MCEDD Mid-Columbia Economic Development District

MCEDD Loan Administration Board Meeting
Tuesday, December 7, 2021
8:00am

Remote only
https://zoom.us/j/96813684043?pwd=SzZwbWRoZUIyc2hhdGdjelZxWWZJQT09
Or call 669-900-6833, Meeting ID: 968 1368 4043, Passcode: 813870

AGENDA

Topic	Estimated Time	Item
Call to Order, Introductions		
Loan Administration Board Minutes *November 2, 2021*	5 minutes	Approval
New Loan Request *Pharaoh's Family Farm*	15 minutes	Approval
***Executive Session per* ORS 192.660 (f)** (Exempt Documents) *Regular Session Reconvened*		
Economic Development Administration Revolving Loan Fund Plan Update	15 minutes	Approval
Funded Loan Updates	5 minutes	Approval
***Executive Session per* ORS 192.660 (f)** (Exempt Documents) *Regular Session Reconvened*		
Staff Updates *December 21 Meeting*		
Adjourn		

Executive Session Protocol

MCEDD Loan Administration Board

After discussion agenda items are presented in open session by MCEDD staff, the LAB Chair will state the following: "Pursuant to ORS 192.660(f), Exempt Documents, I call the Executive session of the MCEDD Loan Administration Board to order".

LAB Chair asks all non-staff and non-LAB members to leave the meeting. Staff will explain to visitors where they can wait and that they will be invited into Executive Session when their agenda item will be discussed.

For each discussion item on the agenda for Executive Session, the LAB Chair will follow the following procedural steps:

1. Invite the loan applicant (or their representative) into the Executive Session for the presentation of their loan request. LAB Chair requests a brief presentation from MCEDD staff on a summary of the loan proposal or other discussion item.

2. After presentation of information by staff, the LAB Chair asks if there are any questions for the loan applicant or MCEDD staff.

3. Following questions and discussion by the LAB, the loan applicant (and/or their representative) is asked to leave Executive Session with instruction that they will be invited into the Open session when Executive Session is adjourned.

4. LAB Chair asks LAB members if there is any discussion related to loan request that needs to take place before inviting the next loan applicant or other persons into Executive Session for the next discussion item.

5. Additional discussion between the LAB members takes place then Steps 1-5 are repeated for each following discussion item for Executive Session.

At the end of discussion, the LAB chair will close the Executive Session. The LAB moves back to open session. At this point, the LAB Chair asks for a motion on the decision items in open session. Following a proper motion (motion and a second), the LAB chair requests discussion on the motion. Following any discussion, the LAB chair requests a vote ("all those in favor, signify by saying aye" "all opposed signify by saying nay" "any abstentions?"). Staff may ask for a roll-call vote, if the responses are unclear.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
LOAN ADMINISTRATION BOARD MEETING MINUTES

Tuesday, November 2, 2021
Virtual Only

ATTENDANCE
BOARD: Scott Clements, Dillon Borton, AJ Tarnasky, Steve Kramer, Les Perkins, Bob Hamlin, Dave Sauter

STAFF: Jessica Metta (Executive Director), Ami Beaver (Assistant Program Manager), Jill Brandt (Administrative Assistant)

CALL TO ORDER INTRODUCTIONS
Scott Clements called the meeting to order at 8:01 a.m. A quorum was present.

MINUTES
Dave Sauter motioned to approve the minutes from October 19, 2021. Les Perkins seconded the motion. All voted in favor, and the motion passed unanimously.

MICROLENDING PROGRAM TERMS
Jessica Metta introduced this topic as a continuation from the last meeting's discussion. Included in the packet is a draft matrix of lending scores, with the different tiers broken down by credit score and a list of the documentation that would be required for each tier. She pointed out the different interest rates assigned to the different tiers. She explained to the Board that this matrix was based on information that Dillon Borton from Key Bank shared and thanked Dillon for his help. Jessica noted the differences in the Terms section – there are two terms outlined in this program that depend on the amount loaned out. Lower dollar amount loans would be limited to a three-year maximum. A loan in the $20,000-$40,000 range would be allowed a five-year maximum and it would be fully amortized with no balloon. Fees will be the same as the LAB's regular program at 1.5%. Jessica added that she was looking for board guidance for the scenario if partner applicants have drastically different credit scores.

> *Discussion: Bob Hamlin asked how many applicants in Tier 1 would be denied by a bank. Dillon said this is possible if someone is applying for a startup business loan and has no business experience, or based on how large the loan request is.*
>
> *Scott Clements noted that there was no Ag element specified and this was a gap that should be addressed. Jessica explained that most of MCEDD's loan funds do not allow lending for Agricultural purposes. She added that the defederalized loans could be used for this purpose. Jessica asked the board if Ag lending was something that they want to allow. AJ Tarnasky said the FSA has really good start-up loans for Ag with their First-time Farmer program. Les Perkins asked for clarification on how the LAB is defining Ag, noting that this is a very broad general term. Scott Clements said in our region the term Ag is applicable to orchards, wheat*

farmers and other specialty growers in the region. Les added that our region also has lavender producers and numerous CSA groups. He also noted that the Ag producers that are typically in need of funding are not orchard owners. He felt that this microlending program will be for people not doing typical Ag. Steve Kramer noted that the program's requirement of being turned down by conventional lenders addresses Les' comment. Non-traditional ag producers could apply to MCEDD if they have been turned down by the bank. AJ Tarnasky noted he considers the MCEDD loan to Pharoah's Farms in Stevenson to develop and market their compost as a commercial enterprise and not ag, since Ag is growing crops or livestock. Les asked AJ if he knew about any loan limits in the FSA programs. AJ said there is no minimum, maximum is one million dollars and $30,000 is considered to be a small Ag loan. Scott *Clements asked the Board if Ag loans should be included in the mission, contingent on availability of funds for that purpose. Les agreed, commenting that he would prefer the program's eligibility to be as broad as possible to allow people who get denied elsewhere access to lending. AJ also agreed. Steve Kramer also supported this addition, noting that Wasco County's economy is 98% agriculturally based. Dillon Borton agreed as well and urged the Board to keep the eligibility requirements as broad as possible. Jessica said she would add agricultural uses to the eligible applicant types.*

Bob Hamlin asked what materials an applicant will receive that lets them understand where they fall within this matrix. Jessica replied under this program, credit score will determine what documentation will be required, so authorization for a credit check will be the initial request.

Jessica moved on to discuss loan approvals under this new program. The RLF Plan currently states that the Board must approve all loans so it would have to be amended. The Loan Board has been intending to review the RLF anyway, and she plans to add an addendum outlining the details of this program, including the ability for staff to approve loans.

AJ recommended setting a Tier 6 to cover credit scores below 650, suggesting that this level of credit be disallowed under this program. He explained that applicants with this low credit score will be able to go through MCEDD's regular program where the Board will consider the application and can still approve if there is an acceptable explanation for the credit score and/or the client has collateral to back the loan. Scott agreed. Dillon asked for the differences between our current documents required and Tier 5. Jessica said the main difference is the requirement for collateral but that the documentation is the same as the regular program. AJ stated that if an applicant has a score of 650 then they have had some sort of problem making payments, and it is therefore appropriate for MCEDD to have collateral.

AJ asked the Board to define what credit score will be used when there are joint applicants - the higher or the lower score. Dillon said that for commercial banks the answer varies. KeyBank takes the highest score to price the interest rate, but this is not necessarily the case for approval.

AJ confirmed that his bank takes the lowest credit rating as the basis for approval and highest credit rating as the basis for pricing the interest.

Scott then asked if the Board would like to see an amended draft come back, or if there is consensus to approve this plan in principle. Dillon felt that for the sake of time, approval in principle now was called for, and the Board could add onto a final draft in future.

Steve Kramer asked if this new program needs to be approved by MCEDD's full board. Jessica responded that the addendum to the RLF that gives staff approval authority will need to be approved by the full Board. Jessica added that the LAB can approve this generally today and staff has time to bring a final updated draft plan for approval. This can then be submitted to the full Board at the December meeting.

AJ Tarnasky motioned to approve having staff revise the plan and bring back for final approval, and then to be submitted to the full Board in December for approval. Steve Kramer seconded the motion. Dillon Borton clarified that the program matrix will add a Tier 6 level with a minimum score of 650. AJ affirms that applicants with a credit score below 650 will be ineligible for this program, but they can still apply to MCEDD's traditional program. Jessica stated that she would add Ag uses and specify fees at 1.5%, and that the interest rate will be determined by credit score according to the program's outlined rules.

AJ Tarnasky motioned to approve these amendments and Steve Kramer seconded the adding of these amendments. All voted in favor and the motion passed.

Scott concluded this topic with the request that the Board will see the revised draft at the next meeting. Jessica clarified that if there are no new loan proposals, she will not call a meeting in two weeks. She added that she will work on cleaning up the full RLF plan to bring to the next meeting – this will fall into the timeline to approve the final draft before the full MCEDD Board meeting in December. The Board members were all agreeable with this plan.

FUNDED LOANS UPDATES

Jessica Metta gave general updates on recent activity in the loan program. The Hood View Services loan has successfully closed. Full Circle (dba Rivertap) may be coming to the LAB and Tenzen has initiated conversation about applying again for a MCEDD loan. Jessica and Bob Hamlin noted a site visit would be appropriate and helpful for the Board to see the project and the property.

STAFF UPDATES

Jessica and Scott will be interviewing for the Loan Fund Manager position later today.

ADJOURN

Scott Clements adjourned the meeting at 8:28 a.m.

Respectfully submitted by Jill Brandt, Administrative Assistant

Memorandum

To: MCEDD Loan Administration Board
From: Jessica Metta, Executive Director
Date: November 30, 2021
Re: EDA Revolving Loan Fund Plan Update

Overview

The Loan Administration Board (LAB) recently approved a new microlending program that necessitated an update of the Revolving Loan Fund (RLF) Plan we use to administer our Economic Development Administration (EDA) funds. We had intended a full review of the EDA RLF Plan in 2021 and this opportunity was used for that full review. The existing plan was updated with changes from the latest Comprehensive Economic Development Strategy process, changes that have been suggested over the last 18 months of LAB meetings, a review against current EDA requirements, and the microlending section. Track changes has been used to show edits, as well as inserted comments. The draft is presented for discussion and approval at the December 7, 2021 LAB meeting.

