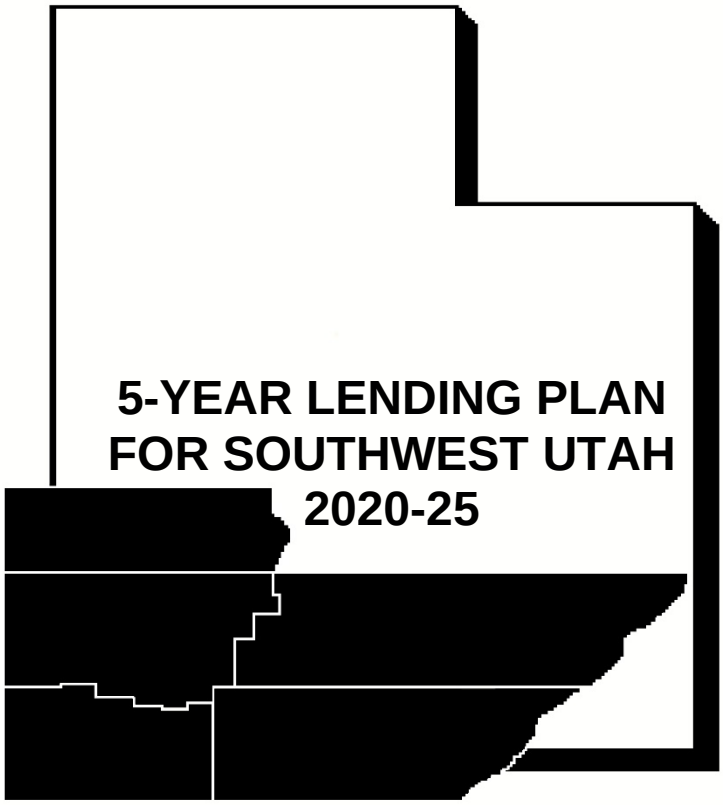
FIVE COUNTY ECONOMIC DEVELOPMENT DISTRICT

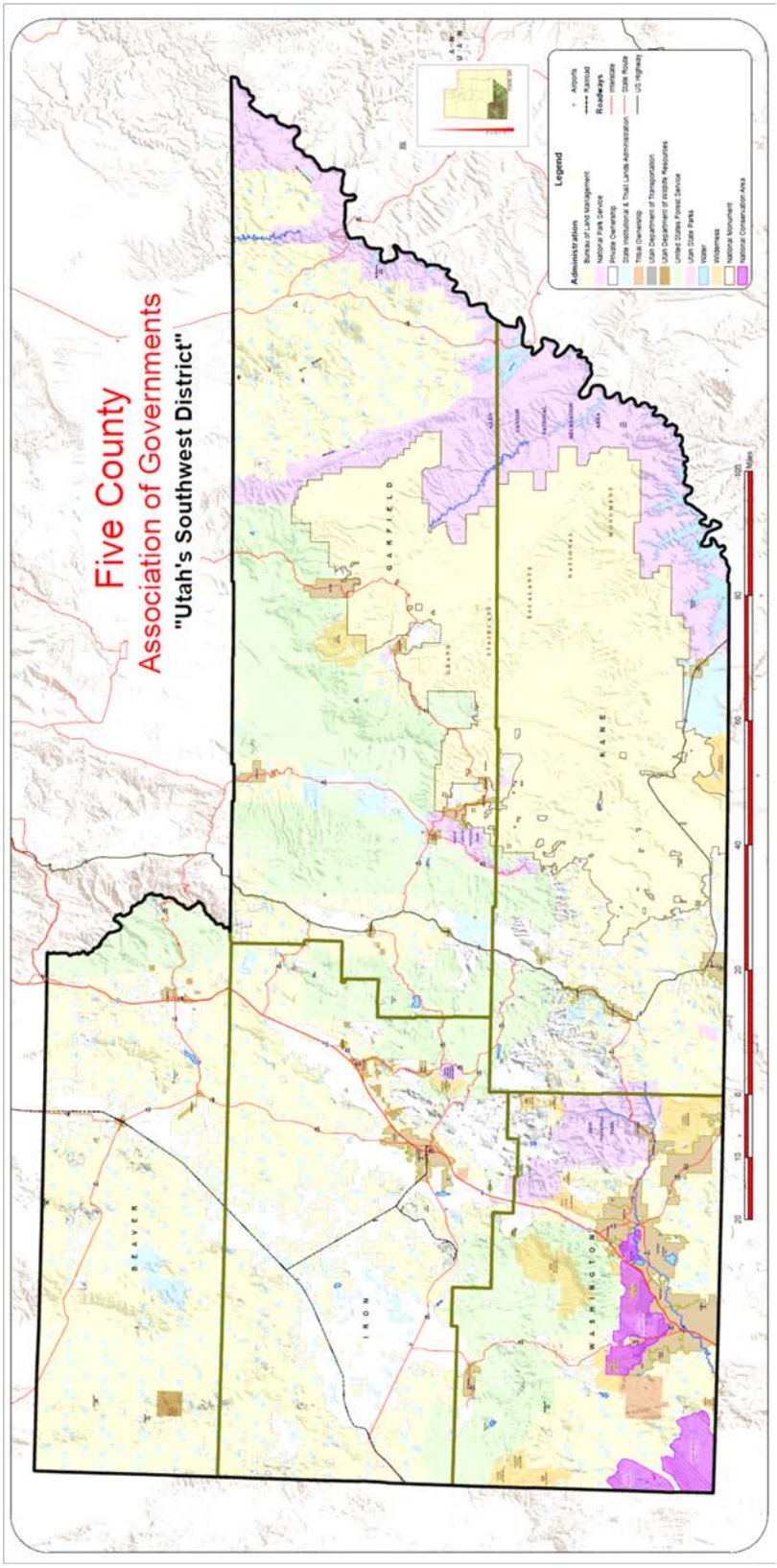
REVOLVING LOAN FUND
ECONOMIC DELOPMENT ADMINISTRATION
1987 GRANT AWARD #05-39-02266



Approved by FCEDD Loan Administration Board: 12 November 2020

Approval Ratified by the Five County AOG Steering Committee: _____

Approved by the EDA: _____


Five County
Association of Governments
"Utah's Southwest District"
BEAVER
IRON
GARFIELD
KANE
WASHINGTON
Legend
Administration
Bureau of Land Management
National Park Service
Private Ownership
State Institutional & Trust Lands Administration
Tribal Ownership
Utah Department of Transportation
Utah Department of Wildlife Resources
United States Forest Service
Utah State Parks
Water
Wilderness
National Monument
National Conservation Area
Roadways
Airports
Railroad
Interstate
State Route
US Highway

FIVE COUNTY ECONOMIC DEVELOPMENT DISTRICT
REVOLVING LOAN FUND (RLF) PROGRAM

PROFILE

PURPOSE: Enhance both job creation and job preservation in the five county of southwestern Utah region by taking an active financial role in business and industrial development. Preference will be given to projects that either include or address one or more of the following:

- Creating new job opportunities for high-skill, high-wage employment.
- Primary industry will be given priority, but not to the exclusion of service and retail businesses.
- Lead to the succession of an existing business.
- Expansion of the local property tax base by increasing the value of existing facilities through improvement/expansion or by construction of new facilities.
- Strengthen the community by supporting projects that address critical community needs.
- Suitable type business for the region in harmony with the recent ASAP studies.
- Advance innovation and increased productivity, in particular within industry sectors of the economy.
- Project part of an existing or emerging industry cluster.

