (optional)	State of Registration
Type of Organization: <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Corporation <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Limited Liability Partnership <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Not for Profit <input type="checkbox"/> Trust		Description of Business or Service (Be specific)	
Gross Annual sales as Reported on Last Tax Return	Net Income as Reported on Last Tax Return	Date current ownership began (MM/YYYY)	

OWNER(S) INFORMATION

List all Owners/ Guarantors with at least 20% ownership interest in the company if there are more than five Owners, complete an additional application.

Authorized Owner (First MI, Last)	Date of Birth	% Ownership	Business Phone
Residential Address	City	State	Zip Code
			Business Email
Authorized Owner (First MI, Last)	Date of Birth	% Ownership	Business Phone
Residential Address	City	State	Zip Code
			Business Email
Authorized Owner (First MI, Last)	Date of Birth	% Ownership	Business Phone
Residential Address	City	State	Zip Code
			Business Email
Authorized Owner (First MI, Last)	Date of Birth	% Ownership	Business Phone
Residential Address	City	State	Zip Code
			Business Email

Authorized Owner (First MI, Last)		Date of Birth		% Ownership	Business Phone
Residential Address		City	State	Zip Code	Business Email

OTHER INFORMATION

Have you or any officers of your company ever been involved in bankruptcy or insolvency proceedings?	<input type="checkbox"/> YES*	<input type="checkbox"/> NO	*If YES, please provide the details as a separate exhibit
Are you or your business involved in any pending lawsuits?	<input type="checkbox"/> YES*	<input type="checkbox"/> NO	*If YES, please provide the details as a separate exhibit
Are all property, employment and other taxes current?	<input type="checkbox"/> YES	<input type="checkbox"/> NO*	*If NO, please provide the details as a separate exhibit
Do you, or any members of your household, any owner or officer or members of their households, work for or hold any official position with the City of Sheboygan?	<input type="checkbox"/> YES*	<input type="checkbox"/> NO	*If YES, please provide the name and address of the person and what department employed
Employee Name: _____ Dept.: _____ Employee Address: _____ _____			
Do you buy from, sell to, or use the services of any concern in which someone in your company has a significant financial interest?	<input type="checkbox"/> YES*	<input type="checkbox"/> NO	*If YES, please provide the details as a separate exhibit
Have any of the individuals listed under "Company Ownership" been convicted of a felony or subject to felony charges?	<input type="checkbox"/> YES*	<input type="checkbox"/> NO	*If YES, please provide the details as a separate exhibit

AGREEMENT AND PERSONAL GUARANTEE

By Signing this Application, each of the undersigned Business Owners, individually and on behalf of the Business ("Signer"), request the loan from the City of Sheboygan. Each Signer is authorized to sign on behalf of the Business and will provide business resolutions to the City upon Request. Each signer has read and agrees to all applicable provisions of this Application, including the personal guaranty, and understands that this Application may be approved or denied. By signing below, each Signer authorizes the City to (1) obtain credit records and other credit and employment information about the Signers personally and the Business (now and in the future), including from state and federal tax authorities, for deciding whether to approve the requested credit and for later periodic account review and collection purposes, and (2) furnish information about the Business and the Guarantors to credit bureaus, other Signers and other persons who claim to be authorized by the Business or the guarantors, to receive such information. The Business and each Signer guaranty that all information above is correct and agree to notify the City of Sheboygan if any information changes. All loans shall be used for business purposes only.

By signing below, each Signer agrees to be personally responsible for any credit granted pursuant to this Application. This Application constitutes a Guaranty under which each individual signing is a Guarantor, and individually guarantees the payment of all present and future obligations of the Business to the City of Sheboygan.

Signature of Business Owner & Guarantor	Printed Name	Title	Date
Signature of Business Owner & Guarantor	Printed Name	Title	Date
Signature of Business Owner & Guarantor	Printed Name	Title	Date
Signature of Business Owner & Guarantor	Printed Name	Title	Date
Signature of Business Owner & Guarantor	Printed Name	Title	Date

I acknowledge being informed that the City of Sheboygan will, upon request by a member of the public or in the course of reporting its activities to the public, disclose the names of firms receiving City of Sheboygan loans, the amount of the City of Sheboygan loans, federal programs used, if any, and the development impact of City of Sheboygan loans (jobs created, tax base impact, and total project investment). I have been assured by the City of Sheboygan, and I understand, that other financial information provided in connection with this application or with a loan from the City of Sheboygan, if one is made (including, but not necessarily limited to, business and personal financial statements, business operating statements, data on historical and projected future sales or other aspects of business performance, and business plans), will, to the extent permissible by law, be treated as confidential.

I certify that the information contained in this application is, to the best of my knowledge, true, complete, and correct.

Signature _____ Date _____

Name (Printed) _____ Title _____