Request

Staff requests a recommendation from the LAB to the MCEDD Board of Directors for approval of the updated plan. The plan would then be submitted to EDA.

MID-COLUMBIA
ECONOMIC DEVELOPMENT
DISTRICT

REVOLVING LOAN FUND PLAN

For Mid-Columbia Development District (MCEDD) revolving loan funds funded with EDA Consolidated Grant #450210R and defederalized in 2021, and for EDA CARES revolving loan funds.

ADOPTED BY RESOLUTION 2021-# ON DECEMBER 16, 2021

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INTRODUCTION

This Revolving Loan Fund Plan has been developed by Mid-Columbia Economic Development District to replace and update the existing RLF plan for EDA consolidated grant 450210R which was defederalized in 2021, EDA CARES revolving loans, and any other MCEDD revolving loan funds including, but not limited to Regional Strategies RLF. These previously approved grant and loan policies, standards, targets, criteria and procedures are hereby revised and amended to be consistent with the new RLF Plan. This revision does not change the basic scope of the existing grants or loans, but brings the plan under which they operate up to date and current with EDA requirements and the area's Comprehensive Economic Development Strategy (CEDS).

Part I of this Plan outlines the RLF Strategy. This section explains the economic adjustment program and its strategies and policies. It also states portfolio standards, targets and criteria of the RLF.

Part II of the Plan covers the RLF operational procedures. This section sets forth the organization and the procedures for making and servicing loans. This section also covers how MCEDD will comply with EDA and USDA requirements for reporting and monitoring of grant and loan terms and conditions.

PART I. THE REVOLVING LOAN FUND STRATEGY

A. ECONOMIC ADJUSTMENT PROGRAM OVERVIEW

ECONOMIC ADJUSTMENT PROBLEM

The annual MCEDD Comprehensive Economic Development Strategy document details the economic situation and distress in each of the counties. A brief discussion follows or see the full Strategy for more analysis.

The Mid-Columbia region is composed of five counties bordering the Columbia River: Hood River, Wasco and Sherman Counties in Oregon and Skamania and Klickitat Counties in Washington. The region constitutes an area of 7,289 square miles and encompasses parts of the Columbia River Gorge National Scenic Area. The region is rural with a dispersed population, with an estimated population of 87,288 persons in 2020.

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Unemployment is an indication of the level of economic health in our region. During COVID-19, it peaked at more than 15% in some of our counties in March 2020. The region has mostly recovered, with unemployment at 4.4% in October 2021. While most industries are still slightly below pre-pandemic employment levels, Accommodation and Food Services experienced the greatest impact and requires more time to fully recover. Overall job gains are also a strong sign for the region, with growth of the number of firms and employment in the region, albeit at slower rates than Oregon and Washington. Despite gains in employment, the region still has some areas of high poverty and suffers low per capita income at about 90% of the national average.

Our industry in descending order of total employment is as follows: Total all government; Agriculture, forestry, fishing & hunting; Trade, transportation and utilities; Education and health services; Manufacturing; Leisure and hospitality; and Professional and business services. When ranked by payroll, several of those industries slip to lower ranks given the lower wages in areas such as agriculture, trade, leisure and hospitality.

While the region has been traditionally based on natural resources, reductions in these industries resulted in economic distress for the region. Following past downturns, the region concentrated on working together to identify and support industry diversification. Renewable energy opportunities, rapid growth in beverage manufacturing and value-added agriculture industries, growth in healthcare, development of opportunities for artists and expansion of local high-tech leaders provides a stronger, more diverse economic base.

DEVELOPMENT OF ECONOMIC ADJUSTMENT STRATEGY

In response to the economic distress of the District, Mid-Columbia Economic Development District worked to develop adjustment strategies. The CEDS process annually analyzes the problems and develops a number of goals and strategies. As part of the process, Mid-Columbia Economic Development District looks to the RLF programs that the District has successfully utilized as an important part of its strategy. MCEDD has operated revolving loan funds since

1980. The Board annually certifies that the RLFs are consistent with the Strategy of the District. Existing Business RLF's include:

Source	Date Est.	Federal Funds	Matching Funding
EDA RLF Skamania	1980	$300,000 EDA grant	-
EDA RLF Hood River	1986	$300,000 EDA grant	$100.000
North Central OR Regional Strategies	1996	$311,252 NCOR grant	-
USDA IRP	1999	$1,000,000 USDA loan	$100,000
EDA RLF Klickitat	2002	$320,000 EDA grant	$80,000
USDA IRP Recap	2004	$600,000 USDA loan	$150,000
USDA RBEG- OR	2004	$259,000 USDA grant	-
USDA RBEG- WA	2004	$95,000 USDA grant	$5,000
USDA IRP Recap	2007	$750,000 USDA loan	$112,500
USDA RBEG- Klickitat/ Skamania	2010	$99,000 USDA grant	$50,000
Washington CDBG	2010	$95,481 CDBG grant	$20,000
USDA IRP- Sherman	2011	$200,000 USDA loan	$50,000
Northwest Business Development Assoc.	2018	$30,000 NWBA grant	-
EDA CARES RLF	2020	$770,000 EDA grant*	-

** As of date of adoption, the full grant has not yet been received.*

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While not a business RLF, MCEDD also received a $2,000,000 grant from the State of Oregon in 2016 to establish an RLF for the development of attainable housing in its Oregon counties.

Mid-Columbia Economic Development District includes its RLF program in its annual preparation of the Comprehensive Economic Development Strategy documents for the District. The Comprehensive Economic Development Strategy for the Mid-Columbia region indicates a goal of promoting the creation of family-wage employment, promoting diversification of the economic base, and promoting growth, development and retention of business and industry within the District.

AREA RESOURCES

In addition to funding partners such as USDA and EDA, there are a number of resources that MCEDD utilizes when assisting businesses through this RLF. There is an expanded list of resources and partners in MCEDD's Comprehensive Economic Development Strategy.

Within the District, there are five port districts active in trying to attract new job creating industries or expand existing ones: Port of The Dalles, Port of Klickitat, Port of Hood River, Port of Skamania, and Port of Cascade Locks. They all have industrial property and infrastructure in place to provide for development. They are strong allies in economic development in the District, managing significant areas of industrial and business properties.

Each county has an economic development entity that works to support business retention and expansion within the county. Skamania County is served by the Skamania County Economic Development Council, which also acts as staff for the Washington Investment Board. Klickitat County formed a Public Economic Development Authority (PEDA). The Klickitat PEDA works to improve the economic conditions in the County. PEDA staff work to create or retain jobs, improve infrastructure, and coordinate federal and state funding. Wasco County has an active committee of government leaders and private citizens who make economic development related recommendations to the County Commission. Wasco County contracts with MCEDD for economic development services to support their committee. Sherman County is similarly served through a contract for economic development services from MCEDD. Hood River County established an economic development working group which includes MCEDD, the Chamber, County, Cities and Ports.

The Small Business Development Center networks of Oregon and Washington serve the District's counties, with varying levels of service available in the five counties, and provide technical assistance to local businesses. They also provide many loan leads for the program. The Small Business Development Center network helps small businesses in the region by offering counseling and training. Many of the small businesses that request loans for one of the MCEDD loan programs have received services from the SBDC. The Service Corps of Retired Executives similarly provides resources and technical assistance for entrepreneurs in the region.

Additional funding resources for businesses are available through Washington and Oregon State programs, Mount Hood Economic Alliance, urban renewal programs, and commercial banks. In addition, as part of the legislation creating the National Scenic Area, each state was entrusted with funding for economic development within the Scenic Area boundaries. Each state created and appointed Investment Boards to make decisions on use of those funds for grants and loans

STRATEGIC ADJUSTMENT GOALS

Through the creation of the RLF program, MCEDD established specific goals and objectives for the Revolving Loan Funds:

- Provide access to affordable capital necessary for business expansion, retention and start-up projects to move forward.
- The type of jobs targeted by the RLF will be higher skill, family wage jobs. These jobs are more likely to be found in manufacturing and technology-based businesses.
- Help to attract new businesses to the District by making capital available.
- The projects that the Revolving Loan Fund helps to finance must leverage private capital and create jobs.

- The projects assisted by the RLF will assist the unemployed, underemployed, dislocated workers and/or low- income workers by providing new jobs or saving current jobs in the District.
- Loans to commercial businesses will be considered particularly when they provide opportunities for mitigation of unemployment of dislocated workers or stimulate economic growth to commercial districts that have become blighted or stagnant and the investment will lead to additional investment in the area.
- The RLF will make every effort to attract applications from and to assist businesses owned by minorities and women.

IMPLEMENTATION PROGRAMS AND ACTIVITIES

MCEDD's Revolving Loan Funds have been primarily funded through the United States Department of Agriculture Rural Development and the United States Economic Development Administration, with matching funding from regional investment boards, state grants, Oregon Investment Board, counties, MCEDD and others. A detailed list is provided in the Economic Adjustment Strategy portion of this plan. All Revolving Loan Funds were designed to assist small businesses with job creating projects in particular parts of the region. The first round of loans from each program was made to businesses targeted to specific distressed counties. Once the initial grant/loan and match funds were lent, the revolved funds from repayments and earnings typically then became available to assist other businesses located within the Mid-Columbia Economic Development District. An attempt is continually made to target revolved funds to businesses in the counties initially targeted for assistance under the program.

