

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

INTRODUCTION/HISTORY

- 1) The City of Battle Creek Direct Investment Fund (DIF) is a combination of the Economic Development Fund (EDF), an enterprise fund of the City of Battle Creek, and the Downtown Development Authority Revolving Loan Fund, an enterprise fund of the Battle Creek Downtown Development Authority (DDA). The DIF is administered by Battle Creek Unlimited (BCU), a community based non-profit agency involved in economic development activities within the City of Battle Creek. These DIF Guidelines may be permanently changed by a majority vote of the BCU Board of Directors and the Battle Creek City Commission.
- 2) The Economic Development Fund was created in November 1982 with the merger of the City of Battle Creek and Battle Creek Township. The Kellogg Company, the W.K. Kellogg Foundation, and more than 200 corporate and individual donors capitalized the EDF with nearly \$5 million dollars by 1987. In order to create equitable pathways to success, twenty-five percent of the fund is designated for use by minority-owned and women-owned businesses.
- 3) The fund for the Downtown Development Authority was created in 1984 when the Miller Foundation granted \$800,000 to the DDA and \$200,000 to Battle Creek Unlimited for the purpose of establishing a revolving loan fund. The agreement was reached in exchange for the forgiveness of certain Department of Housing and Urban Development loans for previous development. In order to create equitable pathways to success, twenty-five percent of the fund is designated for use by minority-owned and women-owned businesses.

MISSION AND PURPOSE

- 1) The primary purpose of the DIF is to stimulate economic growth and support direct job creation/retention in the City of Battle Creek. A key objective of the fund is to provide financial support and/or to enhance financial support (e.g. loans, lines of credit, credit enhancement, etc.) to eligible businesses, especially those that may not otherwise have access to traditional financing resources. Businesses receiving financial support are intended to produce new jobs and/or retain existing jobs.

PRINCIPLES OF OPERATIONS AND GOVERNANCE

- 1) The DIF is intended to be a perpetual resource. DIF committee members and BCU staff have a fiduciary duty to maintain the fund for the ongoing benefit of the City of Battle Creek. Investment terms and conditions for financial support (e.g. term, repayment schedules, interest rates, collateral, etc.) will be set with the intent of balancing community benefit with maintaining fund balances and managing risk in the pursuit of mission. Policies of governance should promote the maximum level of active financial support possible, subject to consideration of appropriate levels of risk and available liquidity.
- 2) The DIF is used to support the economic development objectives of the City of Battle Creek and its designated economic development agencies. The use of the EDF funds are restricted to businesses within the corporate limits of the City of Battle Creek, while DDA funds are restricted to businesses within the statutory boundaries of the Downtown Development Authority.

- 3) The DIF shall be used to supplement and leverage, rather than compete with, private, non-profit and public (State and Federal) sector financial support. In instances where the DIF works in collaboration with other investors, all efforts will be made to protect the perpetual nature of the DIF.
- 4) The DIF funds may not be used to provide financial support to nonprofit organizations or agencies or entities of the Federal, State or local government units. Investments should not be a general supplement to City operating funds. The DIF will be prohibited from making grants and charitable contributions.
- 5) To ensure proper diversification of the DIF, no single investment shall exceed \$750,000 within the EDF or \$250,000 within the DDA fund. Investment limits will be reviewed and adjusted on an annual basis, or as appropriate based upon by activity, by the DIF committee. **Any funding waiver exception to this must be approved by the BCU Board of Directors.**
- 6) Twenty-five percent of the fund is designated for minority-owned and women-owned borrowers after reducing the fund for any waiver exception loan amounts described in paragraph five above that were approved by the BCU Board of Directors.
- 7) The DIF committee shall be comprised of up to nine members (local volunteers with business/financial backgrounds). The term of each DIF committee member shall commence on the date of appointment at the annual meeting of the BCU Board of Directors held in June of each year. (i.e. BCU's fiscal year runs July 1 through June 30). DIF committee members shall be divided into three (3) classes with staggered terms of three years each. At each annual meeting of the BCU Board of Directors, a number of members equal to the number of the class whose term expires at the time of the meeting, or a greater or lesser number if the DIF committee is enlarged or reduced, shall be appointed until the third succeeding annual meeting of the BCU Board of Directors. Members shall serve until their respective terms expire and their successors are appointed or until their resignation or removal. The Chair of the DIF committee (or designate) will be an ex officio member of the BCU Board of Directors. Terms of the DIF Committee members are governed by the BCU Bylaws.
- 8) BCU, along with the DIF committee, is charged with the prudent administration of the DIF. The DIF is an Equal Opportunity Lender and is expected to follow all applicable State and Federal laws and regulations.
- 9) All funds that have not been deployed for active financial support pursuant to the mission of the DIF will be invested in compliance with the City of Battle Creek Investment Policy.
- 10) The financial statements of the DIF will be audited by a Certified Public Accounting firm designated by the City of Battle Creek.

ADMINISTRATION

- 1) The DIF will be administered by BCU. BCU staff will follow and ensure compliance with program guidelines through appropriate due diligence and administration activities. In carrying out this responsibility, BCU staff will follow documented operating procedures. These operating procedures will be reviewed and may be updated periodically by BCU staff and approved by the DIF committee.
- 2) BCU staff will review and evaluate all DIF applications subject to applicable DIF Operating Procedures guidance in force at the time of application. Following review of each application, BCU staff will prepare a financial support summary and recommendation for presentation to the DIF committee for review. In some instances, an interview with the applicant may be conducted by the DIF

committee. The DIF committee will be responsible for the review of applications and determination of provisions for financial support following due diligence conducted by BCU staff. The final decision for funding is determined by a majority vote of a quorum of the DIF committee.

- 3) If the application for financial support is approved, BCU staff will ensure the proper execution of closing documentation, monitor disbursement of funds, maintain files and fiscal records, and ensure appropriate future compliance with terms and conditions (i.e. electronic collection of agreed payments, insurance coverage, pro forma reporting, annual audits, etc.).

CONFLICT OF INTEREST

- 1) No person who is an employee, agent, consultant, officer of BCU Board of Directors, elected City of Battle Creek official, appointed administrative position with the City of Battle Creek or member of the DIF committee during their tenure, or for one year thereafter, shall be allowed to have interest, direct or indirect, either for themselves or those with whom they have family or business ties, in the proceeds of any DIF financial support, or in any contract entered into by the borrower for performing work financed, in whole or in part, with the proceeds of any DIF financial support. Members of the DIF committee shall be governed by the BCU Conflict of Interest Policy.

CONFIDENTIALITY

- 1) BCU staff and DIF committee members may be provided information which is confidential and/or privileged and proprietary in nature. It is the policy of BCU and the DIF committee that such information must be kept confidential, both during and after employment or volunteer service, except as required by law. Staff and volunteers, including board and committee members, are expected to return materials containing privileged or confidential information at the time of separation from employment or expiration of service.
- 2) Unauthorized disclosure of confidential or privileged information is a serious violation of this policy and will subject the person(s) who made the unauthorized disclosure to appropriate discipline.