ELIGIBLE COUNTIES: Beaver, Garfield, Iron, Kane, and Washington

HOW TO APPLY: Local financial institution refers client to FCEDD

JOB REQUIREMENTS: One (1) job created/retained for every $25,000 of RLF monies

USE OF FUNDS: Business lending for working capital and fixed assets

INELIGIBLE USE OF FUNDS: Refinancing without sound economic justification. (See Part 1 - Standard Terms & Conditions - Financing Policies/RLF Portfolio Standards).
Funding of gambling, all forms of which are illegal in Utah, businesses catering to a prurient sexual nature, and any other illegal activity including cultivation, distribution, or sale of marijuana that is illegal under Utah and Federal law.

AMOUNT OF LOAN: Maximum 51%/49% (private/RLF) leverage.
No minimum loan amount. Maximum loan amount is lesser of $150,000 or 25% of capital base.

INTEREST: FCEDD RLF may make loans to eligible borrowers at interest rates and under conditions determined by the FCEDD RLF to be most appropriate in achieving the goals of the RLF. However, the minimum interest rate an RLF can charge is four (4) percentage points below the lesser of the current money center prime rate quoted in the Wall Street Journal, or the maximum interest rate allowed under State law. In no event may the interest rate be less than the lower of four (4) percent APR or 75% of the prime interest rate listed in the Wall Street Journal. However, should the prime interest rate listed in the Wall Street Journal exceed fourteen (14) percent, the minimum RLF interest rate is not required to be raised above ten (10) percent if doing so compromises the ability of the Recipient to implement its financing strategy.

Interest rates shall be fixed.

TERMS: FCEDD RLF may make loans to eligible borrowers offering a term determined by the FCEDD RLF to be most appropriate in achieving the goals of the RLF on a project-by-project basis. Payments may be amortized to match primary lender, which may result in a balloon balance due at maturity. However, the term of working capital loans shall not exceed five (5) years, equipment loan shall not exceed seven (7) years. The FCEDD RLL does not fund real estate loans.

INJECTION: Equity investment must be 10.0% or greater. Exceptions may be made with RLF Board approval.

TIME-FRAME:

Packaging	Approximately 3-4 Weeks
Approval	2 Weeks

FEES:

For loans borrower will pay:

a. Closing fee — 1.5% of FCEDD RLF funds borrowed

SPECIAL REQUIREMENTS:

- Key-man life insurance will be required for the amount of the loan unless extenuating circumstances exist. If extenuating circumstances exist, i.e. existing health issue, and the RLF loan is secured by project assets, then the amount of life insurance assignment may be less than the amount of the loan, with the amount to be determined by the Loan Committee.

- Hazard insurance on assets pledged as collateral and general liability insurance on business
- Personal guarantees will be required for privately held companies.

ADDITIONAL INFORMATION REQUIRED:

- RLF is not a replacement for bank financing. Therefore, a letter from the bank is required outlining the credit weakness(es) and amount of assistance needed from the RLF for the project to move forward.

FIVE COUNTY ECONOMIC DEVELOPMENT DISTRICT
REVOLVING LOAN FUND (RLF) PROGRAM

PART 1 - STRATEGY

i) Using FCEDD Revolving Loan Fund to Assist in Meeting Objectives of the 2020-25 FCEDD Comprehensive Economic Development Strategies (CEDS)

The FCEDD Revolving Loan Fund will assist in meeting the FCEDD's 2020-25 CEDS objective of creating/retaining jobs by providing viable projects gap financing to start or expand a business in southwestern Utah.

The 2020-25 CEDS identified the top strengths, weaknesses, opportunities and threats (SWOT) in southwestern Utah through face-to-face meetings with various stakeholder groups in the region (i.e. business, banks, economic development representatives, non-profits, and city/county government) along with input from the FCAOG Steering Committee board and a CEDS Committee. The specific SWOT items where the FCEDD Revolving Loan Fund has played a role or can make an impact in addressing include the following:

Strength. Among the strengths identified were a growing economy that provided rich soil in which an entrepreneurial ecosystem can grow; a location that provides a durable source of competitive advantage; an uncommon level of unity among its citizens and leaders; and finally, a pioneering culture that is conducive to entrepreneurship. Together, these strengths put Southwestern Utah in a favorable position for fostering an entrepreneurial ecosystem.

Weaknesses. The SWOT study also identified several weaknesses: a severe lack of risk capital in the region; a tendency to under-compensate employees relative to their worth; fairly siloed social circles that may inhibit entrepreneurial activity; and both inter- and intra-regional brain drain. The report views these weaknesses as surmountable and suggests ways to address them.

Opportunities. In terms of opportunities, the study highlights: the many 'alumni' of the region that would like to return; the abundance of experienced retirees who could mentor entrepreneurs; the region's suitability as a second headquarters for the innovative arms of established companies; the many success stories that can be leveraged to accelerate growth; and the opportunity to build international connections with the many visitors to the region as well as through University exchange programs.

Threats. The SWOT study then briefly notes three high-level threats that have plagued ecosystem system development elsewhere, and which Southwestern Utah may face. These include leaders optimizing around their narrow constituencies rather than the overall interest of the region; unbridled growth that undermines future growth; and misguided investments in

facilities or programs that are not what entrepreneurs actually need.

ii) Business Development Objectives of the FCEDD Revolving Loan Fund

The primary objective of the Five County Economic Development District (FCEDD) in offering a Revolving Loan Fund (RLF) is to enhance both job creation and job preservation in the region by taking an active financial role in business and industrial development. The FCEDD Revolving Loan Funds helps to fill gaps in the business/borrower's "risk" profile by assisting with bankable projects. Additional objectives include:

- Promote business growth that compliments existing business enterprise all-the-while supporting developments that diversify the region's economy.
- Stress retention of existing jobs, while creating new job opportunities creating high-skill, high-wage employment.
- Concentrate effort on those businesses classified as "primary", but not to the exclusion of those within the service and retail sectors, especially tourist related.
- Promote greater cooperation and exchange between the FCEDD RLF and local economic development organizations by offering tangible assistance for individual projects of common interest or local need.
- Give minorities, women, veterans, and other recognized disadvantaged groups a source of funding that can assist them in structuring their financial packages, so other financial sources can be leveraged.
- Concentrate efforts of business development in economically distressed counties, but not to the exclusion of serving our entire five county lending service area.

Related Activities/Business Needs

Small businesses within the five county lending service area of the FCEDD Revolving Loan Fund have access to numerous resources. These resources provide a variety of technical assistance. These resources complement the improved access to capital which will be available as a result of the FCEDD Revolving Loan Fund. Levels of expertise may be accessed through the following groups and/or organizations:

Management	St George Small Business Development Center (SBDC) Business management consultant in St. George, Utah Dixie Technical College 610 S Tech, Terra Ridge Dr, St. George, UT 84770 (435) 674-8477
	Cedar City Small Business Development Center (SBDC) Business Resource Center. Business management consultant in Cedar City, Utah. 510 W 800 S, Cedar City, UT 84720. (435) 865-7707

Technology	Dixie Technical College, known as DixieTech, is a public technical training institution located in St. George, Utah, and is part of the statewide Utah College of Applied Technology system. 610 S Tech, Terra Ridge Dr, St. George, UT 84770. (435) 674-8400
	Southwest Technical College, known as Southwest Tech, is a public technical college in Cedar City, Utah. It serves Beaver, Garfield, Iron and Kane counties. In addition to its campus in Cedar City, Southwest Tech also operates a campus in Kanab, Utah. 757 W 800 S, Cedar City, UT 84720. (435) 586-2899
Labor	Utah Department of Workforce Services Public Office. State government office in St. George, Utah. Dixie Plaza, 162 N 400 E B100, St. George, UT 84770. (866) 435-7414
	Utah Department of Workforce Services. State government office in Cedar City, Utah. 176 E 200 N, Cedar City, UT 84720. (866) 435-7414
Education Needs	Dixie State University. Dixie State University is a public university in St. George, Utah, in the state's Dixie region. The university offers 4 master's degrees, 45 bachelor's degrees, 11 associate degrees, 44 minors, and 23 certificates/endorsements. 225 S 700 E, St. George, UT 84770. (435) 652-7500
	Southern Utah University. Southern Utah University is a public university in Cedar City, Utah. Founded in 1897 as a normal school, Southern Utah University now graduates over 1,800 students each year with baccalaureate and graduate degrees from its six colleges. SUU offers more than 140 undergraduate degrees and 19 graduate programs. 351 W University Blvd, Cedar City, UT 84720. (435) 586-7700
Other Financing	Utah Microloan Fund. A small business Loan agency in South Salt Lake, Utah. 54 E Ford Ave. Suite A, Salt Lake City, UT 84115. (801) 746-1180