In addition to the RLFs, MCEDD assists all of the counties and Ports in the District in their efforts to accomplish their economic development strategies. Through the CEDS process MCEDD establishes regional goals and visions. For ~~2014~~2021, these goals included:

- Strong Businesses: Enhance business innovation, retention and expansion, and entrepreneurship through equitable access to support services and capital, diversifying our industry mix, and enhanced coordination to address barriers to growth and sustainability.~~Business Retention and Expansion: Enhance the retention and expansion of businesses in the Mid-Columbia/Columbia River Gorge.~~
- ~~Business Attraction: Achieve an increase in new business to the region that will continue to diversify the economy and create sustainable opportunities, including family wage jobs, over the next ten years.~~
- ~~Infrastructure: Facilitate the timely maintenance and improvement of public infrastructure and support scalable infrastructure development, which will contribute to increased economic opportunities.~~
- ~~Economic Resources/Entrepreneurial Environment: Increase the Mid-Columbia region's receipt of resources for economic development initiatives, including funding, technical assistance and training.~~
- ~~Entrepreneurial Environment: Facilitate integrative partnerships and communication across business clusters, industries, entrepreneurs, government and economic development organizations to further develop an effective economic support structure.~~

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- ~~Workforce: Regularly assess needed workforce requirements, ensuring a regional workforce that is work-ready and well-educated.~~
- ~~Bi-State Engagement: Engage elected representatives in Oregon and Washington to advocate more effectively for the common needs of the Columbia River Gorge in support of all the other six goals.~~
- Robust Workforce: Cultivate a talented, multicultural workforce through diverse, family-wage career training aligned with industry needs while providing essential infrastructure supports for workforce participation in each community.
- Resilient Infrastructure: Ensure communities and businesses of the Gorge have reliable, resilient access to infrastructure, including attainable housing, high-capacity broadband, sustainable sources of energy, and emergency services, among others, to support future population demands and economic opportunities.
- Powerful Regional Collaboration: Effectively collaborate and advocate as a bi-state region to leverage the economic assets of the Columbia River Gorge to facilitate strong businesses, robust workforce and resilient infrastructure.

ORGANIZATIONAL STRUCTURE – ADJUSTMENT STRATEGY

Mid-Columbia Economic Development District (MCEDD) is responsible for the management of the Revolving Loan Funds. The Board of Directors of MCEDD, through its Loan Administration Board and staff, maintain and implement the strategy and the RLF program. The Board evaluates the results of the program and amends this RLF Administrative Plan as necessary in order that the plan is consistent with the CEDS as the CEDS may be updated from time to time. MCEDD will certify semi-annually to EDA and other agencies as required that the Plan is consistent with the District strategy.

B. BUSINESS DEVELOPMENT STRATEGY

OBJECTIVES

The business development strategic objectives as part of the overall development strategy addressed by this plan are:

- Increase the capacity of existing local firms, especially those that sell outside of the area, thereby bringing dollars into the local economy.
- Prevent the loss of jobs by the closure or move of local businesses.
- Assist commercial business expansion that will provide opportunities to dislocated workers or provide opportunities for growth and enhancement of commercial business districts.
- Encourage the development of firms that add value to local resources, such as agricultural products and wood products.
- Attract businesses that will provide additional capital and jobs to the area.
- Encourage the development of higher skill, higher wage jobs.
- Assist small businesses to incorporate new technologies.

- Assist small businesses to develop new markets.
- Diversify the types of industries to minimize the effect of downturns in certain sectors.

TARGET BUSINESS CHARACTERISTICS

Targeted businesses include all legal and legitimate businesses within the District facing financial challenges that do not allow them access to traditional bank financing. These businesses should be poised to create jobs through growth and/or expansion. Primary emphasis is on existing or new industries that pay above-average salaries on a year-round basis.

The District includes Hood River, Wasco and Sherman Counties in Oregon and Skamania and Klickitat Counties in Washington.

TYPES OF ASSISTANCE

MCEDD has continually engaged in ongoing efforts to identify assistance needed by businesses and identify means to meet those needs. The types of assistance MCEDD has identified as being needed by businesses and potential entrepreneurs include:

- **Financing and access to capital, especially working capital.**
- **Financing the acquisition of additional space.**
- **Gap financing that provides funds needed to span gaps between equity and other sources of funding.**
- Hands-on technical assistance.
- Management assistance.
- Workforce development and training.

The types of assistance provided by MCEDD through the loan fund are in bold. MCEDD works strategically with its partners, such as the Small Business Development Center, to ensure the other needs are addressed. MCEDD will continue to address new needs and revise this RLF plan as changes occur.

PROGRAMS AND ACTIVITIES

Mid-Columbia Economic Development District's primary role with the RLF is to provide financing and access to capital to businesses unable to access financing through traditional loans from federally insured financial institutions. This is done in concert with other programs that are available to businesses in the area and in coordination with MCEDD's other activities. MCEDD has significant knowledge and experience in packaging multiple sources of public and private financing needed to make a job-creating project a reality. The RLF is a critical part of this effort. MCEDD continually strengthens and makes even more effective the network through which key financial institutions will refer otherwise credit-worthy small businesses which are unable to receive adequate financing through private lending programs. MCEDD works directly with other public programs such as Small Business Administration, Washington and Oregon business finance programs and with local banks.

In addition to direct assistance, businesses are referred to other sources of assistance such as Port Districts, Columbia Gorge Community College Small Business Development Center, business mentors and mentorship programs, and the Oregon and Washington State Employment Departments for management and technical assistance and customized training.

C. FINANCING STRATEGY

FINANCING NEEDS AND OPPORTUNITIES

Financially challenged businesses can exist at any stage of development. The most common are start-up businesses and businesses less than three years old. Other established businesses may need help making a transition due to growth or expansion. Other formerly bankable businesses may be in an industry that is experiencing a downturn. Any business that is unable to obtain 100% of its needed financing through a traditional bank, financial institution or private investor provides an opportunity for MCEDD to utilize its RLFs. Gap financing is another growing opportunity fueled by the bank industry's conservative collateral policies and shrinking allowable Loan-to-Value percentages. Most small businesses are unable to provide the necessary resources to finance this growing gap. Without help, many small business retention and/or growth projects would go unrealized and the economies of the Mid-Columbia would be negatively impacted.

CURRENT AVAILABILITY OF FINANCING

Commercial banks and other federally insured financial institutions are providing part of the required financing for businesses, but all too often for the businesses that are growing or starting up, the terms are restrictive and not all of the needed financing is available through banks. Other private financing is available through finance companies, angel investment groups and private lenders.

Some assistance is available through state and federal programs, but these programs also have limitations which preclude funding to otherwise eligible borrowers.

Local financing resources include the Oregon and Washington Investment Boards and Mount Hood Economic Alliance. MCEDD operates the Oregon Investment Board and administers Mount Hood Economic Alliance and frequently works with borrowers to provide adequate financing through a mix of these sources. All three of these fund sources are limited.

MCEDD has multiple funds available to all five counties. Business financing needs can be met using a single fund or a combination of funds. The combining of different funds for single projects depends on the nature of the project and the counties where business is done by the project's applicant.

FINANCING NICHE

The MCEDD RLF has the ability to provide a flexible and accessible source of financing which is not otherwise available from traditional lending sources. It is most accessible and useful to growing businesses that are creating or retaining jobs. MCEDD RLF loans do not compete with banks. MCEDD's financing niche has two important components:

a) Providing gap financing for businesses which are able to obtain only partial financing through banks, private investors or other sources
b) Providing financing for businesses which are unable to obtain traditional financing.

MCEDD does not typically provide 100% financing of projects. MCEDD utilizes lending criteria that allows for more business risk by allowing lending to start-up businesses, businesses that have been in business for less than three years and loaning to businesses that do not meet standard accepted underwriting percentages and ratios.

MCEDD has the opportunity to provide longer terms, loans with more liberal collateral policies including subordinate lien positions, and interest rates from some loan funds that are below market rates. Financing may be provided for machinery and equipment, leasehold improvements, land and buildings and working capital.

MCEDD focuses RLF funds on clients for whom credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. MCEDD uses its RLF to fill the financing gap left by commercial banks and other traditional financing sources in order to help businesses grow, expand and create jobs in the Mid-Columbia.

RLF IMPACT

MCEDD's RLF's have had significant impact since 1980, when MCEDD received its first grant to capitalize its loan funds. Since that time, MCEDD continued to expand the programs and successfully acquire a total of more than $4.~~3~~ 8 million in Federal and State grants and loans for the Mid-Columbia region. This amount, combined with more than $1.9 million in local matching dollars, equals a total capitalization of more than $6.~~5~~ 7 million. As reported in our ~~2015~~ 2020 annual report, since 1980 MCEDD has made more than ~~200~~ 314 loans to businesses totaling $~~13.4~~19 million. Those businesses have created or retained more than 2,~~000~~ 380 jobs. The program has leveraged more than $12.8 million in public financing and more than $~~28.6~~36.3 million in private financing.

The MCEDD RLF will strive to have the following impacts as funds continue to revolve:

1) MCEDD anticipates that these revolving loan fund programs will use repayments from the loans to continually relend, creating the potential for additional job growth.
2) The RLF will target and seek to maximize attraction of private sector investment.

3) Investments will strengthen the economy of MCEDD's region, which in turn will stimulate more investment and business activity.
4) RLF investments into businesses will allow further utilization of the region's infrastructure improvements and will provide increased use of industrial properties that will allow for further expansion.
5) The RLF will focus on jobs that can support a family and mitigate the high unemployment that has plagued the region and made worse by ~~recent~~ closures of major employers.
6) Our program staff will encourage companies to seek training and utilize and retrain local workers where applicable. When possible, RLF investments will contribute to an environment where higher-skill and higher-wage jobs are created.
7) Targeted industries supported through the RLF will be designed to capitalize on the region's unique assets to build comparative advantages for the economic growth.
8) The program will seek to have full regional impact and strive to support business investments across all counties in the District.

D. FINANCING POLICIES

MICROLENDING POLICY

In an interest to improve accessibility for businesses making smaller loan requests, and to encourage loans to minority- and women-owned businesses, the Loan Administration Board developed the following guidance. Unless specified below, all other policies in this RLF Plan apply to loans approved under the MCEDD Microlending Program. This program is funded with EDA defederalized funds.

