Open Meetings Notice
The meeting of the Board of Directors for the Wisconsin Economic Development Corporation will be held on January 21, 2020 in WEDC’s First Floor Conference Room located at 201 West Washington Avenue, Madison, WI 53703. The items to be discussed are included below. Note that some members of the Board may attend by phone. Note also that the meeting may be closed under Wis. Stat. § 19.85(1) if indicated below.

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Agenda

Wisconsin Economic Development Corporation
Meeting of the Board of Directors

WEDC First Floor Conference Room
201 West Washington Avenue
Madison, WI 53703

January 21, 2020
2:00-4:00 PM

1. Call to Order and Roll Call

2. Approval of Minutes from the November 15, 2019 Meeting

3. CEO Report- 70 Minutes
   i. 90-Day Update
   ii. Enterprise Zones

4. CFO Budget Timeline and Process- 10 Minutes

5. Code of Ethics and Conduct Review

6. Committee Reports
   a. Audit and Budget Committee- 10 Minutes
      (a) EITMZ Program Report 19-27
   b. Entrepreneurship and Innovation Committee- 10 Minutes
   c. Awards Administration Committee- 5 Minutes

7. Closed Session- 15 Minutes
   Under Wis. Stat. § 19.85(1)(e), a closed session is authorized for deliberating the investing of public funds whenever competitive or bargaining reasons require a closed session. The Board will be meeting in closed session for the purpose of updating the Board on economic development project negotiations. The Board will open the meeting again at the end of the closed session.

8. Adjournment
Good Afternoon, WEDC Board:

As we head into next week’s WEDC Board Meeting, I wanted to give you a few things to think about and consider so that we can make our time together productive. You will note that we are looking to move towards quarterly board meetings and hope to include good discussion and strategic alignment in these meetings. And, please note, we might not be perfect at scheduling the meetings – as we adjust and adapt planning and sequencing of the internal needs of the organization (i.e., budget/awards), we may need to sneak in an extra board meeting or two. We do want to limit this, as we very much respect your time and schedules.

Next week, I would like to spend a good bit of time with you bringing you into what is on my mind as I complete my first 90 days with WEDC. First, I want to level set all of us on WEDC (remembering that we have many new board members and everyone is busy). This will include a quick history and a reminder of the current structure and make-up of WEDC. Next, what I have learned about what our external stakeholders think of the organization, and what do our internal stakeholders think. We held an internal planning session with about 23 leaders in mid-December, and I want to walk you through learnings from that, and finally, what am I focused on going forward, especially internally.

In preparation, I invite you to review the FY20 Operations Plan and Budget (online here or you should have received a spiral bound copy) – this is a core document for the organization. I won’t be referring to it directly, but I have been carrying it around to help me understand the current structure and goals for the organization. I imagine this will take about an hour – I don’t usually talk that much but I’m hoping you all will have some insights for me.

After that, I think it would be beneficial for us to include, in our next few meetings, reviews of our programs. For this meeting, I have asked our team to review with you our Enterprise Zone program – the program that usually includes significant projects, and significant outlay of tax credits. Since you are asked to approve these projects, and they often appear in the news, this seems like a good place to start. We will then work our way through the other programs in future meetings.

One of the significant roles for the Board is in amending and approving our budget. Brian is going to take you through the timing of that, as we head into the April meeting where we can anticipate a budget amendment, and then into July where we present and approve a budget for FY21. While some of this likely will be handled at the committee level, it’s good for all to be aware of the process. Finally, we have some board matters to handle – reviewing our response to LAB on FoxConn, awards, and the Code of Ethics & Conduct review.

I look forward to seeing you next week, and please let me know if there is anything you need in anticipation of the meeting.
OUR MISSION AND VISION

MISSION To advance and maximize opportunities in Wisconsin for businesses, communities and people to thrive in a globally competitive environment.

