

**WEBSTER COUNTY IMPROVEMENT CORPORATION (WCIC)**  
**LOAN REVIEW PROCESS**

**SECTION 1. Purpose of the Corporation.** As is stated in the Articles of Incorporation of this corporation, one of the purposes of the corporation is promote the civic betterment of Webster County by preventing community deterioration. To further this purpose, the corporation offers financial aid to existing businesses located or to be located in Webster County that are not otherwise able to obtain adequate or appropriate financing from other sources. The procedures that will be followed by the corporation in connection with providing such financial assistance are set forth in the process outlined in this document.

**SECTION 2. Purpose of Loans or Other Financial Aid.** For small to medium-sized businesses in Webster County, private financing for buildings and real property, equipment and working capital is often difficult to obtain. Business projects often cannot go forward because of insufficient financing or because projected profits are not sufficient to attract investors. Loans and other financial aid or other financial assistance that are proposed to be made or provided by this corporation are intended to fill these specific financing gaps. Loans or other financial assistance made or provided by this corporation are intended to create permanent private sector jobs, expand the tax base, increase economic productivity, and thus provide for the general civic betterment of Webster County, Iowa.

Loans or other financial assistance made or provided by this corporation are intended to create the inducement necessary to allow a project to become financially viable. Loans or other financial assistance made or provided by this corporation are intended to complement, not compete with, private lending institutions and conventional commercial institutions. Private sector involvement will be a key factor to the success of this corporation's activities. The combination of these two loans would give the borrower: (1) a lower down payment, (2) a longer term on the entire financing package and/or (3) a blended interest rate which is lower than the conventional commercial financing alone, or be used as local match for a grant.

Business incentives offered by other economic development agencies and public entities may also be complemented by loans or other financial assistance made or provided by this corporation. New business start-ups, which require a significant amount of business counseling, would be better served by other agencies equipped for this task and it is intended that this corporation not normally be involved in new business start-ups. Loans or other financial assistance from this corporation could also be used as part of a financial package that includes local, state, or federal financial assistance or other current financing sources.

**SECTION 3. Primary Requirements for Loans or Other Financial Assistance.** No loan or other financial assistance may be made by this corporation to any person, corporation, partnership or other entity unless the Board of Directors determines that all of the following are met:

- a. The proceeds of any such loan or other financial assistance shall be used only for:
  - (1) Fixed assets, including land and building purchases, building construction and leasehold improvements and renovations; and/or
  - (2) Acquisition or renovation of machinery and equipment; and/or
  - (3) Working capital; and/or
  - (4) Costs of moving machinery and equipment to a new business location in Webster County.
- b. The term of any loan shall not exceed the following:
  - (1) For a loan described in part (1) of paragraph a above, seventeen (17) years;
  - (2) For a loan described in part (2) of paragraph a above, seven (7) years;
  - (3) For a loan described in part (3) of paragraph a above, five (5) years;

- d. The business to be conducted by the recipient of such loan or other financial assistance will be located within the limits of Webster County.
- e. Benefits will be realized by the citizens of Webster County in the form of increased jobs and tax base, or by this corporation's realizing a return on investment for future economic development assistance.
- f. The maximum amount of any loan or financial assistance that may be made or given in connection with any one development project shall be One Hundred Thousand and no/100 Dollars (\$100,000.00).
- g. The "Other Funds Invested In The Project" required by subpart (2) of paragraph a of Section 4 hereof have been unconditionally committed to the development project and are expended on the development project prior to the disbursement of the proceeds of any loan or other financial assistance by this corporation, provided, however, that the proceeds of a loan or other financial assistance made or provided by this corporation for the purpose of constructing a facility may be disbursed pro-rata during construction with "Other Funds Invested In The Project".
- h. The recipient of the loan or other financial assistance from this corporation has strong management personnel and has personnel with the technical expertise and experience necessary to implement the development project for which a loan or other financial assistance is requested.
- i. The recipient of the loan or other financial assistance demonstrates that all other reasonable sources of financing for the development project proposed by such recipient have been considered and are inappropriate, unavailable, or insufficient, provided, however, that this requirement shall not automatically disqualify a potential recipient from receiving a loan or other financial assistance if the Board of Directors determines that good cause exists to waive these provisions.
- j. Any loan (or combination of loans to a single entity or related entities) in excess of Twenty-five Thousand and no/100 Dollars (\$25,000.00) made by this corporation shall be secured by one or all of the following:
- (1) A real estate mortgage with equal priority with the primary lender, or a subordinated real estate mortgage on any real estate to be financed by a loan made by this corporation;
  - (2) A security interest with equal priority with a security interest granted to the primary lender, or a subordinated security interest on any furniture, fixtures and equipment to be financed by a loan from this corporation and any other assets of the recipient of a loan by this corporation.
- k. Any loan (or combination of loans to a single entity or related entities) in excess of Twenty-five Thousand and no/100 Dollars (\$25,000.00) made by this corporation shall be subject to a loan agreement between this corporation and the recipient of any such loan that contains such terms and provisions as are reasonably necessary to insure that the purpose and intent of this corporation is met in the making of such loan.

