



August 27, 2010

Ms. Pam Rood
CDBG Office
Madison Municipal Building, Room 280
P.O. Box 2985
Madison, WI 53701-2985

Dear Pam:

MDC recently approved a loan commitment to Arterro LLC. However, Arterro has a loan relationship with Monona State Bank and Mike Flynn of Monona State Bank is on the Loan Committee.

As a result MDC is requesting an exception to the 570.611 conflict of interest regulations.

Attached please find the following items relating to the request:

1. Conflict of Interest Checklist
2. Copy of Meeting Agenda acknowledging the potential conflict.
3. Copy of minutes of the Loan Committee meeting indicating Mr. Flynn was not in attendance at the meeting and thus abstained from any discussion or voting on the request.

Let me know if there is any other information you might need to move this through the process.

Sincerely,

A handwritten signature in black ink that reads "David J. Scholtens". The signature is written in a cursive, flowing style.

David J. Scholtens
Vice President

Att.

ATTACHMENT 1A:

CONFLICT OF INTEREST CHECKLIST

NAME OF LOAN APPLICANT: Artterro LLC

NAME OF LOAN COMMITTEE MEMBER WITH CONFLICT: Mike Flynn

LENDING INSTITUTION: Monona State Bank

DESCRIPTION OF CONFLICT SITUATION: The loan applicant, Artterro LLC, has an existing loan relationship with Monona State Bank. Loan Committee member Flynn is an employee of Monona State Bank.

CONFLICT DISCLOSURE METHOD FOLLOWED: Conflict acknowledged on Agenda. Agenda sent to City Clerk's office. Conflict disclosed to Committee.

CHECK ALL OF THE FOLLOWING WHICH APPLY:

- Loan Committee member refrained from discussion
- Loan Committee member abstained from voting
- Loan Committee member has served less than four years
- Loan Committee member has no contact with the customer who has made the loan application
- Total amount of loans made involving this lending institution is less than 25% for ~~XXXX~~ 2010.

Loan Committee member Flynn did not attend meeting.



MEMORANDUM

DATE: August 24, 2010
TO: MDC Loan & Investment Committee
FROM: Mark Taber, Chair
SUBJECT: MDC Loan & Investment Committee Meeting

MEETING NOTICE

MDC Loan & Investment Committee Meeting
Friday August 27, 2010
550 West Washington Avenue
MDC Boardroom
7:45 am

AGENDA

- I. Approve Minutes of the May 21, 2010 MDC Loan & Investment Committee Meeting
- II. Motion to go into Closed Session pursuant to s. 19.85 (1)(i) Wis. Stats., to discuss Credit requests and Loan Status
- III. CLOSED SESSION
 - A. Credit Requests
 1. Pho Nam Noodle House
 2. Arterro LLC

MDC will request exception to 570.611 Conflict of Interest Regulations for Loan committee member Mike Flynn of Monona State Bank relating to the loan request from Arterro LLC
 3. Progressive Spa & Salon
 4. Dynamis LLC (handout)
 - B. Portfolio Collection Update
- IV. Motion to go out of Closed Session into Open Session
- V. Open Session

Adjournment



MINUTES
MDC Loan & Investment Committee
August 27, 2010

PRESENT: Brett Hulsey, Mark Taber, Michelle Behnke Vicki Bankston, Paul Zukowski, Dana Hoffmann
EXCUSED: Mike Flynn, , Godwin Amegashie
STAFF: Dave Scholtens, Frank Staniszewski

The meeting was called to order at 7:45

I. APPROVAL OF MINUTES

Behnke/ Bankston moved approval of the minutes of the May 21, 2010 MDC Loan & Investment Committee meeting. **APPROVED** unanimously.

II. MOTION TO GO INTO CLOSED SESSION

Behnke/Hoffmann moved to go into closed session to discuss credit requests and loan status. Roll Call: all ayes

III. CLOSED SESSION

A. CREDIT REQUESTS

1. Pho Nam Noodle House.

Pho Nam is a start up Vietnamese restaurant to be located at 610 Junction Road. Staff has worked with applicant to reduce the loan amount, secure services of an experienced restaurant owner and brought in an outside guarantor of the loan. Borrower has requested a \$45,000 loan that will be used for operational reserves. This will be complemented by \$39,000 owner investment, \$40,000 loan from family and \$21,000 from landlord for buildout. Behnke/Zukowski moved **APPROVAL** subject to guarantor providing a mortgage to secure the guaranty.. Approved 5 ayes and 1 abstain (Hoffmann)

2. Artterro LLC

Artterro is a manufacturer and wholesaler of high quality, affordable, eco-friendly art kits. They have sold to 375 stores nationwide, won many awards, and have just begun selling to several large national accounts. Company has requested \$25,000 in funding that will be used to support operations, including added staff, as the company's sales ramp up in the 4th quarter of the year. Staff indicated that Mike Flynn of Monona State Bank did not attend this loan committee meeting due to the fact Artterro has an existing bank relationship with Monona State Bank. Hoffmann/Bankston moved **APPROVAL**. Motion Approved Unanimously.

