

WASHINGTON COUNTY RECOVERY ZONE FACILITY BONDS

GUIDELINES AND APPLICATION (Including Notes on Midwestern Disaster Area Bonds)

Revised January 18, 2009
as a Result of Pending Legislation (SB 440)

**Please Note:
Submissions Due February 19, 2010**



Economic Development/Washington County
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BACKGROUND AND PROJECT ELIGIBILITY

RECOVERY ZONE FACILITY BONDS

Recovery Zone Facility Bonds (RZFBs) are a new category of private activity bonds that can provide tax-exempt financing for projects which historically would not qualify, including large manufacturing plants, distribution centers, hotels, and research parks.

This program provides Washington County businesses access to a new source of reduced rate, long-term, fixed rate financing for substantive private development or business expansion projects. Tight credit standards continue to apply. Terms of the bond issue are negotiable and structured to meet the needs of the borrower.

RZFBs may be issued for any depreciable property that (a) was acquired after the date of designation of the Washington County recovery zone (i.e. October 27, 2009), (b) the original use of which occurs in Washington County and (c) substantially all of the use of the property is in the active conduct of a "qualified business". "Qualified business" is defined to include any trade or business except those excluded by the American Recovery and Reinvestment Act (i.e. residential rental facilities, golf courses, massage parlors, liquor stores and gambling facilities).

Washington County has been allocated \$7,091,000 of RZFB bonding authority for use by businesses and associated municipal borrowers for bonds issued by December 31, 2010; although, pending legislation may move this date to May 1, 2010. As a result, Washington County has made changes to its program to best preserve opportunity for area businesses.

MIDWESTERN DISASTER AREA BONDS

Midwestern Disaster Area Bonds (MDA's) are also a new classification of private activity tax exempt bond that provides qualifying Washington County businesses and projects access to reduced-rate, long-term, fixed rate financing. MDA bond proceeds may be used to finance (subject to various restrictions) the cost of an affordable multi-family rental project; construction, reconstruction, or renovation non-residential real property; or the cost to repair or reconstruct public utility property.

While equipment or moveable fixture acquisition is NOT an eligible use of funds, several businesses prefer to finance their equipment using tools other than the tax exempt bonds as equipment paid for by tax exempt bonding is not eligible for accelerated depreciation or certain other tax treatments as otherwise allowed by the IRS. As such, those businesses preferring to maintain such tax benefits may find MDA's an attractive option for financing the real estate portion of the project.

As the state's allocation of the bonds is the result of 2008 flooding, Governor Doyle signed Executive Order #288 that allows for any qualifying project within the effected counties, upon Governor designation, to satisfy this requirement by noting that the new resulting tax base replaces that lost from another trade or business impacted by the disaster. This mechanism of enhanced flexibility is being utilized successfully in other states and has been successfully implemented for a few projects in Wisconsin.

Wisconsin received a total MDA allocation of \$3.8 billion of which \$50 million in designation has been reserved for Washington County. Bonds must be issued by a municipality by January 1, 2013. Applications for MDA bond allocations are made through the state's Department of Commerce; however EDWC will work with businesses in determining fit and assist in making a resulting application to Commerce.

GUIDELINES FOR PROJECT SELECTION

Economic Development/ Washington (EDWC) will be the clearing house and coordinator for any proposed RZFB projects submitted by a local municipality. Projects will be prioritized based on the following criteria.

1. Projects must involve at least \$1.3 million of bonding, with a preference provided to those projects involving some \$2-3 million
2. Project needs to create high quality jobs, with first consideration provided to those projects that create substantive jobs above the MSA median wage (May 2008 median wage is \$16.37 according to May 2009 release from the Wisconsin Department of Workforce Development) and with an employee benefits package
3. Project needs to add to the economic vitality of a Washington County community consistent with local economic development plans
4. Project should be firmly rooted in a business plan that substantiates it as financially sound with a reasonable expected return on investment
5. Business needs to have demonstrated competence to successfully implement the project and leverage it for ongoing growth and profitability
6. Preference provided to those projects that can be leveraged for additional private-sector development opportunity

EDWC reviews projects on a rolling basis through February 19, during which time projects are assessed for how well they meet the above criteria; their overall viability and their eligibility for and likely success with bond funding. RZFB application materials for interested businesses and municipalities are based on Washington County Revolving Loan Fund procedures modified for meeting the needs of RZFB financing.