Any loan agreement between this corporation and a borrower and any other agreement between this corporation and the recipient of any other financial assistance from this corporation may, at the Board's discretion, contain a provision that requires this corporation to review the operations of the borrower or recipient of any other financial assistance on an annual or more frequent basis to determine compliance with the terms and provisions of any agreement between the corporation and such borrower or recipient of any other financial assistance and to determine the extent to which such loan or other financial assistance furthered the purposes of this corporation.

- l. Any loan (or combination of loans to a single entity or related entities) in excess of Twenty-five Thousand and no/100 Dollars (\$25,000.00) made by this corporation to a borrower with less than ten (10) shareholders shall be personally guaranteed by such owners of the borrower as the Board may require to adequately secure the loan. Any loan made by this corporation to a borrower with more than ten (10) shareholders but with one shareholder who owns more than fifty percent (50%) of such borrower's outstanding voting shares shall be personally guaranteed by that shareholder. Notwithstanding the foregoing, no guarantee shall be required to be given by a publicly held corporation or by a wholly owned subsidiary of a publicly held corporation.

generally accepted accounting principles consistently applied as of the end of the calendar quarter that is closest to the date this corporation approves a loan to borrower) AND if the guarantor has a net worth or the guarantors, if there is more than one, have a combined net worth, exclusive of cars, homestead, wearing apparel and household furnishings, in excess of \$1,000,000.00.

Notwithstanding the foregoing, where a Webster County Improvement Corporation loan is made by this corporation participating in a loan made by a financial institution, the security requirements of the Webster County Improvement Corporation Fund shall not exceed those of such financial institution unless the Board of Directors determines that additional security, such as a stock pledge, is necessary to protect the interests of this corporation.

- m. Any other financial assistance made by this corporation shall be subject to whatever agreements and documents as are reasonably necessary to insure that the purpose and intent of this corporation are met in the providing of such other financial assistance to any recipient.

**NOTHING HEREIN SHALL REQUIRE THIS CORPORATION TO MAKE A LOAN OR PROVIDE OTHER FINANCIAL ASSISTANCE TO A BUSINESS THAT MEETS THE REQUIREMENTS OF THIS SECTION 3 OF THIS DOCUMENT. THE CORPORATION NEED NOT MAKE A LOAN OR PROVIDE OTHER FINANCIAL ASSISTANCE TO A BUSINESS THAT MEETS ALL OF THE REQUIREMENTS OF THIS SECTION 3 UNLESS THE BOARD OF DIRECTORS IN ITS SOLE AND ABSOLUTE DISCRETION DETERMINES THAT IT IS IN THE BEST INTERESTS OF THE CORPORATION TO MAKE SUCH LOAN OR PROVIDE SUCH OTHER FINANCIAL ASSISTANCE.**

**SECTION 4. Other Requirements For Loans or Other Financial Assistance.** Subject to the provisions of Section 3 hereof, in making any loan or providing any financial assistance to any person, corporation, partnership, or other entity, the Loan Review Committee and the Board of Directors shall give due consideration to the following:

- a. It is desired that the maximum amount of any loan or other financial assistance that may be made or given in connection with any development project shall be the lesser of:
- (1) Ten Thousand and no/100 Dollars (\$10,000.00) per permanent job created; or
  - (2) An amount so that the ratio of the total of "Other Funds Invested In The Project" to the amount of the loan or other financial assistance to be made or given by this corporation is 2: 1.