The FCEDD may work with those educational institutions and organizations described to better prepare the region's labor force and businesses. If issue(s) arise in a specific project, it may be recommended that these groups become involved to identify and overcome the issue(s).

iii) Financing Strategy/Policies/Portfolio Standards of the FCEDD Revolving Loan Fund

Access to capital is an ongoing need in the FCEDD Revolving Loan Fund's five county lending service area. The FCEDD Revolving Loan Fund's financing strategy is to increase funding to start, buy, or expand a business in southwestern Utah by providing this alternative financing source to fill the gap between what the bank can, or will, provide under its lending guidelines and the business can provide from its available resources.

The business needs for alternative financing in southwestern Utah, such as the FCEDD Revolving Loan Fund, is a function of several factors, some strong enough to be seen as independent variables, while others work in concert to affect the same result. Some factors affecting the financing of projects are described as follows.

- Conservative lending practices banks in this region.

- The region's economy includes tourism industries and agricultural, so lending institutions have experience in financing such ventures. Those are also somewhat volatile industries that are a drought or infestation away from a crisis or a worldwide pandemic that shuts tourism down, especially from overseas, to a small fraction of "normal" tourism levels.

- Business cash flows may tighten in an increasing interest rate environment, so banks may need the FCEDD Revolving Loan Fund to help with gap funding.

- Since the creation of the FCEDD Revolving Loan Fund in 1987, additional business gap funding programs have been created and can complement our program including the previously mentioned Utah Microloan Fund.

- The availability of the FCEDD Revolving Loan Fund promotes greater cooperation and exchange between the FCEDD and each county economic development professionals in southwest Utah by offering tangible assistance for individual projects of common interest or local need.

Standards for the RLF Portfolio

Loans may be made by the FCEDD Revolving Loan Fund according to its approved RLF plan contained herein.

Eligible Lending Area

The eligible lending area of the FCEDD Revolving Loan Fund has a geographic focus of its entire five (5) member counties including Beaver, Garfield, Iron, Kane, and Washington.

RLF Funding Niche/RLF Eligible Borrowers

The FCEDD Revolving Loan Fund can help meet the financing needs for for-profit start-ups, business expansions, including retail, service, wholesale, and manufacturing sectors by helping to fill the gap in funding of fixed assets and working capital created by barriers such as a shortfall of collateral, shortfall in borrower required cash injection, tight cash flow created by shortened loan terms, and weak personal financial statement of owner(s).

In addition, banks may be reluctant to fund new ideas, new technologies, and new industries whose feasibility is yet to be concretely demonstrated.

The FCEDD Revolving Loan Fund partners with all commercial banks in its five county lending service area to deliver its program to eligible and needy borrowers. The FCEDD Revolving Loan Fund will not and does not compete with these lenders, but rather complements what the lender is able to provide.

The biggest gap filled by the FCEDD Revolving Loan Fund will be projects with an overall size of around $400,000 with a gap funded by the FCEDD of around 30 to 40 percent of the total project cost ($120,000 to $160,000), along with the 10% owner equity in the project. The FCEDD Revolving Loan Fund can assist these projects to avoid lost economic development opportunities.

Funding Preferences

Preference will be given to projects that either include or address one or more of the following.

- Creating new job opportunities for high-skill, high-wage employment.
- Primary industry will be given priority, but not to the exclusion of service and retail businesses.
- Expansion of the local property tax base by increasing the value of existing facilities through improvement/expansion.
- Strengthen the community by supporting projects that address critical community needs.
- Suitable type business for the region.
- Advance innovation/increased productivity in particular industry/sector of the economy.

RLF Portfolio Standards

1. Leverage of at least 2:1 private investment leverage ratio for portfolio as a whole.

2. Target portfolio job ratio of one (1) job created/retained for every $25,000 of RLF monies.

3. Target portfolio working capital ratio of 50% or less.

4. RLF Income from interest earned on principal that is not used to cover eligible and reasonable RLF administrative expenses in the same fiscal year of FCEDD will be made a

part of the RLF capital base.

5. If portfolio default rate is 15% or more, calculated as the dollar value of loans in default divided by the dollar value of total loans outstanding, EDA may request additional information including, but not limited to:
    a) Narrative outlining actions to address the non-performing portion of the portfolio;
    b) Detailed information about each non-performing loans;
    c) An EDA-approved corrective action plan and amended RLF plan;
    d) Quarterly progress reports.

Performance Assessment Process

EDA requires the FCEDD Revolving Loan Fund to file a semi-annual report with EDA that may shift to annual based on the program's performance under EDA's Risk Management Scoring System. This report must include an income/expense statement for the program if 50% or more of its RLF income is used for administrative costs in a 6-month period.

The FCEDD Revolving Loan Fund District Loan Administration Board will receive a copy of the EDA Semi-Annual or Annual Report prepared by the RLF Program Manager to review the performance of the program and whether it is meeting its goals and objectives.

A periodic review of this lending and repayment policy may be undertaken by the RLF District Loan Administration Board to determine if loan demand exceeds RLF capital availability. If demand activity exceeds expected levels, the Board may apply alternate strategies for loan structuring to accelerate loan repayment.

An annual review of the FCEDD Revolving Loan Fund's Risk Analysis System scoring for capital, assets, management, earnings, liquidity, and strategic results will be discussed to determine if improvements are needed.

RLF District Loan Administration Board will update this lending plan at least every five (5) years to respond to changes in economic conditions outlined in the FCEDD's Comprehensive Economic Development Strategy (CEDS).

Financing Policies

1. The RLF is not a replacement for bank financing. Therefore, a letter from the bank is required outlining the credit weakness(es) and amount of assistance needed from the RLF for the project to move forward.

2. Funding will be made available for both fixed assets and working capital.

3. Prohibited uses of FCEDD RLF Capital include gambling, prurient sexual nature, illegal activity including cultivation, distribution, or sale of marijuana that is illegal under Federal law.

4. Loan size: Typically, the lower of 40% of the project cost or $25,000 per job not to exceed a maximum loan amount of $150,000 or 25.0% of RLF capital base, whichever amount is the lesser.

5. RLF may support additional capital investments (more than one loan to a single company) if there is economic justification. The total amount (of those loans) cannot exceed the lesser of $150,000 or 25% of the capital base (at the time the loan is made).

6. Equity: Investment by the borrower must be 10.0% or greater in each project applying for RLF assistance unless the FCEDD RLF Board grants an exception. Private investment must be made within 12 months of loan approval.

7. **Interest rate:** The FCEDD RLF may make loans to eligible borrowers at interest rates and under conditions determined by the FCEDD RLF to be most appropriate in achieving the goals of the RLF. However, the minimum interest rate an RLF can charge is four (4) percentage points below the lesser of the current money center prime rate quoted in the Wall Street Journal, or the maximum interest rate allowed under State law. In no event may the interest rate be less than the lower of four (4) percent APR or 75% of the prime interest rate listed in the Wall Street Journal. However, should the prime interest rate listed in the Wall Street Journal exceed fourteen (14) percent, the minimum RLF interest rate is not required to be raised above ten (10) percent if doing so compromises the ability of the Recipient to implement its financing strategy. Interest rates may be fixed or variable. Variable rates will be subject to a cap of no more than 14% and a floor of no less than the lower of four (4) percent APR or 75% of the prime interest rate listed in the Wall Street Journal.