After February 19, EDWC will work with businesses in accessing bonding authority pooled with the state from funds not used in other Wisconsin counties based on final outcomes of pending legislation impacting RZFB allocations (SB 440).

Further, EDWC will consult with project applicants regarding possible fit for MDA Bond funds given the significantly higher reserved Washington County designation (\$50 million of MDA vs. the \$7.1 million of RZFB) and assist businesses in making application for these funds through the Department of Commerce should they qualify.

In short, EDWC serves as a local business' consultant in identifying and utilizing project financing tools for which they may be eligible. For more information please contact EDWC, Christian Tscheschlok, Executive Director, 262-335-5769.

APPLICATION PROCESS

SUMMARY

1. Municipal Endorsement. Applicant shall discuss the project with the municipality that would have jurisdiction to issue the bonds. Authorized agent of the municipality completes statement of support (attached), providing endorsement of the project and indicating willingness to issue RZFB allocated to it by the County for the project.
2. Initial Contact. Prior to submitting an application, all RZFB program applicants must discuss the project with EDWC staff, who will confirm project eligibility per IRS Notice 2009-50 and the cost effectiveness of bonding, advise applicant on project's local competitiveness and provide assistance, as necessary, in completing a RZFB program application. EDWC staff may recommend the project for MDA bond program utilization and will assist businesses in making application for MDA funds through the Wisconsin Department of Commerce should they qualify. EDWC staff will also work with businesses in determining what other tools may assist their project.
3. Preliminary Review. EDWC staff and their agents shall review the application for completeness. If the application is not complete, staff will inform the applicant of the deficiencies.
4. Formal Review. Projects will be given first consideration for competitive review on a rolling basis through **close of business February 19, 2010**. EDWC's Revolving Loan Fund Committee shall meet whenever needed throughout the application period to review applications received and select priority RZFB projects for the County.
5. Notice of Allocation. EDWC will announce the designated priority projects and their allocated share of the 7,091,000 of the County's RZFB bonding authority on a rolling basis throughout the application period with all announcements made by March 1, 2010.
6. Post-Deadline Projects. After February 19, EDWC will work with businesses in identifying all possible financing tools for which they may be eligible and, as appropriate, accessing bonding authority pooled with the state from funds not used in other Wisconsin counties based on final outcomes of pending legislation impacting RZFB allocations (SB 440).
7. Bond Process. Priority projects receiving a RZFB allocation from Washington County or MDA allocation from the Department of Commerce may begin the bond process with the appropriate municipality through resolution and in consultation with bond council. Neither Washington County nor the EDWC are authorized to manage the bond process nor can they guarantee a successful outcome. Tight credit standards continue to apply. Terms of the bond issue are negotiable and structured by bond council and lender partners to meet the needs of the borrower.

CONFIDENTIALITY

EDWC recognizes the importance of confidentiality for applicant companies and the maintenance of their competitive edge. All application materials used for the purpose of project prioritization and associated financial information shall be kept in a secured place with limited access by authorized personnel only. Please note the bond process itself is subject to State and municipal open records laws.

RZFB PROJECT APPLICATION

Applicants shall submit an application using forms available from staff that includes the following:

1. Completed RZFB application (see Attachment A)
2. Completed statement from municipality supporting project (see Attachment B)
3. Completed certification statement (see Attachment C)
4. Written business plan that includes 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, management, markets, and products.
 - b) Marketing plan, including a list of key customers and clients.
 - c) A personal resume for 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) Financial statements for the past three years and a current interim financial statement, including balance sheets and income statements that are compiled by an independent accountant in accordance with Generally Accepted Accounting Principles (GAAP), including all footnote disclosures.
 - e) Aging of accounts receivable and accounts payable corresponding with latest available financial statements.
 - f) A description of how the business plans to use the requested funds.
 - g) Financial projections for the first three years of the project, including balance sheets and profit and loss statements that are prepared by an independent accountant in accordance with GAAP and include a discussion of all significant assumptions.
 - h) Quarterly financial projections for the first two years of the project.
 - i) Cost estimates for all capital equipment purchases, land and building acquisition, and building construction and renovation.
5. Letters of commitment from all financial institutions or other source of funds for the debt financing that are included in the project, including the financial institution that is providing financial commitment for the bond issue
6. Personal financial statements for the principals of the business.
7. A lease or pre-lease agreement for rental property or an offer to purchase for real estate that is included in the project.
8. Documentation that the project is in compliance with local and State building codes and zoning regulations and other applicable local and State ordinances.
9. Other documentation that may be required to support the bond project.

