



Memorandum

To: Administration Committee
From: Greg Keil, CDD *GK*
Date: July 12, 2012
RE: Advanced Tooling Specialists Loan Extension

In 2005, the city entered into an agreement with Advanced Tooling Equities (ATE), an affiliate of Advanced Tooling Systems (ATS) to Jim Luebke, concerning borrowing funds from the Winnebago County Industrial Development Board to enable the construction of new office and shop facilities in the City of Menasha. The original loan amount was \$1.3 million and was to be repaid in five years. In 2010, ATS approached the city and the Winnebago IDB to obtain a two year loan extension, as ATS was not able to secure bank financing to repay the IDB loan. This situation is now repeating itself.

Jim Luebke, President of ATE/ATS, contacted the city earlier this year to explain the issues he was having with securing bank financing to pay off the IDB loan. We have directed him to other potential funding sources, but he has not been able to secure financing commitments from private lenders at this time. With the IDB loan coming due in mid-August and no private financing available, Mr. Luebke has now requested another two year extension of the loan. In this instance, however, the City is being requested to repay the IDB, and carry the remaining loan balance, as the IDB has not indicated a willingness to grant another extension.

As you may recall, the IDB program guidelines require that the city pledge its taxing authority to the repayment of the debt. In the event of default by ATE, the city is obliged to repay the county. To avoid this situation, it is proposed that the city borrow the funds to repay the IDB. In the event this is approved, the loan terms would be such that the city's cost for carrying the loan would be covered by monthly principal and interest payments from ATE.

As represented by Mr. Luebke, and as confirmed by Comptroller Stoffel's review of company financials, the primary difficulty associated with obtaining bank financing was the company's weak financial reports in 2011. There has been substantial improvement in 2012, and the financial institutions Mr. Luebke has been working with have indicated that they would give favorable consideration to financing the company's real estate if the positive trend continues. It is also worthwhile to note that ATE has made timely payments of its monthly installments to the city since the inception of the IDB loan.

In the event that the Common Council would approve the loan, ATE/ATS has been strongly encouraged to secure private financing as soon as possible so that it can repay its obligations well within the two year window of the proposed two year loan extension.