Fund Summary

- Maximum Loan Amount: $40,000
- Eligible Applicant Types: Entrepreneurs, new business start-ups, expanding businesses, existing businesses for debt refinancing, agricultural uses and most legal business ventures. Women and minority-owned businesses are encouraged to apply.
- Term: For loans of $5,000-$20,000, one-to-three-year term maximum. For loans of $20,001-$40,000, one-to-five-year term maximum. Fully amortized.
- Interest Rate: Dependent on risk criteria, generally 8-12% with performance incentives to lower the interest rate during the loan term.
- Collateral: Personal guarantee required. A token piece of collateral is required but not full collateralization.
- Flexibility in Loan Requirements: Minimum 5% applicant funds, with up to 95% MCEDD loan.
- Minimal Documentation: Simple application, credit report, references and minimal supporting documentation dependent on credit score. No minimum credit score required.
- Minimal Insurance Requirements: Basic insurance on collateral and business required.

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- Business Counseling: Requirement to meet with the Small Business Development Center or SCORE prior to or as part of the application process.
- Decision within two weeks of receiving all completed documentation. Staff has the authorization to approve these loans if a client meets all criteria. If desired by staff, staff can bring approvals to the Board for final confirmation.

Documentation and Interest Rate Tiers

The following documentation requirements and applicable interest rate will be based on a review of the credit score of all parties with 20% or more ownership. In the case of more than one party, the highest score will be used.

- **Tier 1 -780 and above:** Simple application, credit report, references, bank denial, business experience and management information. Interest rates 1-2% above WSJ Prime.
- **Tier 2 - 779-740**: Simple application, credit report, references, bank denial, business experience and management information. Interest rates 2.25-3.25% above WSJ Prime.
- **Tier 3 - 739-700**: Simple application, credit report, references, bank denial, business plan, business experience and management information. Interest rates 3.5-4.5% above WSJ Prime.
- **Tier 4 – 699-670:** Simple application, credit report, references, bank denial, tax returns, financial statements, cash flow projections, business plan, business experience and management information. Interest rates 4.75-5.75% above WSJ Prime.
- **Tier 5 – 669-650:** Simple application, credit report, references, bank denial, tax returns, financial statements, cash flow projections, business plan, business experience and management information. Interest rates 6-7.5% above WSJ Prime.
- **Tier 6 – 649 and below:** Not eligible for the microlending program. Will require LAB approval and must follow all other RLF rules, including full collateralization.

LOAN RELATED FEE POLICY

The following fees will be charged to the loan clients. Any of these fees may be waived at the discretion of the Loan Administration Board. None of these fees will exceed the allowable fee of the organization providing the specific funds for each individual loan for each specific fee type.

- A loan application (loan packaging) fee of up to $150 may be collected with all loan applications that are accepted by MCEDD. This includes incomplete applications, applications without required documentation, applications that are ultimately denied, applications withdrawn by applicant, applications for ineligible loan projects or uses, and successful applications.
- A loan fee not to exceed ~~2.0~~1.5% of the loan amount may be charged. ~~Loan fees for EDA funded RLF's will not exceed 1.5%.~~
- All third-party fees associated with each individual loan, such as title insurance, appraisals, credit reports and filings fees, etc.
- All fees associated with collection of past due loans or loans in default.
- All fees associated with other financing obtained through sources outside of MCEDD.
- A prepayment penalty fee may be charged. The minimum prepayment fee is $250, if charged, and will generally be ½% of the outstanding loan balance.

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INTEREST RATE POLICY

Interest rates will be set by the Loan Administration Board based on recommendations from staff that are based on cash flow analysis and risk. Loans from an RLF will always adhere to interest rate requirements, policies and restrictions of the funding source agency providing funds for the RLF. Interest rates will generally be fixed for the term of the loan. MCEDD does not provide a variable or floating interest rate. Rates may vary between individual loans, or be stepped to allow for specific circumstances.

Minimum Interest Rate: The interest rate will always equal or exceed the minimum interest rate required by the funding source agency. For EDA funded loans, the minimum interest rate will be no less than the lower of four percentage points or 75 percent below the lesser of the current money center prime interest rate quoted in the Wall Street Journal (WSJ) or the maximum interest rate allowed under state law. However, should the interest rate listed in the WSJ exceed fourteen percent, the minimum interest rate will not be required to raise above ten percent if it would compromise the ability of the RLF recipient to implement its financing strategy.

Maximum Interest Rate: The interest rate will always be less than the maximum interest rate allowed by State law or the maximum interest rate allowed by the funding source agency.

Default Interest Rate: Upon default, including failure to pay upon final maturity, the interest rate may increase by up to five (5) percentage points per annum based upon a year of 365 days. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable State and federal laws and applicable regulations of the funding source agencies of MCEDD's revolving loan funds, including, but not limited to Economic Development Administration (EDA).

Performance Interest Rate: Performance Interest Rate: As a performance incentive, the Loan Administration Board may authorize a reduction in the interest rate over the course of the loan, provided all loan payments are made on time, as agreed and all other loan requirements are met. This rate reduction option will generally be used with loans that are scheduled at a higher interest rate due to their risk rating since regular loan payments, communication with MCEDD staff and the lending relationship with MCEDD may mitigate factors initially contributing to a higher risk rating and higher initial interest rate.

EQUITY POLICY

The Loan Administration Board has flexibility in requirements for new equity or cash infusions in a particular project. The Loan Administration Board will consider the financial strength of the borrower, other collateral, strength of guarantors, and other important and pertaining factors when varying from standard guidelines. This new equity can be in capital (or lien free assets) added to the project from the borrower or investor sources.

The standard guidelines for new equity or cash infusions are as follows:

- For fixed asset loans to existing companies, a minimum of 10% (percent) of the project must generally come from the borrower. This can be in capital (or lien free assets) added to the project from the borrower or investor sources.
- For loans to start-up companies, a higher percentage of 25% (percent) will usually be required.
- For working capital loans 25% or more is usually required.
- For real estate loans 25% or more is required if the Loan to Value percentage is 75% or more (or combined LTV is multiple lenders are securing real estate). 10% or more is required if the Loan to Value percentage is less than 75%.
- Equity will not include any investments made beyond the current twelve (12) month period in a borrower's assets.

STANDARD REPAYMENT TERMS POLICY

The term of the loans will not exceed the useful life of the assets being financed. The ability of the borrower to repay will also be taken into consideration. When possible, shortest terms possible without detracting from the initial and ongoing success of the borrower rather than longer terms will be set to recycle funds faster to make more loans and to reduce the risk to the RLF. Loan repayment terms that include balloon payments are allowed. The Loan Administration Board may grant deferral of principal payments for up to one year when necessary for the success of the project. During principal deferral period, the borrower must continue to make payments of the interest due on a monthly basis on the scheduled payment due date of their loan, unless otherwise decided by the Loan Administration Board. Loan terms will be equal or be less than the number of years allowed by the funding source agency or 30 years.

The following are loan terms guidelines:

Equipment Loans:	up to 10 years or the useful life of collateral equipment, whichever is the fewer number of years.
Real Estate Loans:	up to 25 years.
Working Capital Loans:	up to 5 years.
Leasehold Improvements:	up to 10 years, or the usual life of the collateral improvement or term of the lease period, whichever is the fewer number of years.

COLLATERAL POLICY

All RLF loans will be 100% collateralized. An "abundance of caution" approach will be used. The RLF will secure each loan to the maximum extent possible in the judgment of the

Loan Administration Board. Security interests will be taken in available assets, both business and personal. In addition, MCEDD will obtain personal guaranties of owners with 20% or larger interest, corporate guarantees of related entities, and assignments of leases and insurance policies including hazard, flood, key man or other life policies naming MCEDD as loss payee as appropriate. Such collateral and other security may be subordinate to existing liens of record and/or liens securing other loans involved in the project. Personal guaranties may be collateralized with assets of the guarantor. The amount and type of collateral will be negotiated between MCEDD and the borrower. Generally, if a borrower has multiple loans with MCEDD from separate funds sources, the loans will be cross collateralized.

Combined Loan to Value Ratio (CLTV) requirements will be determined on an individual loan basis depending on the strength of the financial position of the borrower and the project. The gap financing this program provides often requires that MCEDD lend a higher dollar amount or at a higher loan to value percentage than ideal on physical assets to allow borrowers to have adequate cash to meet MCEDD working capital requirements. RLF loans will most often be in a subordinate lien position, therefore sufficient cash flow for debt service is considered to be of greater importance than set “loan to value” ratios.

Optimum goals for maximum Combined Loan to Value percentages are as follows:

Real Estate	90%
Equipment, furniture, and fixtures	80%
Leasehold improvements	60%

Methods of valuation of assets used for collateral will be objective. Real estate will be valued by an approved licensed appraiser or by county assessor office. If a lead lender obtains an appraisal, MCEDD may accept valuation from such appraisal rather than requiring another. Other asset types will be valued by methods that adequately show market value by use of objectively obtained market comparisons, appraisals by qualified and approved persons, or by MCEDD staff valuation. The valuation will take into consideration book value discounted according to useful life and condition. In all cases, valuation will need to show due diligence and objective evidence in addition to values provided by the borrower. Documentation of collateral values will be required in the loan file.

Working capital (current) assets will not be considered as collateral for long-term debt.

LOAN SIZE POLICY

The Loan Administration Board may determine the loan size minimum and maximums on individual loans, in accordance with any specific policies of the funding source agency for each separate RLF.

General Guidelines:
Minimum: $5,000.00

Maximum: $250,000.00

These guidelines are to help staff determine ideal loan size and do not limit staff from recommending a loan that is outside these guidelines.

CREDIT AVAILABILITY POLICY

Staff must explicitly determine and demonstrate in the loan documentation for each RLF loan that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. This could be demonstrated through a bank denial letter, a memo to the file or in the staff report documenting why it would be impractical for the prospective RLF borrower to seek funding from a traditional bank, or a request from a bank to help fund a gap in the project.