VISION Leveraging talented professionals and strategic partnerships, WEDC aspires to be a leading and widely respected state economic development organization, helping Wisconsin elevate its quality of life and long-term economic prosperity for all residents.
HISTORY OF WEDC

Pre- Department of Commerce

1996 – 2011 Department of Commerce

2010 Be Bold Study

2011 WEDC Formed

2011 – 2019 Series of secretaries

2016 CREC – external strategic planning

2018 – 2019 Special Session Legislation

2019 Appointment of Hughes
METRICS Be Bold Study – CREC

Focus on workforce, economy, infrastructure, cost of doing business, quality of life, education, taxes, business friendly, cost of living, access to capital

- 2010 Kauffman Foundation Index of Entrepreneurial Activity
- 2010 CNBC America’s Top States for Business
- 2009 Forbes Best States for Business
- Site Selection Governor’s Cup
Total of 127 Employees

- Less than 1 year – 29
- 1-2 years – 33
- 3-6 years – 35
- 7-8 years - 30

Divided into:
- Five Economic Development Divisions
- Eight General Administration Divisions
- One Marketing Division

Including:
- 20 Managers
- 10 Vice Presidents
- 4 Executives C-Suite
KEY INDUSTRY STRENGTHS

- Aerospace
- Biohealth
- Energy Power and Controls
- Food and Beverage
- Advanced Manufacturing
- Water Technology

Educational Partners – The UW System, UW Madison, Technical and Private Colleges, FabLabs, Inspire
FY20 WEDC BUDGET

**FY20 SOURCES OF FUNDS**

- State Economic Development Fund: 38% \(\$64M\)
- Loan Principal Repayments & Fund Balance: 29% \(\$18.3M\)
- State General Purpose Revenue: 27% \(\$17.4M\)
- Other Revenue: 7% \(\$4.2M\)

**FY20 USES OF FUNDS**

- Operations: 40% \(\$27.7M\)
- Laans: 9% \(\$6M\)
- KSP: 8% \(\$5M\)
- Program Grants: 43% \(\$27.7M\)

**FY20 PROGRAM BUDGET**

- BCD: 46% \(\$18M\)
- E&I: 25% \(\$9.8M\)
- KSP: 13% \(\$4.6M\)
- SSD: 12% \(\$4.5M\)
- IBD: 4% \(\$1.5M\)

Outside our world: Tax Credits; Industrial Bonding
Historical; Tax Credits
Usage of Program Funds
as of December 31, 2019

- **Entrepreneurship and Innovation**
  - FY 2020: 28.3%
  - FY 2019: 28.1%

- **Sector Strategy Development**
  - FY 2020: 0%
  - FY 2019: 2%

- **Business and Community Development**
  - FY 2020: 16%
  - FY 2019: 31%

- **International Business Development**
  - FY 2020: 23%
  - FY 2019: 28%

- **Key Strategic Partners**
  - FY 2020: 95%
  - FY 2019: 55%
PERFORMANCE GOALS

- **Communities Assisted**: FY20 Goal: 176, FY19 Goal: 167
- **Businesses Assisted**: FY20 Goal: 4,922, FY19 Goal: 4,576
- **Partner Organizations Assisted**: FY20 Goal: 78, FY19 Goal: 63
- **Leverage Ratio**: FY20 Goal: 8:1, FY19 Goal: 8:1
- **Jobs Created**: FY20 Goal: 5,560, FY19 Goal: 6,295
- **Jobs Retained**: FY20 Goal: 8,610, FY19 Goal: 8,810
External

- Holding out hope for WEDC… but concerned
- Strong public/private partnerships
- UW System/Tech Colleges
- Strong opinion of the staff

- But…workforce challenges are huge – job metrics challenges what we are solving for; Foxconn takes all the oxygen; rural; lack of confidence
Internal

- Determined professional staff aligned on values
- Very supportive of each other
- Extensive collaboration around state
- Dedicated to stewarding the taxpayers’ dollars

But…

- Severe lack of confidence
- Adverse to spotlight – good or bad
- Hard to be bold and innovative
- Not sure who we serve
Met with various stakeholders

- Legislature, governor, cabinet members, businesses, investment community, start up community, community organizers, local government officials

Series of workshops held with internal leaders:

- What’s working/what’s not
- Mission/vision/foundations
- Die for/Defend/Discuss
- Trends – tailwinds and headwinds
## Strategic Feedback

### Improvements/Problems to Fix
- Lacking flexibility
- Public/Private advantage lacking
- Foxconn/Enterprise Zones
- End of year load
- Legacy contracts/Projects clean-up
- Tracking the pipeline
- No statewide strategy

### Questions
- Are tax incentive the right tool?
- Big and small project portfolio?
- Reactive and proactive culture?
- Rural and urban balance?
- Service group and driver of projects?
- Diversity/inclusiveness of programs?
OUR FOUNDATIONS