8. Term: The FCEDD RLF may make loans to eligible borrowers offering a term determined by the FCEDD RLF to be most appropriate in achieving the goals of the RLF on a project-by-project basis. Payments may be amortized to match the primary lender, which may result in a balloon balance due at maturity.

   However, the term of working capital loans shall not exceed five (5) years, equipment loan shall not exceed seven (7) years. The FCEDD RLF shall not fund real estate loans.

9. Collateral: Loans will be secured by means of a promissory note and loan agreement, accompanied by appropriate security documents or agreements, a UCC, secured title, etc. The best remaining collateral position possible may be sought by the RLF, although consideration may be given to other lenders to secure their participation.

10. Payment requirements: Borrowers will be expected to make monthly payments on both principal and interest unless previous arrangements have been made for a moratorium on principal due to an expected shortage of cash flow in the initial stages of the project. In all cases interest must be kept current/paid and any moratorium on principal may last no longer than 12 consecutive months. Other possible moratoria on principal would include, but not be limited to, unforeseen market conditions of short-term nature and/or capital improvement needs brought on by rapid growth. Restructuring of an RLF loan must be in compliance with EDA regulations.

11. Payment modification/restructure/moratoria: RLF loans may be modified/restructured only if it can be shown that such modification/restructuring may preserve the integrity of the business and the jobs it offers. Examples of modification/restructuring options include interest only period to get business through transition, offer lower payment through longer amortization resulting in a balloon payment at maturity, lowering interest rate (must maintain EDA's minimum rate of the lower of 4% or 75 % of the prime interest rate listed in the Wall Street Journal), and/or extending term of loan.

12. Prepayment penalty: No penalty will be assessed for early repayment of principal.

13. Fees: Fees charged to the borrower are anticipated to be as follows:
    i. Loan Closing fee: 1.5% of amount borrowed

14. Use Of Other Public Loan Programs: If other public loan programs (e.g. SBA 7a, SBA 504, Rural Development, etc.) become involved, the FCCEDD RLF may operate in keeping with the approved EDA RLF Plan and EDA rules and regulations.

15. Start-up business requirements: In most cases, a business plan will be needed to aid in establishing the ability to repay the loan being requested.

16. Loan Agreement: All loan agreements shall contain language that informs the borrower of their responsibility regarding Civil Rights, Environmental, and other Federal requirements. Substantiated complaints brought against the business on Civil Rights, Environmental, and other Federal requirements may be possible grounds for loan foreclosure.

17. Permitting: All businesses requiring permits from the Southwest Utah Public Health Department or the State of Utah Department of Environmental Quality must provide the FCEDD RLF with a copy of its most current operating permit.

18. Relocation: All projects must occur within the FCEDD Economic Development District and must remain in place until such time as the loan is repaid. Any relocation of an RLF funded business outside the district may result in the loan being called.

19. Nonrelocation: RLF is not to be used to induce the relocation of existing jobs within the U.S.

20. Flood Hazard Insurance: Loans in flood hazard areas will not be encouraged unless there are no possible alternatives, and in those cases flood hazard insurance is required for federally assisted construction or acquisition in flood-prone areas. A current copy of said insurance policy must be supplied to the FCEDD RLF prior to loan closing and maintained for the life of the loan.

21. Access for those with Disabilities: Compliance with applicable Federal requirements will be required.

22. Environmental Questionnaire shall be required on all projects, even if the real estate is not owned See Exhibit "A".

23. Active Federal Disaster: Special loan terms may be available on a case-by-case basis for a business located in an eligible RLF county impacted by an active federal disaster declaration. See Exhibit "C" for details.

Financing Policies

In considering approval of a loan the following criteria may be used to determine the positive economic impact a proposed loan would have in the area it is proposed to serve:

1. Has the case been made that the proposed loan consistent with the RLF Plan?
2. Does the proposed loan application capitalize on regional assets?
3. Will the proposed loan support and advance innovation and increase productivity in a particular industry or sector of the economy?
4. Is the potential borrower part of an existing or emerging industry cluster?
5. A determination of the extent the potential borrower maximizes private investment that would not otherwise come to fruition without the RLF's investment?
6. Will the proposed loan result in the creation or retention of higher-skill and higher-wage jobs?

FIVE COUNTY ECONOMIC DEVELOPMENT DISTRICT
REVOLVING LOAN FUND (RLF) PROGRAM

PART II - OPERATIONAL PROCEDURES

The FCEDD Revolving Loan Fund shall be administered in accordance with Prudent Lending Practices, which means generally accepted underwriting and lending practices and must be applied to loan processing, documentation, loan approval, servicing, administrative procedures, collateral protection, collections, and recovery actions, as well as compliance with local laws and filing requirements to perfect and maintain a security interest in the RLF collateral.

EDA will annually evaluate the FCEDD Revolving Loan Fund's management and operation using a Risk Analysis System that measures a variety of factors, including but not limited to capital, assets, management, earnings, liquidity, and strategic results.

Summary of Staff Responsible for Critical Operational Functions

<u>Marketing</u>

Primary
*RLF Program Manager

Secondary
*Executive Director
*FCEDD Loan Administration Board

<u>Business assistance and advisory services to prospective and actual borrowers</u>

Funding sources available/funding feasibility/preparation of loan application
*RLF Program Manager

Market need/business plan preparation
*Small Business Development Center

Business ongoing financial review/progress
*RLF Program Manager

Environmental review

Questionnaire review

Initial review

* RLF Program Manager

Environmental assessment

* RLF Program Manager

Loan processing/review applications/conducting credit analysis/preparing loan write-ups and recommendations

RLF Program Manager

Loan closings

Primary

*RLF Program Manager

Secondary

*Five County Executive Director

Loan servicing

Monitoring receipt of monthly payment

*Accounts Receivable Clerk

*RLF Program Manager

Bookkeeping

*RLF Program Manager

*Chief Financial Officer

Past dues

*RLF Program Manager

*Chief Financial Officer

Defaulted loans

*RLF Program Manager/Executive Director/Chairman of Loan Committee/ Attorney

Foreclosures

*RLF Program Manager/Executive Director/attorney

Organization administration:

Financial record keeping

*RLF Program Manager

Compliance with EDA requirements

Primary

*RLF Program Manager
*Executive Director
*Chairman Loan Committee
*Loan Committee

Secondary
*Attorney
*Auditors
*EDA Regional Representative

i) Administrative Procedures

FCEDD Board of Directors

The Five County Association of Governments Steering Committee (FCAOGSC) has the legal authority and is responsible for the RLF. The Steering Committee is to receive adequate disclosures to determine whether the RLF is being operated appropriately. The Executive Director and the RLF Program Manager will provide those disclosures as follows: periodic updates from the RLF Program Manager to the Executive Director to include in the Steering packet, copy of pertinent parts of the EDA RLF Semi-Annual Report, and periodic verbal updates.

The FCAOGSC authorizes the FCEDD RLF District Loan Administration Board to review, approve, modify existing, and write-off loans made through the FCEDD RLF Program. A second approval process through the FCAOGSC is not needed. Actions of the RLF District Loan Administration Board do not need to be reflected in the minutes of the FCAOGSC. However, EDA does require that a copy of the meeting minutes (and that the RLF District Loan Administration Committee's decision is reflected in the meeting minutes) be included in the borrower file.

Any new appointments to the RLF District Loan Administration Board by the FCAOGSC shall be included in minutes of the FCAOGSC, with no annual affirmation of the entire committee required.

Loan Administration Board

The FCEDD RLF may be administered in the following manner.

