

**OVERVIEW OF CHANGES
CITY OF BATTLE CREEK
DIRECT INVESTMENT FUND GUIDELINES**

The City of Battle Creek Direct Investment Fund (DIF) Guidelines were last revised in May 2006. Since that time, we believe that BCU staff and the DIF committee have performed in accordance with the letter and spirit of the mandate outlined within the current guidelines. Although we continue to support the basic principles of the current guidelines, we believe that a number of changes would help us be even more effective in the support of economic development initiatives for the City of Battle Creek.

As we discussed the potential changes for our governance documents, we determined that the primary objective of our changes should be to improve the clarity and visibility of the mission, principles, administration and operational procedures of the DIF. We propose that we create two governance documents – a guidelines document to capture the mission and principles of the DIF (this document will replace the current guidelines document) and an operations document that will provide applicants more clarity about the administration and operational expectations for financial support from the DIF.

The following is a list of key proposed changes to be made to the City of Battle Creek Direct Investment Fund Guidelines:

Equity Investments:

- Ability to make equity investments was eliminated.
Rationale – Due to the complexity of equity investments including the reporting and monitoring requirements.

Collaboration with Other Investors:

- Reflect that DIF shall be used to supplement private, non-profit and public sector investments.
Rationale – Added reference to public sector investment to reflect desire to maximize utilization of all sources of funding available when considering DIF investment opportunity.

DIF Committee Membership:

- Expand the DIF committee membership from seven (7) up to nine (9) members.
Rationale – Helps to facilitate quorum, offers a wider range of opinions, and provides more opportunity for community engagement.
- Implement staggered terms by dividing the DIF committee members into three (3) classes with three (3) years each. Terms of the DIF Committee members are governed by the BCU Bylaws.
Rationale – Helps to maintain the appropriate number of committee members.

Diversification of Funding:

- Changes the funding limit from 6% of the funds to absolute amounts. No single investment shall exceed \$750,000 within the EDF, or \$250,000 within the DDA fund.
Rationale – Absolute amount simplifies decision criteria compared to “6% of the fund”.
- Eliminate “% of project” and “minimum employee” requirements.
Rationale – Allows consideration of total business capitalization while considering growth opportunities and removes non-relevant reference.

Funding Waivers:

- As currently written, funding waivers must be approved by the BCU Board of Directors and the Battle Creek City Commission.

Rationale – In the past, the Battle Creek City Commission has not wanted to be involved with the approval of waivers.

25% Minority Lending Designation:

- In order to create equitable pathways to success, 25% of the fund is designated for use by minority-owned and women-owned businesses.

Rationale – Ensures all minority groups have access to the DIF funds.

- The **25%** designation for minority-owned and women-owned borrowers is calculated after reducing the fund by outstanding loan amounts that were made through BCU Board waiver of the single investment level.

Rationale – Considers decisions made to fund significant, community investments to be consistent with desire to support all community constituencies.

- DDA Fund was increased from **20%** to **25%** to help fund minority lending. This change is consistent with the EDF minority lending level.

Rationale – Corrects inconsistency in current guidelines.

Confidentiality and Conflict of Interest:

- Language has been added to reflect expectations.

Rationale – Clarifies expectations in these governance areas

Title of the Guidelines:

- The Guidelines title has been changed from BCU DIF Guidelines to City of Battle Creek Guidelines.

Rationale – The DIF Guidelines were incorrectly titled in the past. This change correctly titles the document.