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Date: June 10, 2024

To: Community Development Authority,
Economic Development Director

From: Rachelle Blitch, Director of Financial and Administrative Services

Re: Meeper Technology Loan Investigation

The staff was tasked with investigating the delinquent loans that were written off for Meeper Technology in March 2023. The data collection process included reviewing CDA Meeting Minutes and videos, loan documents, financials, business plans, emails, legal correspondence, policy manuals, and payment history to obtain a comprehensive understanding. Below are our findings:

1. During a discussion with Comptroller Karen Deiter, she explained that the process of writing off a loan begins with acquiring official documentation from an attorney certifying the company's insolvency. Upon receiving this confirmation, the documentation is submitted to the Community Development Authority (CDA) for review and approval.
2. A memo (**Exhibit 1**) dated March 16, 2023, from Steve Hatton stated that the Community Development Authority (CDA) had determined Meeper was no longer a viable company and that the loans would be written off. However, I could not find any supporting communication for this claim. It was also noted that this matter was not listed as an action item on the CDA's agenda, but only as an update. I confirmed with IT that no communication was received from Liz Eversoll during that timeframe and verified on the Department of Financial Institutions (DFI) website (**Exhibit 2**) that the company had dissolved on June 1, 2024. Of the $286,820 Meeper received, only $79,721.98 was repaid, $31,213.88 of principle and $48,508.10 in interest.
3. In reviewing Meeper's history, I discovered that their CEO, Liz Eversoll, had two other LLCs and a corporation that received loans from the Community Development Authority (CDA) during 2014-2015, totaling $871,110. SoLoMo Technology Inc. received a Capital Catalyst loan of $102,000 (**Exhibit 3**) and a CDBG loan of $102,510 (**Exhibit 4**). Mobile Mesh Games LLC received a Capital Catalyst loan of $102,000 (**Exhibit 5**), a CDBG loan of $102,510 (**Exhibit 6**), and another CDBG loan of $21,710 (**Exhibit 7**). V2 League LLC received a Capital Catalyst loan of $102,000 (**Exhibit 8**) and a CDBG loan of $51,560 (**Exhibit 9**). Meeper Technology received a Capital Catalyst loan of $102,000 (**Exhibit 10**), a CDBG loan of $102,510 (**Exhibit 11**), and another CDBG loan of $82,310 (**Exhibit 12**). All initial loans were issued between September 2014 and July 2015. The two additional loans were approved just as payments for the other loans were about to commence.
4. In February 2015, the Community Development Authority (CDA) discussed updating loan limitations to ensure adequate funding for applicants (**Exhibit 13**). They revised the loan limitation to a total of $150,000 per entity. In January 2016, the CDA approved

(**Exhibit 14**) additional loans for Meeper (**Exhibit 12**) and Mobile Mesh (**Exhibit 7**) that exceeded their borrowing limits. During discussions (**1/28/2016 CDA Meeting video**), the companies' performance was noted, with reports of an additional employee hired and significant growth. However, financials submitted by Mobile Mesh in August 2016 (**Exhibit 15**) revealed they received no revenue other than a $10,000 grant in the previous 18 months. The financials were in a spreadsheet instead of a report generated by the software and were not complete. Items I flagged were; a net loss of $125,131.86 in 2015, salaries and payroll taxes do not tie out (payroll tax overstated) for both 2015 and 2016. The purpose of the loan was to create full-time jobs, year one only had a total of $36,896.71 in salaries and year two through August had $47,782.56. If we annualized this out the projected salary would be $71,673.84 which would equate to potentially 1.25FTEs. Meeper also reported a significant loss (**Exhibit 16**). In 2015, they reported a negative gross profit of $8,604.97 which means it cost them more to make the product than what they sold it for. This does not include any labor or overhead and they reported a net loss of $202,888.28 for 2015. They also reported wages of $111,822.56 for the year however, wages through August of 2016 were only $31,052.27 yet there was a higher volume of sales in 2016 and still had a net loss of $116,911.04.