The FCAOGSC authorizes the FCEDD RLF Loan Administration Board to review, approve, modify existing, and write-off loans made through the FCEDD RLF Program. A second approval process through the FCAOGSC is not needed. Actions of the FCEDD RLF Loan Administration Board do not need to be reflected in the minutes of the FCAOGSC. However, EDA does require that a copy of the meeting minutes (and that the RLF Loan Administration Board's decision is reflected in the meeting minutes) be included in the borrower file.

The RLF District Loan Administration Board is comprised of nine (9) members and shall consist of:

- Two current or retired bank loan officers;
- Two Certified Public Accountants (CPAs);
- A County or Municipal Attorney;
- A member of the Five County Association of Governments Steering Committee;
- A president or CEO of a Chamber of Commerce located within the five county region.
- A representative for the Utah department of Workforce Services southwestern Utah region); and
- A current or retired business owner not currently a borrower of FCEDD RLF funds.

Selection of board members may be based upon each individual's experience in financial, legal, accounting and business matters. Steps may be taken to insure broad representation on the RLF District Loan Administration Board, such as including minority/women interests. County appointments are typically provided by the respective county's economic development organization.

The terms of FCEDD RLF Board member shall be for two (2) years. An RLF Board member may be re- appointed if the Committee member desires to serve longer. An RLF Board member may resign the appointment at any time without cause.

Any new appointments to the RLF District Loan Administration Board by the FCAOG Steering Committee shall be included in minutes of the FCAOGSC, with no annual affirmation of the entire committee required.

The RLF District Loan Administration Board will meet on an "as needed" basis. Meetings may be conducted via teleconference, e-mail, and/or face-to-face meeting. Face-to-face meetings are encouraged at least annually. Action of the Board shall require a quorum. A quorum is defined as participation by 50% of the standing Board following appropriate notification to board members. Any affirmation action by the committee shall require a two-thirds vote of the participating committee members present during a duly called meeting.

Any amendments to the FCEDD RLF Plan should be reviewed and adopted by the RLF District Loan Administration Board, additional approval from the FCAOGSC is not required.

Staff Capacity

The FCAOG Executive Director (ED) will have ultimate responsibility for overseeing RLF program. The RLF Program Manager will manage the day-to-day operations of the RLF program with the assistance of the Chief Financial Officer and under the direction of the RLF District Loan Administration Board.

The RLF Program Manager will oversee the RLF portfolio under the ED's guidance. The RLF Program Manager will service the loans. The Chief Financial Officer will monitor payments and documentation requirements of the borrower/loan.

The RLF Program Manager will monitor timeliness of documentation requirements of the borrower/loan. The RLF Program Manager will notify the FCAOG Executive Director of any unexplained loan payments delinquent over 30 days.

The RLF Program Manager will follow-up with the borrower on delinquent loan payments. If payment is not made within ten (10) days, a reminder notice may be sent via postal service or e-mail. If payment is not made within twenty (20) days, a telephone call may be made to determine the problem. If payment is not made within thirty (30) days, the FCAOG Executive Director shall be notified; a default letter may be sent, followed by an immediate site visit if necessary. If it is determined a modification/restructuring of the loan is required, it may be done as soon as reasonably possible. Borrowers may be encouraged at the point of the original loan closure, however, to notify the RLF Program Manager of any difficulty in making an anticipated payment on time.

FCAOG has appropriate insurance coverage for persons authorized to handle funds under the RLF Award in an amount more than sufficient to protect the interest of EDA and the FCEDD Revolving Loan Fund. All of the staff and management of the Five County Association of Governments are covered with “Faithful Performance for Crime Coverage” in the amount of $10 million per employee. This coverage is provided through the Utah Counties Indemnity Pool (UCIP) which is the insurer of the Association.

Marketing Strategy

The RLF may be primarily promoted through periodic contacts with area lending institutions and by informing members of the RLF District Loan Administration Board. Reference to the RLF and business projects it has assisted may be included from time-to-time in the presentations made at “Meet the Money People” seminars sponsored by the Small Business Development Centers in Cedar City and St. George. Notifications of the RLF may be sent to each county economic development professional and commercial lenders within the five county service area.

Loan Underwriting, Selection and Approval Process

Business inquiries derived through the marketing process will work with the Small Business Development Center staff (preferred) or the FCEDD RLF Program Manager to complete a standard loan package.

The standard FCEDD Revolving Loan Fund Application may contain the following information.

- RLF is not a replacement for bank financing. Bank letter outlining credit is not available on terms and conditions that permit the completion or successful operation of the activity to be financed without the assistance of the RLF.
- Sources and uses of all funds involved
- Business description
- Business financial information (historical and/or project, as applicable)
- Resumes of principals
- Collateral listing

- Environmental questionnaire (required on all projects, even if real estate is not owned)
- Additional detail deemed necessary to analyze the request, i.e. business plan for start-ups

Data contained in standard loan application will be summarized in a loan write-up prepared by the RLF Program Manager highlighting key aspects of the loan such as project cost, sources of funds, business history, management, product/service, credit review, collateral, consistency with the FCEDD Revolving Loan Fund's financing policies (such as meeting lesser of 2:1 leverage or $25,000 per job and 10% borrower contribution/equity) and any environmental issues. Credit scores are pulled by the FCEDD RLF Program Manager. The FCEDD Revolving Loan Fund's collateral position typically includes secondary lien/mortgage on all assets, subordinate to participating lender, personal guaranty from owner(s), and assignment of life insurance on owner responsible for day-to-day management of the business.

Loan write-up will be presented to the FCEDD RLF Loan Board by the RLF Program Manager including her/his recommendation. Borrower interview is recommended in person, but may be allowed by phone or video conferencing with the Board. Each meeting will begin with verification of compliance with the FCEDD Revolving Loan Fund Conflict of Interest Policy outlined in Exhibit "B".

Loans presented to the FCEDD RLF District Loan Administration Board shall be reviewed for the project's compliance with RLF policy/plan, project viability, is it an RLF loan preference type project/purpose, and its ability to comply with Federal, State, and local laws **-** after which the project will be:

- **Approved** or **disapproved** by quorum evidenced by meeting minutes.
  A quorum is defined as participation by 50% of the standing board following appropriate notification to committee members. Any affirmation action by the board shall require a two-thirds vote of the participating committee members present during a duly called meeting.
- Approval or disapproval shall be **Tabled** pending request for additional information; or
- Referred to another source of funding.

As directed by the RLF District Loan Administration Board, the Executive Director shall be authorized to execute the decision of the Board relative to each loan applicant. Loan closing may include advice from Legal Counsel.

Loan Closing

The standard loan documents will include the following at a minimum:

- Loan application including bank letter outlining credit is not available on terms and conditions that permit the completion or successful operation of the activity to be financed without the assistance of the RLF.
- Loan agreement including, but not limited to, the purpose of the RLF loan, agreement of prior lien holder, and a hold harmless clause from and against all liabilities that the Federal Government may incur as a result of the project, and a call stipulation for

instances of non-compliance [13 CFR 307.10(b)] of Federal, State, and local laws.

- Board meeting minutes approving the RLF loan
- Promissory note
- Security agreement(s)
- Financing statement(s)
- Personal guaranty
- Assignment of life insurance

The original executed FCEDD Revolving Loan Fund closing documents shall be bank safety deposit box [a fireproof facility or container] including at a minimum the promissory note, loan agreement, personal guaranty(s), and security agreements.

FCEDD RLF Program Manager will request verification of borrower's cash contributions to the project and will be placed in the borrower's file.

As a part of the post-closing process, RLF Program Manager will add monitoring requirements of the loan to the FCEDD Revolving Loan Fund reminder system aka tickler system such as job verification form, financial documentation requirements, insurance renewals, UCC refiling, etc.

Loan Disbursement

The FCEDD Revolving Loan shall not be disbursed until requirements outlined in approval letter have been met, as well as compliance with Federal, State, and local laws. The funds may be disbursed in whole via check to the borrower; disbursed monthly or quarterly in pre-determined amounts; or disbursed in response to submitted invoices for goods or services. The disbursement method will be agreed to by both the borrower and the lender and will be made on a case by case basis.