3. **Progressive Spa & Salon LLC**

Progressive is a new entity that has recently purchased the assets of the former Cameo Day Spa out of Receivership. Yvette Frazier established Cameo 15 years ago and expanded into a very large space at 10 W Mifflin Street several years ago. The project required large amounts of debt for build out and operations. From Town Bank, the landlord and private sources. In March, 2010 the company went into receivership but kept operating, and Frazier filed personal bankruptcy. The new entity purchased the assets and has requested a \$50,000 loan to purchase new inventory, some small equipment needs, and provide working capital. Hoffman/Behnke moved to DENY the request due to lack of capacity. Motion to Deny Approved (5 ayes and 1 no (Hulsey))

4. **Dynamis LLC**

Staff did not formally present a request but updated Committee on the company. It is anticipated the application will be presented at tehnext loan committee meeting .

B..Portfolio Update

Staff presented the updated Loan Portfolio report with a brief description of those loans on non-accrual. The Committee gave recommendations as to future reporting and processing of delinquent loans.

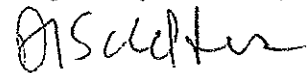
IV. **MOTION TO GO OUT OF CLOSED SESSION**

Bankston/Hulsey moved to go out of closed session. Roll call: All Ayes

V. **OPEN SESSION**

Meeting adjourned at 9:00

Respectfully submitted,



David Scholtens

Recorder

James B. Egle

222 West Washington Avenue, Suite 900
P.O. Box 1784
Madison, WI 53701-1784
jegle@staffordlaw.com
608.259.2622

September 22, 2010

BY ELECTRONIC MAIL
AND U.S. MAIL

Mr. Frank Staniszewski
President
Madison Development Corporation
550 West Washington Avenue
Madison, WI 53703

Dear Frank:

You have advised us of the following facts:

1. Madison Development Corporation ("MDC") is a Wisconsin nonstock corporation incorporated pursuant to Chapter 181 of the Wisconsin Statutes.
2. Michael Flynn serves as a lending community representative of the MDC's Loan and Investment Committee. Mr. Flynn is not a member of the MDC Board of Directors. Mr. Flynn is also employed as Vice-President of Business Banking for Monona State Bank.
3. The City of Madison appoints eight of MDC's 13 directors. MDC, however, is not an agency of the City of Madison. Mr. Flynn is not an official or employee of the City of Madison.
4. Recently, Arterro LLC, a manufacturer of art kits based in Madison, requested a \$25,000 Community Development Block Grant ("CDBG") loan from MDC, to support operations ("Arterro Loan"). Arterro LLC has an existing banking relationship with Monona State Bank, the employer of Mr. Flynn. However, Mr. Flynn has had no personal contact with Arterro LLC, its principals, employees and agents.

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5. MDC has delegated authority to make CDBG loans to the MDC Loan and Investment Committee. At its August 27, 2010 meeting, the Loan and Investment Committee approved the requested Arterro Loan.
6. Article X of the Bylaws of MDC provides: "No director, officer or employee of the corporation shall have or acquire any interest, direct or indirect, in any project which the corporation is promoting, or in any contract relating to any such project of the corporation, without making written disclosure to the corporation of the nature and extent of his/her interest; such disclosure shall be entered in the minute book of the corporation. No director who has such an interest shall vote on any matter relating to it."
7. Although Mr. Flynn is a member of the Loan and Investment Committee, he did not attend the August 27, 2010 meeting at which the Arterro Loan was approved. Mr. Flynn's employment with Monona State Bank and Arterro's existing banking relationship with Monona State Bank were disclosed to the Loan and Investment Committee by MDC staff prior to the board vote to approve the Arterro Loan; said disclosure was noted in the minutes to the August 27, 2010 committee meeting. Mr. Flynn abstained from voting on the Arterro Loan and refrained from discussion of the Arterro Loan.
8. Mr. Flynn will receive no commission or personal benefit from Arterro LLC as the result of the company's banking relationship with Monona State Bank or the funding of the Arterro Loan.

Based on these facts, it is our opinion that Mr. Flynn's positions as a member of the MDC Loan and Investment Committee and as Vice President of Banking for Monona State Bank will not cause the funding of the Arterro Loan to violate any laws of the State of Wisconsin or any ordinances of the City of Madison. In particular, in our opinion, there would be no violation of section 181.0831, Wis. Stats., concerning director conflict of interest in nonstock corporations such as MDC.

Yours truly,



James B. Egle
JBE:ms