CONSTRUCTION LOAN GUIDELINES

For loans made with EDA defederalized or EDA CARES funds, all laborers and mechanics employed by contractors or subcontractors on the project for projects exceeding the $2,000 threshold for construction must be paid the higher of the prevailing wage rate or Davis Bacon wage rate. Where the land facilitating construction is purchased in part or in whole with these EDA funds, this requirement extends to construction work, including that which is not directly paid for with RLF Award funds. Additionally, any borrower, contractor, or subcontractor must comply with the Contract Work Hours and Safety Standards Act (40 U.S.C. § 3701, et seq.), which provides work hour standards for every laborer and mechanic employed by a contractor or subcontractor in the performance of certain work financed at least in part with Federal funds.

The following guidelines apply to any loans funding construction and remodel projects under this RLF Plan, but typically will be implemented on loans that exceed $15,000.

- Borrower will provide staff with a "Contractor Final Waiver and Release of Lien and/or Claim" or "Affidavit for Partial Payment" signed, notarized and executed by each contractor, sub-contractor, supplier, vendor or business providing more than $5,000 of products or services to the construction project financed by the loan. Staff may obtain a title report or conduct other types of lien searches, at the expense of the borrower, to determine who needs to provide a Waiver/Release or Affidavit.
- Each loan will have a construction disbursement period not to exceed twelve (12) months. The Loan Administration Board may approve extensions of this period as needed. The final loan principal amount will equal the sum of all authorized loan fund disbursements and will have terms and conditions as approved by the Loan Administration Board.
- Monthly interest-only loan payments will be made during the disbursement period with principal and interest payments beginning according to the loan terms approved by the Loan Administration Board.
- Each loan disbursement must be approved by staff and the borrower with a signed disbursement authorization form and supporting invoices of the work done or to be done on the project.

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- The Loan Administration Board will have the discretion to approve a contingency amount for each construction loan; typically this amount will be 10% – 25% of the construction project amount. Contingency funds may be used for, but are not limited, to the following areas of higher than anticipated project costs: labor, permits, supplies, environmental issues, contractor error, contractor dismissal, weather, building site issues and changes in building code and laws. Contingency funds will be disbursed when funds from a project budget category are fully dispersed and additional funds are requested by borrower and the request is approved by staff. If there are remaining undisbursed contingency funds after the completion of project, these unused/undisbursed contingency funds will not be disbursed to the borrower unless approved by staff; if applicable the loan amount will be reduced by the amount of undisbursed funds.
- The Loan Administration Board will approve a holdback amount to be disbursed after completion of the project is verified by staff and permanent occupancy documentation is provided, as applicable. The holdback amount typically will be 10% – 25% of the construction project amount (not including contingency funds). Undisbursed approved funds will not be included in the final loan amount.
- Staff will inspect a construction project to ensure that the construction work is proceeding according to the construction project budget. Appropriate documentation will be maintained in the loan file. MCEDD has the discretion to require independent third-party inspections with the costs to be paid by the borrower. On more complex construction projects for which MCEDD staff does not have demonstrated expertise, use of third-party inspectors would be encouraged. Examples of inspectors could include but are not limited to architects, engineers, appraisers, licensed contractors, etc.

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E. PORTFOLIO STANDARDS AND TARGETS

The RLF has standards and targets for the funds within its portfolio. Achieving these targets and maintaining these standards helps ensure optimum leverage of its finite funds and enhances the economies throughout the Mid-Columbia area by requiring realistic, yet aggressive job creation ratios. The Loan Administration Board may approve loans that do not reach or maintain these standards and targets. MCEDD policy does not limit or restrict loans being approved that are outside the standards and targets in the areas listed below. MCEDD will, however, ultimately try to obtain each of these percentages and staff will present information and percentages regarding each area in each individual loan proposal.

MCEDD will not approve a loan that does not meet the policies of the funding source agency that provided funds for the RLF for each specific loan.

The RLF has the following standards and targets for its portfolio as referenced below:

BUSINESS TYPES

Different types of businesses have varying economic multipliers and impact on jobs. The following are goals set by MCEDD for the percentage of loans for some of the different types of businesses. The types of businesses with higher economic multipliers and impact on jobs were allocated a higher percentage to obtain maximum economic leverage from the RLF loan fund monies.

Percentage of investment by type of business:

a.	Industrial:	60%
	Commercial:	20%
	Service:	20%
a.	New Business:	25%
	Expansion:	65%
	Retention:	10%

LOAN PURPOSE

MCEDD prefers to fund loans for the acquisition of fixed assets by small businesses. The RLF will have a goal of providing 65% or more of its loans for fixed assets. The ideal percentage of investment by purpose of the loan:

Fixed Assets:	65%
Working Capital:	35%

LEVERAGING

For the EDA CARES funds, l~~L~~everaging of private investment from private lenders such as banks and private investment from borrower or others will be at least two dollars private for every one dollar of RLF for the portfolio as a whole. Flexibility can be used on individual loans as circumstances warrant, but the effect on each separate RLF will be taken into account and the leveraging requirements will be met for each separate RLF. ~~Leveraging dollars must be contributed within the twelve (12) month period following approval to qualify.~~ To be classified as leveraged, additional investment must be made within twelve months of approval of an RLF loan closing, as part of the same business development project, and may include:

(i) Capital invested by the borrower or others;
(ii) Financing from private entities;
(iii)The non-guaranteed portions and ninety (90) percent of the guaranteed portions of any Federal loan; or
(iv)Loans from other State and local lending programs.

Accrued equity in a borrower's assets may not be included in the calculation of leveraged additional investment.

Other RLF funds guided by this policy shall strive to meet the above but it is not required.

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COST PER JOB

The RLF will target higher skill, higher wage jobs. The creation of these types of jobs often requires larger capital investment. We will continue to attempt to create as many jobs as possible but will favor projects with fewer higher paying jobs over projects with more but lower paying jobs. We anticipate exceeding the following goal.

The overall RLF portfolio goal for cost per job is at least 1 job for $35,000 loaned, or less. A lower cost per job is preferable, but consideration will also be given to quality of jobs created or saved.

F. LOAN SELECTION CRITERIA

In order to meet RLF goals, in most cases, the primary loan selection criteria will focus on the following: (listed in priority)

1. Number of jobs created
2. Cost per job (a lower cost per job is better)
3. Private leveraging (more involvement of private monies is better)
4. Economic impact (industrial generally has more impact than retail)
5. Job quality (higher skill, higher paying)
6. Value added (not primary, but preferred)
7. Technology related (not primary, but preferred)
8. Utilize existing workforce or retrain existing workforce to employ local individuals (not primary, but preferred)

Eligibility of applicants, activities, purposes and projects is detailed below.

ELIGIBLE APPLICANTS

To be eligible an applicant must be:

a. A private for-profit firm, a small business not otherwise precluded in the list of ineligible loan activities. In most cases, the business will be located in an eligible area, but the activity financed, and its benefits must be within the eligible area.
b. A general or special purpose unit of local government, or a public or private non-profit organization, with preference if the project will meet needs of a specific and committed for-profit business where job creation and leveraging goals are met. (For example, the purchase of fixed assets by such an organization to be leased to a specific small business.)
c. Nonprofits, cooperatives and educational institutions with economic activity which demonstrate a capacity for repayment of a loan.

Applicants will be required to demonstrate that the funds are not otherwise available or are not taking the place of private financing on terms, which in the opinion of MCEDD will permit the accomplishment of the project. Applicants will provide a turn-down letter or email from a primary lender or bank or other written correspondence indicating that the bank will be unable to provide financing. Alternatively, applicants may provide a letter or email indicating that the bank is unable to provide the full financing requested and gap financing is required.

Applicants must show a reasonable assurance of repayment of loans. Among other things, this will be judged by standards of character, capacity, collateral, conditions and capital.

Applicants may not have delinquent federal, state or local government debts or liens or judgments filed against them or their property. These types of debts and liens may be allowed if an approved workout/repayment plan is in place.

Applicants must be U.S. citizens or have legal permanent residency.

ELIGIBLE PROJECTS

Eligible projects may be for expansion, start-up or retention of a business that will meet the goals of the RLF program. Loans may be for fixed assets or working capital. Loans must be for community development projects, the establishment of new businesses, expansion of existing businesses, creation of employment opportunities, or saving existing jobs. Loans may include, but are not limited to:

a. Eligible fixed asset loans may include:
   - Land purchase costs, including engineering, legal, grading, testing, site mapping and related costs associated with acquisition and preparation of land.
   - Building construction or acquisition, including related costs including engineering, closing costs, etc. ~~provided that all laborers and mechanics employed by contractors or subcontractors on the project for projects exceeding the $2,000 threshold for construction be paid the higher of the prevailing wage rate or Davis Bacon wage rate.~~
   - Machinery and equipment costs including delivery, installation, engineering, and associated related costs.
   - Other costs contributing to the value of the project fixed assets, such as taxes and interest on interim or construction financing.
   - Infrastructure costs.
   - Debt consolidation and/or refinancing of loans, if the new loan will produce a favorable business environment and retain or create jobs. (Personal debts can be included if it can be documented that the personal debt funds were used for business purposes.)
   - Business acquisitions (must meet funding source agency requirements).
   - Pollution control and abatement.
   - Agricultural production.

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b. Eligible working capital loans may include:

- Inventory purchases.
- Accounts receivable financing.
- Operating expenses.
- Other non-capitalized assets.
- Debt consolidation and/or refinancing of loans, if the new loan will produce a favorable business environment and retain or create jobs. (Personal debts can be included if it can be documented that the personal debt funds were used for business purposes.)
- Feasibility studies.
- Interest (must meet funding source agency requirements).
- Reasonable fees as specified by funding source agency.
- Agricultural production.