Loan Repayment

The FCEDD Revolving Loan Fund's standard method of loan payment by RLF borrowers is by check. It may be mailed in advance of the due date, allowing for adequate delivery time, or hand delivered to the Association office in St. George, Utah: 1070 W. 1600 S.; BLDG. B; St. George, Utah 84770.

Loan Servicing

The Five County Executive Director (ED) will have ultimate responsibility for overseeing RLF program. The RLF Program Manager will manage the day-to-day operations of the RLF program with the assistance of the Chief Financial Officer and the Accounts Receivable Clerk.

The RLF Program Manager will service the loans. The FCEDD RLF Program Manager will review the business status at least once a year and may obtain the following:

- Annual federal tax returns of the borrower(s)

- Proof of insurance with FCEDD RLF lienholder position identified
- Job report as required by EDA
- Bank loan/collateral review document, if available

The RLF District Loan Administration Board has the authority to require more frequent business status reports if it deems that action is warranted.

The RLF Program Manager will monitor timeliness of documentation requirements of the borrower/loan through a reminder system, aka tickler system, and notify the RLF Program Manager of any deficiencies on a timely basis.

The FCEDD Revolving Loan Fund may modify the terms under which RLF financing has been extended to enhance the ability of the RLF to achieve program objectives. The FCEDD Revolving Loan Fund may choose from time-to-time to amend rates for existing borrowers. This decision will be based on the current interest rate environment, the historical payment performance of the borrower, collateral position, and other factors.

Payment modification/restructure/moratoria. RLF loans may be modified/restructured only if it can be shown that such modification/restructuring may preserve the integrity of the business and the jobs it offers. Examples of modification/restructuring options include interest only period to get business through transition, offer lower payment through longer amortization resulting in a balloon payment at maturity, lowering interest rate (must maintain EDA's minimum rate of the lower of 4% or 75 % of the prime interest rate listed in the Wall Street Journal), and/or extending term of loan.

Maintain File/Bookkeeping Records

Loan files will be maintained for three (3) years from the date the loan was paid in full or from the date the loan was considered settled either through settlement or discharge (EDA Requirement 13 CFR 307.13).

Administrative costs shall be covered by no more than 100.0% of the RLF income accrued in the same fiscal year of FCEDD and must be eligible and reasonable. Administrative costs must comply with OMB Uniform Guidance set forth at 2 CFR part 200 subpart E – Cost Principles. Any cost in excess of income will be covered by the Five County Association of Governments Community and Economic Development Division.

Accounting records for administrative costs incurred for activities relating to operation of the RLF will be retained for five (5) years from the date the costs were claimed. Recipient must make available for EDA's or the OIG's inspection any retained records.

Loan Collection

The RLF Program Manager will monitor timeliness of RLF payments and notify the Executive Director of any deficiencies on a timely basis including immediately notifying the Executive Director of any loan payments delinquent over 30 days.

FCEDD RLF shall use prudent lending practices in the collection of the loan.

The FCEDD RLF Loan Manager will follow-up with the borrower on delinquent loan payments.

If payment is not made within ten (10) days, a reminder notice may be sent via postal service or e-mail. If payment is not made within twenty (20) days, a telephone call may be made to determine the problem. If payment is not made within thirty (30) days; a default letter may be sent, followed by an immediate site visit if necessary. If it is determined a modification/restructuring of the loan is required, it may be done as soon as reasonably possible. Borrowers may be encouraged at the point of the original loan closure, however, to notify the FCEDD RLF Program Manager of any difficulty in making an anticipated payment on time.

The RLF collection procedures for late payments include:

10 days - E-mail notice
20 days - Telephone call
30 days – Letter of notification of non-payment. See delinquency section above for penalty payment language to include in letter. Notice to remedy or further action may be taken, such as: increase interest rate to 15%; loan may be declared in default and accelerate entire principal to be due.
30 days - Site visit, if necessary
60 days - Loan is delinquent
Greater than 60 days - Loan is in default

Late payment penalty fee of $15 is required for monthly payments 10 days or more in arrears as outlined in the FCEDD Revolving Loan Fund Promissory Note.

RLF Program Manager will coordinate collection efforts with lead lender whenever possible.

Collection activity will be pursued until it is no longer cost-efficient to do so, based upon aFCEDD staff review of collateral liquidation values, collection costs, and legal costs.

The FCEDD RLF Program Manager will work directly with an attorney, as needed, in developing the best plan of action to collect a defaulted loan.

Priority of payments on defaulted RLF loans [13 CFR Sec 307.12(c)]: The proceeds from all defaulted loans shall be applied in the following order of priority:

A-First, toward any costs of collection;
B-Second, towards outstanding penalties and fees;
C-Third, toward any accrued interest to the extent due and payable; and
D-Fourth, towards any outstanding principal balance.

Foreclosure

Foreclosure proceedings shall be initiated by RLF District Loan Administration Board action to engage FCAOG legal counsel, as needed, to proceed with foreclosure.

Bankrupcty

FCEDD RLF shall file a Proof of Claim with bankruptcy court, if borrower files for bankruptcy.

Write-offs

Loan write-offs will occur after all collection methods have been exhausted. The FCEDD RLF Loan Board will act on the amount of the write-off and be recorded in the minutes. The RLF Program Manager will then be instructed to write-off the loan from the bookkeeping system. A reasonable loss through defaults will be considered without establishing a loan loss reserve.

Capital Management Strategy

1. Expanding the Capital Base

The FCEDD RLF's goal is to maximize growth of the RLF and to minimize loss through a diligent loan application review process by the RLF District Loan Board.

It is acknowledged that loans may default, with a rate of approximately 10-15% expected due to the clientele we will be serving and the economic environment present in Southwestern Utah.

2. Controlling the rate of repayments and lending

The FCEDD may make loans whose term or amortization is based on matching that of the Bank, the expected life of the asset financed and/or the risk involved. However, the term of working capital loans shall not exceed five (5) years, and equipment loans shall not exceed seven (7) years Shorter terms may be examined if it can be shown the business can handle the debt service. The FCEDD RLF shall not fund real estate loans.

An annual review of this lending and repayment policy may be undertaken by the FCEDD RLF District Loan Administration Board to determine if loan demand exceeds RLF capital availability. RLF District Loan Administration Committee will update this plan at least every five (5) years to respond to changes in economic conditions outlined in the Five County Economic Development District’s Comprehensive Economic Development Strategy (CEDS). If demand activity exceeds expected levels, the Board may apply alternate strategies for loan structuring to accelerate loan repayment.

3. Managing administrative costs

RLF Income from interest earned on principal that is not used to cover eligible and reasonable RLF administrative expenses will be made a part of the RLF capital base.

4. Managing of funds on hand

EDA will notify FCEDD Revolving Loan Fund on an annual basis of the Allowable Cash Percentage that is applicable to lending during our fiscal year, i.e. approximately no more than 25% of total base capital in the RLF may be retained on hand or EDA may require the submittal of a plan to get the money loaned out quicker.

5. Voluntarily contributed capital

Voluntarily contributed capital into the RLF Capital Base requires written request to EDA that specifies the source of the funds to be added. Any additional capital injection becomes an irrevocable part of the RLF Capital Base and is subject to original RLF award investment rate.