5. It is noteworthy that during the review process, I examined additional loans to determine if a standard and consistent process was followed. Several other businesses that received funds had specific contingencies. For example, the CDA required a first-position mortgage on some properties [Jimmy's Classic Italian Beef (**Exhibit 17**)], personal guarantees for amounts significantly lower than $100,000 [(Slipstream-**Exhibit 18**) (Thermodata – **Exhibit 19**)], and long-term leases at the Innovation Center (Thermodata-**Exhibit 19**). One business received $50,000 upfront with the option for two additional draws of $25,000 each, with repayment due in five years instead of ten, and the CDA required a first-position repayment status (EdViewRate -**Exhibit 20**).
6. In September 2016, an agreement was approved (**Exhibit 21**) to extend the due dates for the principal and interest on payments that were supposed to start in early 2016 for Mobile Mesh, from 12 to 24 months, without any stipulations or additional requirements. This action was in direct conflict with the Capital Catalyst Policy Manual [(April 18, 2013) (**Exhibit 26**)] Section 3(5) page 13, "Loan payments may be deferred for a maximum of twelve monthly payments (or one full year from the date the loan is originated)." Of the $226,220 Mobile Mesh received, the only payment made to the CDA was $1,000 (interest payment) in August 2016, until the company officially dissolved in December 2020 (**Exhibit 22**).
7. In October 2014, another company (The Learning Depot – **Exhibit 23**) requested an extension on their loans, which was approved with the condition that their financials be reviewed and that they remain current on their payments.
8. In September 2016, the CDA approved a payment deferral for SoLoMo Technology (**Exhibit 21**), from 12 to 24 months extending the due date to January 2017. Additionally, in October 2016, the CDA signed a subordination agreement (**Exhibit 24**) with Quad Graphics for up to $3,000,000, enabling SoLoMo to secure additional funding.

City of WHITEWATER

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SoLoMo received a total of $204,510, but the CDA did not receive any payments before the company dissolved in December 2017 (**Exhibit 25**).

9. According to the Capital Catalyst Policy Manual [(April 18, 2013) (**Exhibit 26**)] Section 3(7) page 13, "The CDA will seek the best possible collateral position to ensure that Seed Capital Fund loans are adequately secured." However, the only agreements signed were General Business Security Agreements. It is noteworthy that in their applications, each of the LLCs indicated they had no collateral available to secure the loans [(Mobile Mesh – **Exhibit 27**) (V2 League – **Exhibit 28**) (SoLoMo – **Exhibit 29**) (Meeper – **Exhibit 30**)], with the only other funding being a small personal equity investment of $10,000 and the remainder sourced through crowdfunding (Meeper, Mobile Mesh, and V2). SoLoMo's application notes only $50,000 coming from grants and loans, lists the company's valuation at $5.7M but states an appraisal isn't available and their financials (**Exhibit 31**) show their have a negative owner's equity.
10. SoLoMo was the first of the four companies to apply for the loan program and had been in business since 2012. Financial statements were included with their application (**Exhibit 31**). Upon analyzing these financials, several red flags were identified: the total stockholder's equity (fund balance) was negative $541,453, the total long-term liabilities/loans amounted to $727,626, and the year-to-date (YTD) net income showed a loss of $852,638. Additionally, the financial notes indicated a YTD payroll expense of $1,016,179, which contradicted the income statement showing total YTD expenses (including payroll) of only $997,230. Furthermore, their $500,000 loan from MDC was in deferral, and their rent was deferred pending additional capital. It was evident that the company was in distress, and the inconsistencies in their financials raise questions about the legitimacy of their statements.
11. V2 League received total funding of $153,560, of which $31,664.44, ($22,523.19 of principle and $9,141.25 in interest) was repaid to the CDA before the company dissolved in 2020 (**Exhibit 32**).
12. In December 2018, the CDA approved and signed another Subordination Agreement this time for Meeper to Fordham Capital Partner, LLC for up to $350,000 (**Exhibit 33**).
13. The CDBG loans are required to have personal guarantees under the program (**Exhibit 34)** and are required to create and maintain a specific number of jobs however, none of the CDBG loans Liz Eversoll received were required to sign a personal guarantee. The loan agreement for Mobile Mesh outlines the requirements for job creation and maintenance (**Exhibit 35**) further indicating the lack of compliance with adhering to policy.
14. The Capital Catalyst Policy Manual [(April 18, 2013) (**Exhibit 26**)], Section 2, page 4, outlines the process and documentation requirements of the Seed Capital Screening Committee and the Finance and Investment Committee. According to the manual, a master file should be established for each application, including a recommendation file. However, I was unable to locate any documentation or meeting minutes detailing the committee members, their meeting dates, or the recommendations made. This lack of transparency hinders the ability to assess whether the proper procedures were followed in the initial loan recommendations

In conclusion, the investigation uncovered several critical issues in the handling of loans to Meeper Technology and related entities. These include a lack of proper documentation, communication, and transparency regarding loan write-offs, multiple loans granted despite evident financial distress and inconsistencies, deviations from standard loan procedures, and a failure to enforce collateral requirements. These findings highlight the need for the CDA to implement more stringent loan oversight and adhere strictly to established policies to safeguard public funds and ensure financial accountability in the future.