Please Note:
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Attachment A
Recovery Zone Facility Bond Program Application

1. Business Name: _____
 Address: _____

 Contact Person: _____
 Telephone Number: _____

2. Brief Project Description: _____

| <u>Source and Use of Funds</u> | <u>RZFB Financing</u> | <u>Other Debt Financing</u> | <u>Equity Financing</u> | <u>Total</u> |
|--------------------------------|---------------------------|---------------------------------|-----------------------------|-----------------|
| a) Land Purchase | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| b) Building Purchase | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| c) Building Construction | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| d) Building Renovation | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| e) Machinery & Equipment | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| f) Working Capital | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| g) Closing Costs | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| TOTAL PROJECT COSTS | \$ _____ | \$ _____ | \$ _____ | \$ _____ |

4. Bond Allocation Requested: \$ _____

5. Information on Financial Institution Providing Financial Commitment for Bond Issue:

Name: _____
 Address: _____

 Contact Person: _____
 Telephone Number: _____

Is the financial institution buying the bonds in a "bank held" deal or issuing a letter of credit?
 _____ "Bank Held" _____ Letter of Credit

Anticipated estimated savings from the tax-exempt financing: _____

Anticipated closing date for the bond issue: _____

6. Bond Counsel Information:

Name: _____

Address: _____

Contact Person: _____

Telephone Number: _____

Total project amount bond counsel estimates will be eligible for RZFB's: _____

7. Job Creation and Retention:

| | <u>New Jobs</u> | | <u>Retained Jobs</u> | |
|----------------|-----------------|------------------|----------------------|------------------|
| | <u>Number</u> | <u>Pay Range</u> | <u>Number</u> | <u>Pay Range</u> |
| Full-time Jobs | _____ | \$ _____ | _____ | \$ _____ |
| Part-time Jobs | _____ | \$ _____ | _____ | \$ _____ |
| TOTAL JOBS | _____ | | _____ | |

8. Describe benefits program provided to employees and eligibility requirements for receiving said benefits:

9. Date Project Will Begin: _____

Please submit the RZFB application, Attachments A-C and supporting documentation to:

Economic Development/Washington County
2151 North Main Street,
West Bend, WI 53090
Telephone: (262) 335-5769
Fax: (262) 335-5897
E-mail: tscheschlok@edwc.org

Attachment B
Required Statement of Project Support by Municipality

Supporting Municipality: _____

RZFB Project Applicant: _____

STATEMENT OF SUPPORT

On behalf of the aforementioned municipality, I am pleased to offer my support for
(brief project description) _____.

I recognize that the project applicant is applying for a portion of the County's allocated \$7,091,000 of Recovery Zone Facility Bond (RZFB) authority for use by businesses and associated municipal borrowers for bonds issued by December 31, 2010. Our municipality supports the use of RZFB for this project and will work with the applicant in negotiating the bond process with our municipality should this project receive an allocated share of the bonding authority.

I feel this project adds to the economic vitality of a Washington County community and certify that it is consistent with our local economic development plans.

Signed,

Signature of Authorized Agent

Date

Printed Name and Title: _____

Attachment C
Required Certification Statement

The undersigned hereby

1. Certifies that to the best of the applicant's knowledge and belief, the information being submitted to EDWC as part of the Washington County RZFB Program Application is true and correct.
2. Certifies that the applicant is in compliance with all laws, regulations, ordinances and orders of public authorities applicable to it.
3. Certifies that the applicant is not in default under the terms and conditions of any grant or loan agreements, leases, or financing arrangements with its other creditors.
4. Certifies that EDWC is authorized to obtain a credit check and Dun and Bradstreet on the applicant, the business and/or the individual(s).
5. Certifies that the applicant has disclosed and will continue to disclose any occurrence or event that could have an adverse material impact on the project. Adverse material impact includes but is not limited to lawsuits, criminal or civil actions, bankruptcy proceedings, regulatory intervention or inadequate capital to complete the project.

6. The applicant requests that EDWC treat the following items, if provided, as TRADE SECRET:

| | Yes | No | NA |
|--|--------------------------|--------------------------|--------------------------|
| A. Personal financial statements. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| B. Personal or business tax returns. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| C. Historical business financial statements. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| D. Business financial projections. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| E. Plan or study to be funded by Commerce. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| F. Business Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| G. Other: _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Signature: _____ Date: _____
(Applicant)

Name: _____ Title: _____
(Applicant)