INELIGIBLE LOAN ACTIVITIES AND PURPOSES

Ineligible loan activities and purposes include the following:

- Loans outside the designated eligible area of Klickitat or Skamania Counties in Washington or Wasco, Sherman or Hood River Counties in Oregon.
- Assistance in excess of what is needed to accomplish the purpose of the borrower's project
- ~~Agriculture Production, unless production is 49% or less of business sales.~~
- Lending and investment institutions and insurance companies; Insurance agents or agencies are eligible if standard criteria are met.
- ~~Golf courses, racetracks or G~~gambling activity, performances or products of a prurient sexual nature, or any illegal activity, including the cultivation, distribution, or sale of marijuana that is illegal under Federal law.~~facilities~~
- Any project that is in violation of either a Federal, State, or local environmental protection law or regulation or an enforceable land use restriction unless the assistance given will result in curing or removing the violation.
- Charitable institutions that would not have revenue from sales or fees to support the operation and repay the loan, churches, organizations affiliated with or sponsored by churches, and fraternal organizations.
- A loan to a borrower, which has an application pending with or a loan outstanding from another funding source whose regulations and policies exclude the borrower from obtaining loan funds available from MCEDD.
- The transfer of business ownership, unless the loan will keep the business from closing, or prevent the loss of employment opportunities in the area or provide expanded job opportunities.
- Loans which have the effect of relocating jobs from one labor area to another.

- Loans for the purpose of investing in accounts, securities or any other investment not related to job creation/retention.
- Speculative activities such as land banking and construction of speculative buildings that do not have specific job creating tenants committed.
- Loans for the purpose of acquiring an equity position in a private business.
- Loans to subsidize interest payments on an existing RLF loan.
- Projects that would adversely (without mitigation) impact flood plains, wetlands, significant historic or archeological properties, drinking water resources, or nonrenewable natural resources.
- Personal debt payment, consolidation or refinancing, if not associated with business.
- Refinancing existing debt, unless there is a sound economic justification for the refinancing or the funds will finance the purchase of the rights of a prior lien holder during a foreclosure action which is necessary to preclude a significant loss on an RLF loan and there is a high probability of receiving compensation from the sale of assets sufficient to cover an RLF's costs plus a reasonable portion of the outstanding RLF loan within eighteen months following the date of refinancing.
- Loans which would provide for borrowers' required equity contributions under other Federal Agencies' loan programs.
- Loans that would serve as collateral to obtain credit or any other type of financing without EDA's prior written approval (e.g., loan guarantees).
- Loans for any activity that would violate EDA Property regulations found at 13 CFR part 314.
- Any illegal activity.
- Loans to principles, employees or board members of MCEDD or to organizations for which said persons are directors or officers or in which they have ownership of 20 percent or more.
- Loans that would create a conflict of interest as defined in this RLF plan. Note: If a funding source agency has a Conflict-of-Interest policy that is more restrictive than the above policy, MCEDD would adhere to the Conflict-of-Interest policy of the funding agency.

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G. PERFORMANCE ASSESSMENT

MCEDD will assess performance by comparison with the portfolio standards and targets as stated in Section E. of this RLF Plan. Other loan portfolio and individual fund data will be measured and compared to benchmarks and requirements. These include:

- Number and dollar amount of loans
- Percent of portfolio outstanding on a semi-annual basis
- Number of loans and outstanding loan balances performing as agreed compared to:
    - Number of and dollar amount of outstanding balances of delinquent loans 30 or more days past due,
    - Number of and dollar amount of outstanding balances of loans in default
    - Number of and dollar amount of outstanding balances of loans written off

- Degree of leveraging of private dollars to loan dollars
- Number of jobs created and/or retained
- Cost per job
- Capital Utilization Standard per funding source agencies

Performance of the RLF portfolio will be assessed continuously. Reports will be provided monthly to the Loan Administration Board and quarterly to the Board of Directors. MCEDD will review the performance of the RLF on a semi-annual basis and certify to EDA, and other agencies as required that the RLF plan is consistent with the area's development strategy as defined in the CEDS that the RLF is being operated in compliance with the policies and procedures contained in the RLF plan – any exceptions will be noted. The RLF Plan will be amended, as appropriate, to conform to changes in economic conditions and the Comprehensive Economic Development Strategy. Procedures and policies for Plan modifications of funding source agencies will be followed as relevant and required. Reporting guidelines, procedures and policies of other funding sources agencies will be followed as relevant and required.

PART II. REVOLVING LOAN FUND OPERATIONAL PROCEDURES

ORGANIZATIONAL STRUCTURE

ADMINISTRATION

MCEDD will maintain an office open for business during regular business hours for the purpose of administering the revolving loan fund. Currently the office is located at ~~515 East 2nd Street~~802 Chenowith Loop Road, The Dalles, Oregon 97058 and the telephone number is: (541) 296-2266. Records of all loans shall be kept at the office as well as the administrative rules, procedures and other records. Professional staff services are provided at the office providing business assistance, advisory services and referral for prospective borrowers and borrowers from the RLF. All loan processing, documentation, monitoring, analysis, compliance and all other required professional and record keeping functions of the RLF are handled in this office.

The staff positions of MCEDD that work with the RLF consists of the Executive Director, Assistant Project Manager, Loan Fund Manager, Finance and Operations Manager, Administrative Assistant and Office Administrator. A third-party auditor will have access to and work with the RLF and its files.

RLF LOAN ADMINISTRATION BOARD

A. AUTHORITY

The Board of Directors of MCEDD (Board) is the governing body of the regional revolving loan fund program. The Board solely has the power to administer the program and is duly empowered to receive and disburse funds, provide and contract for services, and otherwise administer a loan program. Rules, duties and authority are thereby established and delegated by the Board. The Loan Administration Board (LAB) has been delegated authority by the Board to make loan policy and make all major loan decisions. Changes and other delegations may be made as deemed necessary.

MCEDD Board:
The principal activities of the MCEDD Board, with respect to the Revolving Loan Fund, are as follows:

1. Accepts and applies for Revolving Loan Fund grants.
2. Reviews, amends and adopts Revolving Loan Fund Management Plan.
3. Provides overall policy guidance to Loan Administration Board and staff.
4. Appoints and/or replaces members of Loan Administration Board.
5. Approves RLF working arrangements with third parties, specifically commercial banks, business assistance consultants, attorneys and auditors.

MCEDD Loan Administration Board:
The Loan Administration Board has been delegated authority by the Board to make loan policy and make all major loan decisions including loan approvals and

subsequent loan modifications and foreclosures. The primary activities of the Loan Administration Board are as follows:

1. Makes decisions on final applications for loans.
2. Decides whether to call delinquent loans.
3. Decides whether to liquidate assets held as collateral.
4. Reports to MCEDD Board, summarizing fund activities based on reports from staff.

MCEDD Executive Director:

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The MCEDD Executive Director has been delegated authority by the Board and Loan Administration Board to make minor loan decisions as follows:

1. Approval for release of collateral if the current loan balance remains fully collateralized and/ or if the collateral is sold and proceeds are applied to the loan principal.
2. Approval of loans as stated in the microlending section above provided they have been recommended by MCEDD staff and meet all criteria as outlined.
3. What other- items should we include here?

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B. LOAN ADMINISTRATION BOARD STRUCTURE

The Loan Administration Board shall consist of a maximum of nine (9) and a minimum of five (5) members. Five of the members shall be county commissioners or a designated representative thereof currently serving on the MCEDD Board (one each from each of the member counties). If the MCEDD board chairman is not a county commissioner, then the MCEDD board chairman may be appointed. Up to two at-large members may be appointed as regular members and up to two-at large members may be appointed as alternate members. Alternate members have full voting privileges in the instance that a regular at large member or members is unable to attend. It is desirable that these at-large members have business, legal, or financing experience. At least one member of the Loan Administration Board must have financing/lending experience. At-large members need not be MCEDD board members. At least one member with financing/lending experience must be present when the Loan Administration Board makes a final loan decision.

Loan Administration Board members serve at the discretion of the MCEDD board and are appointed at the annual meeting. Any positions vacated during the year may be filled by appointment by the MCEDD board chairman or MCEDD Board. There shall be no limit on the number of consecutive terms a Loan Administration Board member can serve.

At the first meeting of the Loan Administration Board after the Annual meeting at which they are appointed, they shall elect from amongst themselves, a chair and a vice-chair. A quorum of the Loan Administration Board shall consist of a majority of the appointed members.

CONFLICT OF INTEREST POLICY

The Mid-Columbia Economic Development District is a unit of local government whose Board members, Loan Administration Board members and professional staff are chosen to provide public benefit. These persons have a duty to conduct the affairs of the District in a manner consistent with the mission of the District and not to advance their personal interests. This conflict-of-interest policy is intended to permit the District and its Board members, Loan Administration Board members, and professional staff to identify, evaluate and address any real, potential or apparent conflict of interest that might, in fact or in appearance, call into question their duty to put the interests of the District ahead of their personal interests.

A. COVERED PERSONS

This policy applies to the District's Board members, Loan Administration Board members, and professional staff. Each Covered Person shall be required to acknowledge that they have read and are in compliance with this policy.

B. COVERED TRANSACTIONS

This policy applies to transactions between the District and a Covered Person, or between the District and another party with which the Covered Person has a significant relationship. A Covered Person is considered to have a significant relationship with another party if:

a) The other party is a family member, including a spouse (or domestic partner or significant other), parent, sibling, child, stepchild, grandparent, and grandchild. This does not include distant relatives, such as cousins, unless the distant relative lives in the same household as the person.
b) The other party is an entity in which the Covered Person has a material financial interest; or
c) The Covered Person is an officer, director, trustee, partner, consultant or employee of the other party.

A Covered Transaction also includes any other transaction in which there may be an actual or perceived conflict of interest, including any transaction in which the interests of the Covered Person may be seen as competing or at odds with the interests of the District.