- Integrity
- Accountability
- Transparency
- Public Service
- Respect
- Innovation
- Customer Centric
- Inclusivity
- Business Retention
- Community Development
- Collaboration
- Future Industries
- Workforce Development
- Discuss
- Defend
- Die For

Everything Else!
Developing A Vision

- Need to be flexible and dynamic
- Need to be the voice for the Wisconsin economy
- Team needs a clear direction
- Need to have a strategy that reflects the realities of the marketplace – adaptive, innovative, resilient
# OUR FUTURE

## From this...
1. Reactive
2. Pleasing everyone
3. Overly risk-averse
4. All equal
5. Fear-based
6. Jobs agency
7. Siloed
8. Some innovation
9. Picking winners

## ...to that
1. Proactive, holistic (budgets, programs)
2. Choosing the best opportunities
3. Calibrated risk tolerance
4. More selective
5. Confidence driven
6. Economic engine
7. Collaborative and integrated
8. More, better, broad-based innovation
9. Supporting winning
90 DAY SPRINTS

January - April

- Portfolio Review and Management Process
- End of the year
- What are other states doing?
- Metrics
- Others coming next:
  - Public/Private
  - Stakeholders
  - Trends
  - Rural
  - Innovation
ENTERPRISE ZONES

Refundable, performance-based tax credits for companies undertaking major expansion projects in or relocating major business operations to Wisconsin
Tax Credit Landscape – The Aughts

Community Development Zones
Enterprise Development Zones
Development Opportunity Zones
Technology Development Zones
Agricultural Development Zones
Airport Development Zones
Enterprise Zones
Angel Investment Tax Credits
Early Stage Seed Tax Credits
Film Production Tax Credits
Dairy Manufacturing Tax Credits
Economic Development Tax Credits
Jobs Tax Credits
Food Processing Plant Tax Credits
Meat Processing Tax Credits
Woody Biomass Tax Credits
Tax Credit Landscape – Today

Active:
- Angel and Early Stage Seed Tax Credits (QNBV)
- Business Development Tax Credits
- Enterprise Zones
- Historic Preservation Tax Credits

Servicing:
- Development Opportunity Zones (expiring 2021)
- Economic Development Tax Credits (sunset 2015)
- Jobs Tax Credits (sunset 2015)
Enterprise Zone Program History

- 2005 – Enacted
  - Adapted from Minnesota
  - Rural focus
  - Heavy vetoes
  - Jobs and training earnings basis
  - 10 zone designations
- 2006 – 2009
  - No awards made
- 2009 – Legislative action
  - Acreage requirement eliminated
  - Retention, capital investment, supply chain earnings basis
  - Wage tier system
  - Alternate full-time job definition
  - 12 zone designations
- 2011
  - 20 zone designations
- 2015
  - 30 zone designations
- 2017
  - Re-designate expired zones
  - No cap on designations
  - Joint Committee on Finance approval
Enterprise Zone General Provisions

- Certification date aligns with project
- Zone duration – up to 12 years
- WEDC sets caps on earnings categories and annual caps
- Highly customizable
Enterprise Zone Earning Types

• Earnings tiers for threshold eligibility, up to $100,000
• Job Creation – 7% of wages within thresholds
• Job Retention – 7% of wages within thresholds; no more than five years
• Capital Investment – 10% of capital expenditures
• Supply Chain – 1% of expenditures to Wisconsin vendors (exclusive of cap ex)
• Training – 100% of job-related skills training
Enterprise Zone Contractual Provisions

- Hiring schedules/thresholds
- Maintenance of existing positions
- Right to claw back 100% of tax credits earned
Enterprise Zone Award Life Cycle

- Qualification and application
- Underwriting and review
- Approval and contracting
- Annual tax credit calculations
Enterprise Zone Amendments