6. Audit required

The Five County Association of Governments conducts has an annual audit performed by an independent auditing firm. The audit includes the Revolving Loan Fund that fulfills the requirements of 2 CFR Sec 200.507 and adheres to the Compliance Supplement in appendix XI to 2 CFR part 200.

ii) Environmental

Borrower shall comply with applicable environmental laws and regulations. Each proposed project will be required to supply information regarding the project's effect on the environment by completing an environmental questionnaire prior to loan closing - **See Exhibit "A"**. This is required on all projects, even if the real estate is not owned. If the questionnaire raises potential environmental concerns, then further investigation will be required. No activity shall be financed by the FCEDD Revolving Loan Fund that involves unresolved site contamination issues. Projects will be declined if found to be environmentally unsafe with no mitigation measures possible. Mitigation requirements, where possible, shall be completed prior to the FCEDD Revolving Loan Fund loan closing. However, if this is not possible, then the mitigation requirements shall be made part of the FCEDD Revolving Loan Fund's Loan Agreement. Project shall adhere to the environmental review and compliance procedures, including but not limited to 13 CFR 302 and 314, the National Environmental Policy Act of 1969, and other Federal environmental mandates.

The environmental questionnaire will also be used to determine if construction projects will:

- Result in significant adverse environmental impact requiring further investigation.
- Determine whether the project involves new above-ground development within a floodplain and, if so, activity is <u>not</u> allowable in a 100-year flood plain, per E.O. 11988, without insurance.

- Determine whether the project will be located within or adjacent to any wetland area, if so, activity is not allowed that would result in alternation or adverse impact to the wetland without approval from the U.S. Department of Interior Fish and Wildlife Service, and, if applicable, Section 404 Permit with the Army Corp of Engineers.

- Determine whether applicant business has any hazardous materials that have been improperly handled and have the potential of endangering public health.

iii) Conflict of Interest

Former board member or his/her immediate family are ineligible to apply for a period of at least 2 years since the board member last served on the RLF's board.

All current members of the Five County Economic Development District's Revolving Loan Fund Board shall adhere to its standards for conflict of interest. **See Exhibit "B"** for copy of conflict of interest policy.

iv) Federal Disaster Declaration Modified Loan Terms and Conditions

Special loan terms may be available on a case-by-case basis for a business located in an eligible RLF county impacted by an active federal disaster declaration. See Exhibit "C" for details.

EXHIBITS

Exhibit "A" – Environmental Questionnaire

ENVIRONMENTAL QUESTIONAIRE AND DISCLOSURE STATEMENT

Property owner:_____

Address and location of property: _____
_____
_____

The purpose of this questionnaire is to provide information about past and present ownership and uses of any real property purchased, leased, or being pledged as collateral to the FCEDD's Revolving Loan Fund. Please respond fully to all questions, including the provision of documentary evidence where appropriate. If unable to answer, please respond "unknown" or "not applicable". Where space is inadequate to answer, please attach additional pages as needed.

1. The present owner(s) of the property: _____
_____
_____

2. The present occupant(s) of the property: _____
_____
_____

   a. Emergency 24-hr contact (name, area code, phone #)
      Day: _____ Night: _____
      _____ _____

3. Prior ownership information (past 40 years)

Owned by	Dates (from-to)	Useage

4. The previous and present use(s) of the adjacent properties: _____

Previous: North _____ Present: North _____

South _____ South _____

East _____ East _____

West _____ West _____

5. Date of last ownership transfer: _____

Was pre-acquistion site assessment or environmental audit required? If so, please include a copy of report._____

_____

6. Has this property or any adjacent property ever been used for industrial, manufacturing, refining, processing, agricultural purposes? If so, please describe.

_____

_____

_____

_____

7. Does the current/planned use for the building include the discharge of a toxic material into the air? If so, please explain. _____

_____

8. Does the current/planned use for the building include the discharge of any hazardous waste/toxic materials into any water source? If so, please explain. _____

_____

9. When were the buildings on the premises constructed?

_____

_____

10. Was asbestos used when the building was constructed? Please attach an asbestos inspection if one has been completed.

_____

_____

_____

_____

11. Are there disposal facilities or dump sites, storing or using hazardous waste/toxic materials, within a 2,000 ft. radius from the property? If so, please describe.

_____

_____

_____

12. If the answer to Question 11 is in the affirmative, disclose whether the Utah Department of Environmental Quality or the Southwest Utah Public Health Department require an inspection of your business?

_____
_____
_____

13. Does your business use chemicals or substances which require permits or licenses to either own or remove from property? _____

14. Where on the premises and in what containers are (will) those chemicals or substances (be) located? _____
_____

15. How are (will) those chemicals or substances (be) removed for the property?

_____
_____
_____

16. Are all appropriate licenses and permits current and are you presently in compliance with all regulations for continued utilization of licenses/permits? If not, or if you are subject to pending suspension or revocation action, please describe the basis for and copies of suspension/revocation action. _____
_____
_____
_____

17. Please attach copies of permits/licenses involving chemicals or substances used on or removed from the premises, including waste disposal permits._____
_____

18. Are or have there been underground tanks, sumps, lines, or pipes on the premises which store or convey chemicals or substances such as those described in Question 11? If so, please describe.

_____
_____
_____
_____

19. Please attach copies of any permits/licenses regarding tanks, sumps, lines, or pipes used on the property. _____
_____

20. Have those tanks/lines been tested for structural integrity? If so, include the results of the testing. _____

21. Are electrical transformers, switchers, capacitors, or other comparable devises on premises? Have they been inspected for the presence of P.C.B.' s or other hazardous toxic substances? If inspection reports have been made, include copies. _____
_____

22. Have there been or is there physical evidence of any spills, leaks, or other releases of any toxic/hazardous chemicals/substances on the property or adjoining property?
_____

23. Has any governmental agency ever cited, investigated, or reported upon any release or spill of any substance or chemical on the property or adjoining property?
_____
_____

24. Please list and attach copies of any citation, investigation report, response action, or notice concerning this property issued by a governmental agency. _____
_____
_____
_____

25. Is the project site(s) located within or adjacent to any of the following areas? Check the appropriate space for every item on the following checklist.

Yes	No	Item
___	___	Wild or scenic rivers
___	___	Industrial
___	___	Commercial
___	___	Residential
___	___	Wilderness
___	___	Agricultural
___	___	Mining & quarrying
___	___	Forests
___	___	Recreational
___	___	Parks
___	___	Hospitals
___	___	Schools
___	___	Aquifer recharge area
___	___	Steep slopes
___	___	Estuary
___	___	Wildlife refuge
___	___	Noise sensitive areas (nursing homes, libraries,etc.)
___	___	Minority population
___	___	Low-income population
___	___	Historical, archeological sites listed on the Register of Historical Places or eligible for listing? http://www.nationalregisterofhistoricplaces.com
___	___	Critical habitats/endangered species http://ecos.fws.gov/ipac/wizard/chooseLocation!prepare.action

___ ___ Wetlands
http://www.fws.gov/wetlands/Wetlands-Mapper.html
___ ___ Flood plain
https://msc.fema.gov/webapp/wcs/stores/servlet/FemaWelcomeView?storeId=10001&catalogId=10001&langId=-1&userType=G

Property Owner certifies that the above information is true, entire and accurate.

_____ _____
Property Owner Date

The undersigned FCAOG staff member has reviewed the provided information, but has not used a third-party source to confirm its accuracy. The review of the information provided suggests there are no immediate environmental concerns that would delay the project OR the concerns are listed below and should be further researched.

Potential concerns from staff review warranting further review by a third party:

_____
_____

FCAOG Staff Review:

_____ _____
Date

Exhibit “B” - Conflict of Interest Policy

Former board member or his/her immediate family (including significant other or domestic partner) and are ineligible to apply for a period of at least 2 years since the board member last served on the RLF’s board.

The purpose of the Five County Economic Development District’s Revolving Loan Fund (FCEDD RLF) Conflict of Interest Policy is to create safeguards to prohibit an “Interested Party” from using its position for a purpose that constitutes or presents the appearance of a personal or organizational conflict-of-interest, or personal gain in the administration of the FCEDD Revolving Loan Fund Program.