C. DISCLOSURE, REFRAIN FROM INFLUENCE AND RECUSAL

When a Covered Person becomes aware of a Covered Transaction, the individual has a duty to take the following actions:

a) Immediately disclose the existence and circumstances of such Covered Transaction to the District's Chair or Executive Director.
b) Refrain from using their personal influence to encourage the District to enter into the Covered Transaction; and
c) Physically excuse themselves from any discussions regarding the Covered Transaction except to answer questions, including Board discussions and decisions on the subject.

D. STANDARD FOR APPROVAL OF COVERED TRANSACTIONS

The District may enter into a Covered Transaction where:

a) such Transaction does not constitute an act of self-dealing and
b) the Board determines, acting without the participation or influence of the Covered Person and based on comparable market data, that such transaction is fair and reasonable to the District. The Board shall document the basis for this determination in the minutes of the meeting at which the Covered Transaction is considered and shall consult with the District's legal advisor as necessary to ensure that the Transaction does not constitute an act of self-dealing.

E. LENDING ACTIVITIES

The following conflict of interest policy shall apply specifically to MCEDD's direct loan programs: No personal or private loans may be made by the District to its Board members or their immediate families as provided in 13 CFR 302.3 and in ORS 65.364. No member of the Board or their immediate families may be an officer, director, or owner of a small business concern receiving financial assistance from the District. Former Board members, Loan Administration Board members and staff are ineligible to apply for or receive loan funds for a period of two years from the date of termination of their services.

LOAN APPLICATION PROCESSING PROCEDURES

MCEDD is an equal opportunity lender and treats all applicants equally and fairly. Each applicant will be subject to the following procedures and requirements.

STANDARD LOAN APPLICATION REQUIREMENTS

All applicants for loans from the RLF shall be required to fill out a standard RLF application form and supply the additional items as indicated in the application. The following list of exhibits is attached to the application and should be submitted as appropriate:

- Business history and forecast (include management team, industry statistics, marketing niche, etc. Note: A formal business plan is preferred)
- Resumes of owners, partners or key officers, and key personnel
- Balance sheets and income statements for the last three years
- Complete IRS returns - both business and personal for the last 3 years
- Current interim balance sheet and income statement (not over 90 days old)
- Personal financial statements for each proprietor, partner or shareholder
- Cash flow projections and income statement projections for 3 years (1st year monthly)
- Schedule of long-term debt
- List of collateral offered
- Environmental questionnaire
- Aging of accounts payable and/or accounts receivable
- Copy of equipment/working capital list and bids

- Site plan
- Earnest money agreements, financial agreements, contract agreements, lease/rental agreements
- Copy of bids or cost estimates by contractor
- Schedule for construction start and completion
- Appraisal
- Bank commitment or ~~denial letter~~documentation that credit is not otherwise available
- Legal description of property
- Evidence of acceptable zoning/land use compliance
- Articles of incorporation, by-laws and certificate of good standing if a corporation/partnership agreement/LLC organization documents
- List of any affiliates and current financial statement for each

CREDIT REPORTS

Credit reports may be obtained on applicants and guarantors. Other evidence of credit worthiness documented (i.e., indication from participating bank that they have a good credit report in file or that they have good credit record with the bank or documentation of making loan payments as agreed) may be considered if an applicant has no credit references or limited credit references or negative reporting on their credit report.

APPRAISALS

Appraisals may be required on real estate pledged for collateral. If the financing is less than $100,000, a real estate valuation from a qualified source may be substituted, such as a county property tax statement valuation. Appraisals done for a participating bank or another third party may be accepted if they are done by a licensed appraiser, who is also MCEDD approved. Appraisals are valid for ~~6~~ 12 months after date of appraisal, subject to no irregular market activity. Appraisals older than ~~6~~ 12 months from the date of the appraisal may be updated by original appraiser and used as a current appraisal or accepted if approved by MCEDD staff.

ENVIRONMENTAL REVIEWS

The RLF Administrator with the assistance of appropriate staff shall assess the significance of all environmental impacts of activities to be financed in compliance with the National Environmental Policy Act of 1969 and other Federal environmental mandates, as per the Assurances (SF 424D as revised) executed with the Economic Development Administration. No activity shall be financed which would result in a significant adverse environmental impact unless the impact is to be mitigated to the point of insignificance. When necessary to ensure compliance, any required mitigation shall be made part of the loan conditions.

No project shall be approved which would result in the alteration of or have an adverse impact on any wetland without prior consultation with the U.S. Department of the Interior, Fish and Wildlife Service, and, if applicable, obtaining a section 404 permit from the Army Corps of Engineers.

Consistent with E.O. 11988, no project shall be approved which would result in new above ground development in a 100-year flood plain. This determination will be made by reviewing the proposed development against FEMA Flood Insurance Rate Maps.

The State Historic Preservation Officer, (SHPO) shall be notified of each loan proposal that involves significant new construction or expansion and asked to submit comments on the effect of the proposed activity on historic and archaeological resources. The RLF Administrator shall work with the SHPO and EDA in cases where the SHPO has recommended actions or has been determined an adverse impact.

All loan applicants shall be requested to provide information indicating whether or not there was hazardous materials such as EPA listed (see 40 CFR 300), hazard substances, leaking underground storage tanks, asbestos, polychlorinated biphenyls (PCB), or other hazardous materials on site that have been improperly handled and have the potential of endangering public health. If deemed necessary, loan applicants may be required to perform or provide evidence of a Phase I site assessment to identify possible sources of contamination, a Phase II site assessment to test soil and/or groundwater samples, and a Phase III site remediation involving mitigation of applicable contaminants. In cases where there are unresolved site contamination issues, the RLF Administrator shall work with the loan applicant and the appropriate state environmental agency office to resolve these outstanding issues.

HISTORICAL BUILDING REVIEW

MCEDD will meet all requirements relating to historical buildings from its funding source agencies, state and federal regulations. MCEDD staff will list appropriate issues, requirements and resolutions of any issues relating to historical building requirements in its Loan Proposal to the Loan Administration. Meeting all historical building requirements will be a condition to obtaining loan funding.

COLLATERAL AND EQUITY REQUIREMENTS

Loan proposals will be evaluated as they adhere to the collateral and equity requirements listed in this revolving loan fund plan under Part I, Section D "Financing Policies."

LOAN PROPOSALS

Loan proposals will be produced by MCEDD staff for each loan and provided to the Loan Administration Board prior to the loan decision. The loan proposal may include, but is not limited to the following:

- **Overview** – the company's history, product, capacity and management; a discussion and analysis demonstrating the need for RLF funds and how the RLF is not replacing private lending sources; and job creation. To support the need for an RLF loan, bank support letters will serve as secondary support for the analysis.

- **Principals** – Background and experience of owners, and discussion regarding succession of principal stakeholders.
- **Market** – A discussion of the business's market and competitive environment.
- **Financing** - Uses and sources of project financing and collateral, indicating the source and verification of borrower contributions.
- **Credit Summary or Financial Analysis** – An analysis of the business and personal financial condition, credit reports, and repayment ability, with a detailed cash flow analysis including a proforma statement.
- **Environmental Issues** – information about any environmental impact and/or required mitigation.
- **Summary** – usually points out strengths and weaknesses of the proposed loan.
- **Recommendation** – staff recommendation to the Loan Administration Board including proposed terms and conditions. Each staff recommendation will utilize prudent lending practices.
- Other topics that may be discussed in a loan proposal are collateral, jobs, MCEDD and funding source agency criteria, strengths and weakness of application.

Commented [JM4]: Updates under Proposals as suggested by AJ

PROCEDURES FOR LOAN DECISION

A loan decision can only be made when a quorum of the Loan Administration Board is present. After reviewing the loan proposal, the Loan Administration Board will make a decision by majority vote. The minutes of the meeting will be kept in the permanent file. The decision of the Loan Administration Board will be communicated to the applicant as soon as is practical by MCEDD staff.

- Approvals

  Approvals of loan applications are granted when so voted by the Loan Administration Board. Applicants will be notified in the form of a loan commitment letter specifying the terms, structure and conditions of the loan and time period of the commitment. Other forms of notification, such as electronic may be used on individual loans and will be recorded in the client's loan file by staff. Each loan approved will utilize prudent lending practices.

- Denials

  Denials of loan applications are made when so voted by the Loan Administration Board. Applicants will be notified in the form of a denial letter, which specifies the reasons for denial and may include available recourses. Other forms of notification, such as electronic may be used on individual loans, and will be recorded in the applicant's loan file by MCEDD staff.

  Loan applications that are withdrawn by the applicant are considered a denied loan and a denial letter will be provided to the applicant stating the reason for denial is "Withdrawn by applicant."

- A "No decision" will be ruled when there is a tie vote. If there is a "No decision" and following discussion cannot result in breaking the tie vote, then applicant and staff will be instructed to re-visit loan application and to re-present application at a future Loan Administration Board meeting. A denial letter will be provided to the applicant, if the applicant does not re-present the application within 30 days of the "No decision" vote, unless applicant is continuing to work with MCEDD staff towards re-presenting their loan application.

- Procedure To Appeal Loan Decision
 An applicant may appeal the Loan Decision by stating their intent to appeal the loan decision in writing within 45 days of the date on the loan decision letter. This written statement must list new additional relevant information. The appeal will be presented to the Loan Administration Board at the next regularly scheduled Loan Administration Board meeting. MCEDD staff may assist applicant in preparing a written statement of intent to appeal. MCEDD staff will prepare and submit a staff report and recommendation based on new additional relevant information. A loan decision on this appeal will be made by vote of the Loan Administration Board. The applicant will be informed of this decision in a written letter. The loan decision by the Loan Administration Board is final without any other appeal options available through MCEDD.

LOAN CLOSING AND DISBURSEMENT PROCEDURES

GENERAL CLOSING REQUIREMENTS

Evidence of the borrower equity injection shall be documented in the file prior to closing. A commitment letter from the private lender will be required as well, if applicable.