• Common types of amendments include:
  • Corrections; clarity
  • Name changes or additions of related entities participating in the project
  • Project changes, affecting
    – Award amount
    – Zone duration
    – Allocation schedule
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<th>Recipient</th>
<th>Amount</th>
<th>Municipality</th>
<th>Start Date</th>
<th>Jobs To Be Created</th>
<th>Jobs To Be Retained</th>
<th>Capital Investment Planned</th>
<th>End Date</th>
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<td>Pleasant Prairie</td>
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<td>Marinette</td>
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<td>1/1/2014</td>
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<td>InSinkErator</td>
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<td>1/1/2014</td>
<td>165</td>
<td>897</td>
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<td>785</td>
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<td>Westfield</td>
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<td>Kwik Trip, Inc</td>
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<td>La Crosse</td>
<td>8/1/2017</td>
<td>329</td>
<td>2,042</td>
<td>$309,000,000</td>
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</table>
Enterprise Zone Portfolio

Active Zones: 28
Credits Allocated: $730 million
Expected Jobs Created: 21,470
Expected Jobs Retained: 30,642
Expected Capital Investment: $4.1 billion
Leverage: 6 to 1
Enterprise Zone Statistics

Average 2-3 EZs annually
Zone Duration: 3 – 12 years
Credits Awarded: $3m – $65m
Expected Jobs Created: 0 – 5,000
Expected Jobs Retained: 0 – 4,865
Expected Capital Investment: $10m – $500m
Leverage: 2 to 1 – 30 to 1
Fincantieri Marine Group

Award Date: 8/24/2011
Duration: 12 years
Credits: $42 million
Industry: Manufacturing
Primary Location: Marinette
Expected Capital Investment: $186 million
Expected Job Creation: 1,050
Expected Job Retention: 1,211
Credit Utilization: $25 million (62%)
Estimated Tax Impact: $2.6 million per year
Milwaukee Electric Tool Corporation

Award Date: 4/11/2016
Duration: 10 years
Credits: $46 million
Industry: Manufacturing
Primary Location: Brookfield
Expected Capital Investment: $174.5 million
Expected Job Creation: 1,872
Expected Job Retention: 785
Credit Utilization: $11.3 million (25%)
Estimated Tax Impact: $6.1 million per year
Kwik Trip, Inc.

Award Date: 9/14/2017
Duration: 5.1 years
Credits: $21 million
Industry: Retail
Primary Location: La Crosse
Expected Capital Investment: $309 million
Expected Job Creation: 329
Expected Job Retention: 2,042
Credit Utilization: $6.5 million (31%)
Estimated Tax Impact: $560,000 per year
CFO UPDATE
1/21/21
GENERAL TIMELINES

MARCH/APRIL BOARD MEETING
• Current Fiscal Year Budget Amendment (Mid-Year Adjustments)

JUNE/JULY BOARD MEETING
• Final Current Fiscal Year Budget Amendment (if needed)
• New Fiscal Year Budget
• New Fiscal Year Operations Plan
• New Fiscal Year Update to Program Guidelines

SEPTEMBER/OCTOBER BOARD MEETING
• Audited Financial Statements (CAFR)
• Annual Report on Economic Development (ARED)
BUDGET VS. OPERATIONS PLAN

BUDGET
- Financial Performance (Consolidated and by Division)
- Will typically adjust mid-year

OPERATIONS PLAN
- Provides detail that roll up to the Financial Performance and to WEDC’s Strategic Pillars
- By Division:
  - Annual Goals/Expected Outcomes/Key Performance Indicators (KPI)/Performance Measures
  - Key Strategic Partnerships (KSP)
  - Staffing
DIVISIONS

ADMINISTRATIVE/SUPPORT
• Credit and Risk (Award Underwriting and Servicing)
• Executive Office
• Finance
• Human Resources
• Legal & Compliance
• Marketing and Brand Strategy
• Office of Public Policy
• Operations and Program Performance
• Technology and Information Systems

OPERATIONAL
• Business & Community Development (BCD)
• Business & Investment Attraction (BIA)
• Entrepreneurship and Innovation (E&I)
• International Business Development (IBD)
• Sector Strategy Development (SSD)
BUDGET CHANGE APPROVALS

1. WITHIN THE SAME DIVISION (but not increasing total budget)
   • Program Budget – CEO Approval
   • Operations Budget – Division Budget Manager

2. BETWEEN DIVISIONS (but not increasing total budget)
   • Program Budgets – Board Approval
   • Operations Budgets – CFO/CEO Approval