No “Interested Party” shall participate in the selection, award, or administration of a loan from the FCEDD Revolving Loan Fund Program if a real or apparent conflict of interest would be involved. A conflict-of-interest generally exists when an “Interested Party” participates in a matter that has a direct and predictable effect on the “Interested Party’s” personal or financial interests. A conflict-of-interest also may exist where there is an appearance that an “Interested Party’s” objectivity may result from an organizational conflict where, because of other activities or relationships with other persons or entities, an “Interested Party” is unable to render impartial assistance, services or advice to the FCEDD Revolving Loan Fund Program or a Borrower of the Program.

All “Interested Parties” associated with the Five County Association of Governments and/or the Five County Economic Development District’s Revolving Loan Fund Program shall adhere to the following conflict of interest rules:

Conflicts-of-Interest Rules

1. **An “Interested Party” is defined in 13 C.F.R. § 300.3 as “any officer, employee or member of the governing board of the FCAOG, including any other parties that advise, approve, recommend or otherwise participate in the business decisions of the FCAOG, such as agents, advisors, consultants, attorneys, accountants or shareholders.” An Interested Party also includes the Interested Party’s “Immediate Family” (defined in 13 C.F.R. § 300.3 as a person’s spouse, significant other or partner in a domestic relationship, parents, grandparents, siblings, children and grandchildren, but does not include distant relatives, such as cousins, unless the distant relative lives in the same household as the person) and other persons directly connected to the Interested Party by law or through a business arrangement.**

   The FCAOG has established safeguards to prohibit an Interested Party from using their position for a purpose that constitutes or presents the appearance of personal or organizational conflicts-of-interest or of personal gain. The FCAOG maintains written standards of conduct governing the performance of its employees engaged in the award and administration of contracts.

2. **An Interested Party must not receive any direct or indirect, financial or personal benefits in connection with the FCEDD Revolving Loan Fund Program. A financial interest may include employment, stock ownership, a creditor or debtor relationship, or prospective employment with the applicant or business requesting a loan from the FCEDD Revolving Loan Fund Program. An appearance of impairment of objectivity could result from an organizational conflict where, because of other activities or relationships with other persons or entities, a person is unable or potentially unable to render impartial assistance or advice. It also could result from non-financial gain to the individual, such as benefit to reputation or prestige in a professional field. (*See* 13 C.F.R. § 302.17(c).)**

3. **In addition to the rules set forth above, the FCEDD RLF Program must adhere to these special conflicts-of-interest rules:**

a. **An Interested Party of the FCEDD Revolving Loan Fund Program shall not receive, directly or indirectly, any personal or financial benefits resulting from the disbursement of RLF loans, unless the RLF Board determine if benefits are not so substantial to influence the integrity of the Board's decision to approve the loan, then the "Interested Party" can continue to attend any committee meeting, but shall not vote.**

b. **The FCEDD Revolving Loan Fund Program shall not lend RLF funds to an Interested Party.**

c. **Former members of the Five County Association of Governments Steering Committee and the FCEDD District Loan Administration Board and members of his or her Immediate Family shall not receive a loan from the RLF for a period of 2 years from the date that the board member last served on the FCAOG Steering Committee or the FCEDD Loan Administration Board.**

Each "Interested Party" in the FCEDD Revolving Loan Fund Program shall review this conflict of interest policy. If the "Interested Party" thinks they may have a conflict of interest, then the following steps shall be followed by them and the RLF Board:

I) Interested Party" shall complete attached disclosure form.

II) The FCEDD Loan Administration Board shall review the disclosure form, evaluate the conflict and determine if it is substantial enough to require the "Interested Party" to NOT be involved in the FCEDD Loan Board meeting, discussions, and/or decision making process.

a) Discuss conflict of interest outlined in disclosure form and discuss benefits, if any, the "Interested Party" would derive from the loan.
b) RLF Board determines if benefits are not so substantial to influence the integrity of the Board's decision to approve the loan, then the "Interested Party" can continue to attend any Board meeting, but shall not vote.
c) If conflict would influence the integrity of the Board's decision to approve the loan, then the "Interested Party" should recuse themselves from all discussions about the loan, unless asked to remain and answer questions.
d) Minutes should document the disclosure, recusal, and discussion of benefits, if any, the member would derive from the loan. If benefits are not so substantial to influence the integrity of the Board's decision to approve the loan, then the member can continue to attend any committee meeting, but shall not vote.

III)Disclosure form shall be referred to and attached to the RLF minutes.

Five County Economic Development District
Revolving Loan Fund
Potential Conflict of Interest
Disclosure Form

Date: _____

Name: _____

Potential Conflict on FCEDD RLF Loan Request From: _____

1) Why do you consider yourself to be an "Interested Party" (defined in Item 1 attached) on the proposed loan request?
   _____

2) Will the proposed loan request have a direct or predictable effect on the "Interested Party's" personal interests? If so, how?
   _____

3) Will the proposed loan request have a direct or predictable effect on the "Interested Party's" financial interests, i.e. employment, stock ownership, a creditor or debtor relationship, or prospective employment with the applicant or business for the proposed loan request? If so, how?
   _____

4) Do you have a potential organizational conflict-of-interest that an "Interested Party's" objectivity may result from an organizational conflict where, because of other activities or relationships with other persons or entities, an "Interested Party" is unable to render impartial assistance, services or advice to the FCEDD Revolving Loan Fund Program or the applicant or business for the proposed loan request? If so, how?
   _____

5) Will the "Interested Party" gain any personal benefits in connection with the proposed loan request? If so, how?
   _____

6) Will the "Interested Party" obtain a non-financial gain to the individual, such as benefit to reputation or prestige in a professional field? If so, how?
   _____

7) Please describe any other conflicts you may have on the proposed loan request?
   _____

The above information is true to the best of my knowledge.

_____
Signature and Print Name Here:

_____
Date

Exhibit "C" – Federal Disaster Declaration Modified Loan Terms and Conditions

The FCEDD Revolving Loan Fund may allow special loan terms on a case-by-case basis for a business located in an eligible RLF county impacted by an active federal disaster declaration. This section shall become null and void when the Federal Disaster Declaration is rescinded.

ELIGIBILITY: Business experience economic hardship due to federal disaster declaration.

Business viability test of proforma debt-to-income ratio of at least 1:1 for year prior to disaster declaration.

Existing FCEDD RLF Borrowers shall have priority.

STATEMENT OF NEED: Bank request for assistance required for all requests.

MAXIMUM LOAN: Up to lower of $150,000 or 25% of RLF capital base, based on need.

LEVERAGE: No change, minimum 2/1 (private/RLF) leverage portfolio wide.

INTEREST: Fixed at Market Center Prime – 75% (was 2.5% on 4/13/2020)

TERMS: Working capital to recover from disaster may allow for a term of up to a 7-years, but 5-years is preferred.

REPAYMENT: Deferral of principal payments may be available up to 12 months on case-by-case basis.

COLLATERAL: Unsecured loans with owners as co-borrowers are available to qualifying Borrowers with credit score of 700 or greater from a national source.

INJECTION: Equity investment requirement of 10.0% or greater may be lowered or waived as a result of the disaster on a case-by-case basis.

JOB RETENTION: Request must result in the retention of jobs. At a minimum one job will be retained for every $25,000 of RLF monies.

EXPEDITED APPLICATION: The standard FCEDD RLF Loan Application as outlined in this RLF Plan shall be used. The application includes business/personal financial information and data necessary to make a prudent loan decision by the decision maker(s), RLF Program Manager for loans of $50,000 or less and RLF District Loan Administration Committee for loans of $50,000 or more.

EXPEDITED APPROVAL: The RLF Program Manager, with concurrence of the Five County Executive Director shall have the authority to approve loans of $50,000 or less.

EXPEDITED CLOSING: RLF Program Manager will expedite the loan closing on loans of $50,000 or less that are unsecured with owners as co-borrowers with minimum of promissory note and loan agreement.