LOAN CLOSING DOCUMENTS

Required on all loans will be the Loan Agreement, Security Agreement and Promissory Note (or Note). For loans secured with real estate, a Trust Deed will be required. For loans using other collateral, a UCC filing will be required along with lien searches both before and after filing showing MCEDD as lien holder in the desired position approved by the Loan Administration Board. For licensed vehicles, a title showing MCEDD as a security interest holder or lien holder will be required. Insurance policies covering collateral will be obtained by borrower with MCEDD listed appropriately as additional insured, loss payee or other designations or assignments with documentation of insurance provided to MCEDD prior to or at loan closing, as required by Loan Administration Board loan approval or as listed in the loan commitment letter.

LOAN DISBURSEMENTS

Prior to disbursement of RLF loan proceeds, the borrower must provide evidence that the purpose for which the loan was made is what the proceeds are being used for. In the case of purchase of physical assets; invoices, orders or delivery documentation will be acceptable types of evidence. For construction loans, invoices or work orders or statements of work completed will be provided and completion of work verified prior to disbursement. Disbursement prior to work being completed must be approved by Executive Director. With a loan for construction when a MCEDD loan is for permanent replacement financing; a construction lender will provide evidence that the project is complete, and all terms and conditions of the construction loan are satisfied prior to any MCEDD loan fund disbursements. MCEDD will obtain title insurance ensuring that there are no construction liens on the property. The size of, and disbursement schedule for, working capital loans will be determined by MCEDD based on schedules provided by the borrower prior to loan closing.

LOAN SERVICING PROCEDURES

LOAN PAYMENT AND COLLECTION PROCEDURES

Borrowers will make loan payments directly to MCEDD at MCEDD's principal office. All loan payments are logged in and marked with the date of receipt by the employee handling the mail. Each loan payment by cash or check is given to the Office Administrator or other appropriate MCEDD staff to deposit into the bank account for the RLF. A copy of the check and deposit record is given to the loan department staff for posting to the borrower's Payment Record Ledger.

Each loan will be individually and separately maintained in the MCEDD loan portfolio software and loan payments will be recorded for each loan. This record will be referred to as the "Payment Record Ledger." The payment will be posted to the borrower's Payment Record Ledger showing the date and amount of the payment along with the breakdown of allocation to principal, interest, fees and the new balance. Each loan client will be invoiced for each payment due, and a record of the previous payment will be provided to each loan client showing the application of loan payments to fees, interest and principal.

Each month MCEDD accounting records are reconciled with MCEDD Loan portfolio records to verify that the ledger posting account and amount and the deposit account and amount are correct. This reconciliation is done by loan department staff and accounting staff.

LOAN MONITORING PROCEDURES

A tickler system is used to remind loan staff of insurance expiration dates, financial statements due or other requirements that have regular or expiring terms. Annual site visits, UCC renewals and compliance requirements are examples of tickler items. Financial statements will be required on an annual basis for all existing loan clients, usually more frequently for start-up business loan clients. Additional reporting to MCEDD by the borrower may be requested on a loan-by-loan basis.

LATE PAYMENT FOLLOW-UP PROCEDURES

Borrower's Payment Record Ledgers for each loan are checked on a regular monthly basis to find any late payments. A loan that has a monthly loan payment more than 30 days past due is in technical default, although a loan that has a monthly loan payment less than 90 days past is referred to as “delinquent” or “past due.” If a payment is late, the borrower is notified by staff that the payment is late. A late fee is assessed as per the terms listed in the borrower’s loan agreement and security agreement. If a payment is two months late, the borrower receives a second notification from MCEDD staff. If a payment is three months late, a letter is sent or other notification made indicating that the loan is in default and possible actions may be taken. In addition, a personal telephone call or visit will be initiated by MCEDD staff within 30 days of initial delinquency and subsequently as appropriate. Every effort will be made to work with the borrower to resolve the delinquency. Modification of the terms of the loan will be used only when it can be demonstrated that the modification will improve the ability of the borrower to repay.

PROCEDURES FOR HANDLING LOANS OVER 90 DAYS IN ARREARS (PAST DUE)

If a loan becomes 90 days delinquent, this loan referred to as in default. Staff will make a recommendation to the Loan Administration Board on actions to be taken, such as repossession of collateral, foreclosure, etc. The Loan Administration Board makes decisions on such actions. Staff will ensure that all documentation is in order and will contact an attorney if necessary. Notification will be sent to all guarantors indicating their liability. Other lenders will be notified.

When monies are received by MCEDD on defaulted RLF loans, these proceeds shall be applied in the following order of priority for EDA funded loans:

1. First, towards any cost of collections.
2. Second, towards any outstanding penalties and fees.
3. Third, towards any accrued interest to the extent due and payable.
4. Fourth, towards any outstanding principal balance.

For loans funded through other funding sources, when monies are received by MCEDD on defaulted RLF loans, these proceeds shall be applied in the order dictated by the funding source agency’s policies and procedures.

RESTRUCTURES

MCEDD staff may recommend terms to the MCEDD Loan Administration Board for restructuring a loan that is delinquent, in default or has the potential for delinquency in order to increase the likelihood of repayment of the loan. The MCEDD Loan Administration Board shall have the authority to authorize all restructures.

WRITE-OFF PROCEDURES

If a loan or portion of a loan remaining after liquidation of collateral is determined to be uncollectable, it will be written off. The direct write off method of accounting is used. However, collection efforts will continue after the loan is written off until it is determined by the Loan Administration Board that such efforts are no longer cost effective.

ADMINISTRATIVE PROCEDURES

PROCEDURES FOR AUDITS AND ACCOUNTING

Financial audits shall be conducted annually consistent with EDA and other funding source agencies audit requirements of all program transactions and a written report shall be provided to the MCEDD Board of Directors. An independent, established professional auditor shall be retained to conduct the audit of agency records. MCEDD shall employ recommended generally accepted accounting principles (GAAP) and accounting procedures to record and report all financial transactions. The accounting system will follow grantor guidelines and use a double entry system. Monthly financial reports shall be provided to the Board of Directors. Each RLF fund is accounted for separately. Income and expense line items are accounted for separately from principal repayments and loans made.

PROCEDURES FOR LOAN FILES AND LOAN CLOSING DOCUMENTATION

Each loan file must contain all of the documentation on that loan or provide reference as to where the required documentation is stored. Included in each file are all documents relevant to the loan including all of the following as they apply to the loan:

- Application and any other documents submitted with application, including a business plan
- Private and/or traditional lender loan commitment
- Written form of denial (letter, email or other correspondence) from a bank or other traditional lender or memo clearly demonstrating that ~~indicating that~~ credit is not otherwise available on terms and conditions that permit the completion of the project.
- Loan proposal
- Minutes from the loan board meeting approving the loan and minutes from meetings taking significant action related to the loan
- Loan Agreement
- Security Agreement
- Promissory Note(s)
- Trust Deed(s)
- UCC filings and searches
- Insurance certificates
- Financial statements, job reports, correspondence, servicing/site visit notes and any other documentation regarding the loan.

The loan files are kept in a fireproof filing cabinet when not being used by MCEDD staff. Closed loan files and related documents and computer records and all other related records must be maintained over the term of the approved loan and for a three-year period from the final date of the loan or according to the requirements of funding source agencies, whichever is the longest period of time.

Denied or withdrawn loan applications and supporting documentation and MCEDD created documents and forms associated with a denied or withdrawn loan will retained for a period of one (1) year after the date of denial or withdrawal loan or according to the requirements of funding source agencies, whichever is the longest period of time.

HOLD HARMLESS POLICY

Each MCEDD applicant is required to sign the Mid-Columbia Economic Development Revolving Loan Fund Assistance Agreement with submission of a loan application. This form contains a Hold Harmless Statement. At loan closing all borrowers will sign loan documents that contain a Hold Harmless Statement.

REPORTING

PROCEDURES FOR COMPLYING WITH EDA REPORTING REQUIREMENTS

The MCEDD Loan Fund Manager is responsible for preparing required EDA Semi-Annual reports, in consultation with the MCEDD Executive Director. The MCEDD Finance Manager is responsible for preparing the required financial reports to EDA as well as ensuring that an independent audit is sent to EDA annually, in consultation with the MCEDD Executive Director. These reports will be submitted in compliance with the deadlines and regulations established by EDA.

PROCEDURES FOR COMPLYING WITH OTHER FUNDING AGENCY REQUIREMENTS

The MCEDD Loan Fund Manager is responsible for preparing required Quarterly, Semi-Annual and Annual reports required by the applicable funding agency, in consultation with the MCEDD Executive Director. The MCEDD Finance Manager is responsible for preparing the required financial reports, in consultation with the MCEDD Executive Director, as well as ensuring that an independent audit is sent to the funding agency annually, if requested. These reports will be submitted in compliance with deadlines and regulations established by the funding agency covered under this RLF plan.

GRANTEE CONTROL PROCEDURES FOR ENSURING COMPLIANCE WITH ALL GRANT REQUIREMENTS AND FOR MONITORING THE RLF PORTFOLIO

MCEDD staff maintains a grantee file with copies of all required reports, audits and EDA compliance manuals, guidelines and Standard Terms and Conditions. The forms used for documentation of RLF loans have been reviewed by an attorney.

RLF funds will be made available on a nondiscriminatory basis and no applicant will be denied a loan on the basis of race, color, national origin, religion, age, handicap, or sex. A provision is included in the RLF loan documents that prohibit borrowers from discriminating against employees or applicants for employment or providers of goods and services. MCEDD will monitor borrower compliance with civil rights laws periodically, by reviewing the job reports that will be submitted to MCEDD for subsequent reporting to EDA and other funding source agencies.

Confidentiality regarding financial information will be guarded at all times. Confidential information provided to MCEDD will not be disclosed without the written permission from the client; this includes third party information obtained in confidentiality by client that is not public information. Clients may sign an authorization to release information for marketing purposes which could include, but not be limited to MCEDD newsletters, press releases or Chamber of Commerce articles. No MCEDD Board, Loan Administration Board or staff member will use his or her official position or office to obtain confidential information or in any other way obtain financial gain for himself other than salary and/or reimbursement of expenses, or for any member of his household, or for any business with which he, or a member of his household, is associated.