3. BETWEEN PROGRAM AND OPERATIONS
   • Board Approval

4. INCREASING TOTAL BUDGET
   • Board Approval
FINANCIAL STATEMENT EFFECT OF PROGRAM ACTIVITY

GRANTS
- Grant Approved/Committed – Assigned Fund Balance
- Grant Executed/Contracted – Restricted Fund Balance
- WEDC will have relatively large cash balances to cover the assigned and restricted fund balances
- Grant Drawn/Spent – Expensed on Income Statement

LOANS
- Same Treatment when approved and executed
- Loan Drawn – Asset
- Loan Repayment – Asset
- Loan Interest – Revenue Recognized on Income Statement

TAX CREDITS
- No Financial Statement Effect
OTHER “INTERESTING” FACTS

- Approximately 95% of WEDC Revenue comes from the State, with remaining 5% from loan interest, investment interest, federal grants, and award penalties.
- Approximately 75% of our Cashflow comes from the Revenue sources identified above. Loan repayments and the use of our fund balance provide the remaining 25%.
- Have been trending away from Loans to Grant Activity.
- Last 3 years, we have Committed and Contracted approximately 90-93% of our Program Budgets.
FY20 SOURCES

FY20 - Sources (in millions)

State General Purpose Revenue $17.4 27%
State Economic Development Fund (SEG) $24.2 38%
Other Revenue $4.2 7%
Loan Principal Repayments and Fund Balance $18.3 28%

GRANTS VS. LOANS

Loans vs. Grants

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<th>Year</th>
<th>Loans</th>
<th>Grants</th>
<th>TOTAL</th>
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<td>$10</td>
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<td>FY17</td>
<td>$20</td>
<td>$14</td>
<td>$34</td>
</tr>
<tr>
<td>FY18</td>
<td>$22</td>
<td>$15</td>
<td>$37</td>
</tr>
<tr>
<td>FY19</td>
<td>$22</td>
<td>$15</td>
<td>$37</td>
</tr>
<tr>
<td>FY20</td>
<td>$22</td>
<td>$15</td>
<td>$37</td>
</tr>
</tbody>
</table>

Millions
FY20 USES

FY20 - USES
(in millions)

Program Grants
$27.7
43%

Operations
$25.4
40%

Loans
$6.0
9%

KSP
$5.0
8%
2019 Approved and Uploaded COEC Updates

March 1, 2019

Add paragraph between the identified paragraphs in Section 9.1, page 53

• Pursuant to the motion..................
• If WEDC confirms that there is a perceived or statutory conflict of interest involving a board member, as described in WEDC's conflict of interest procedures, the board member must recuse themselves from the award approval process. If the conflict of interest qualifies as a statutory conflict of interest, that award must also be approved by AAC. From there, the award follows the standard awarding process, including approval by the Board if it would otherwise be required.
• WEDC uses the tiers.............

FOR THE TABLE, UNDER AAC QUADRANT, in Section 9.1, page 53

• Statutory conflict of interest by a board member.

July 26, 2019

Update to the Award Approval Policy:

(COEC PAGE 52)

FINANCIAL ADMINISTRATION 9.1. Awards Administration

To ensure a proper and thorough review of all awards, WEDC has implemented an awards administration process, an overview of which is provided here. It is through this process that WEDC exercises its due diligence in administering funds.

(COEC PAGE 54)

Extension of Financial Support to Borrowers with Convertible Notes:

Recipients of WEDC convertible notes or warrants are not generally eligible for additional WEDC financial awards such as loans, tax credits, grants or other assistance that directly impacts a company's financial status. Exceptions to this restriction include subsequent Technology Development Loan financing, and International Business Development export assistance programs. Recipients of WEDC convertible notes are not restricted from WEDC non-monetary and indirect assistance, such as technical assistance and Qualified New Business Venture certification.
Subject: COEC Change - Section 1.15
Description: On Page 23, please replace the first paragraph

“Utilizing personal devices (phone, laptop) for any WEDC related activity is strongly discouraged. If there is an open records request and it is determined you generated or received WEDC related information on your personal device, your personal device may be searched for records related to the open records request.”

with

“When utilizing personal devices such as home computers or cell phones, all WEDC business should be conducted within WEDC approved business applications, such as SharePoint, WEDC’s Outlook email client, Salesforce, Skype for Business, and Onelogin to maintain compliance with state open records laws. If there is an open records request and it is determined you generated or received WEDC related information that would not be produced based on a search of WEDC systems, including but not limited to text messages or personal email accounts, your personal device may be searched for records related to the open records request.”