For purposes of these Bylaws, "Other Funds Invested In The Project" shall include funds obtained by the recipient of the loan or other financial assistance from this corporation through loans from conventional commercial lenders, loans or grants from public sources, or loans, grants or equity funds from private sources, provided, however, that funds expended for feasibility studies, business plans, or for time spent by or on behalf of the recipient of such loan or other financial assistance prior to the start of business of the development project shall not be considered "Other Funds Invested In The Project."

- b. It is desired that the interest rate charged by this corporation on loans made by it, be tailored to the business seeking such loan and that such interest rates may be fixed or floating.

In making determinations with respect to the items set forth in this Section 4, the Loan Review Committee and the Board of Directors shall set forth in writing the factual basis and business justifications for their determinations.

**SECTION 5. Other Forms of Financial Assistance.** This corporation may provide other financial assistance to businesses other than loans. Examples of the other financial assistance that may be provided by this corporation are as follows:

- a. Loan Guarantees. This corporation, in lieu of making a loan to a business, may agree to guarantee payment of a loan made by another lender in order to induce such lender to make a loan to such business. Any such guarantee shall require the lender, whose loan is guaranteed, to exhaust all remedies that such lender has against its borrower before payment would be made on such guarantee.
- b. Equity Position. This corporation, in lieu of making a loan to a business, may obtain an equity interest in such business

- c. Participating Loans. This corporation may require as a condition to making any loan or providing other financial assistance to any business that this corporation share in any excess profits realized by the recipient of any such loan or other financial assistance through a participating loan or at an interest rate that is adjusted when a certain predetermined level is obtained.

## **SECTION 6. Loan or Other Financial Assistance Review Process.**

- a. Pre-Application Process. It is intended that this corporation shall work with other persons and entities, public or private, non-profit and for profit, including, for example, Webster County Development, the City Planners Office for the City of Fort Dodge, the Midas Council of Governments, The Development Corporation of Greater Fort Dodge, and the Greater Fort Dodge Area Chamber of Commerce, in developing an awareness of the availability of loans and other financial assistance from this corporation and in connection with the development and preparation of an application for a loan or other financial assistance for this corporation.
- b. Initial Review of Application. All applications for loans or other financial assistance from this corporation shall be submitted to the Office of the Webster County Improvement Corporation and be initially reviewed by its staff.

The staff of the Webster County Improvement Corporation will preliminarily determine the ability of the applicant for a loan or other financial assistance to comply with such requirements, then the application for a loan or other financial assistance shall be presented to the Credit Advisory Committee established by the corporation.

- c. Credit Advisory Committee Review and Recommendation. The Credit Advisory Committee will fully consider the applications presented to it by the staff of the Office of Webster County Improvement Corporation as preliminarily meeting the requirements of Section 3 of this document. The applicant for any such loan or other financial assistance shall provide, if reasonably possible, to such committee:

- (1) A comprehensive business plan, including a three (3) year projection of the balance sheet, income statement, statement of cash flow, and an assessment of the potential of the business;
- (2) Financial statements for the immediate past three (3) years, including a balance sheet, a profit-and-loss statement, and a statement of cash flow current to the most recent quarter. Where available, audited financial statements (including footnotes) should be provided for the past three (3) years by existing businesses.

If the Credit Advisory Committee determines that the requirements of Section 3 of this Article VII are met by such applicant, it shall give due consideration to the items in Section 4 of this Article VII and make recommendation to the Board of Directors with respect to such loan or other financial assistance.

- d. Board of Directors Review. The Board of Directors shall review all applications for loans or other financial assistance. The Board of Directors shall consider the recommendations of the Credit Advisory Committee with respect to such loan or other financial assistance. After such review, the Board of Directors shall approve or deny such application.
- e. Review Guidelines. The Credit Advisory Committee and the Board of Directors of this corporation shall give due consideration to the need for this corporation to take reasonable business risks in order for it to further its job creation purpose, even if potential losses might be experienced.

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