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**Loan Program Advisory Committee  
AGENDA  
Thursday, June 25, 2020**

**1. Approval of Previous Meeting Minutes (Attachment A)**

Minutes of the February 27, 2020 Loan Program Advisory Committee (LPAC) meeting will be reviewed for approval.

**ACTION: Motion to approve the February 27, 2020 LPAC meeting minutes.**

**2. EDA New Administrative Plan (Attachment B1, B2, and B3)**

OCWCOG has applied for a CARES Act Supplemental Economic Development Administration (EDA) Award and expects to receive funds next month. We are to have an approved Administrative Plan prior to disbursing loan funds to an RLF borrower. The New Administrative Plan has more flexibilities in lending policies and procedures in order to give businesses better access to funds.

**ACTION: Motion to recommend approval of the New EDA Administrative Plan to the OCWCOG Board of Directors.**

**3. Lending Activities**

**ACTION: Information only, no action needed.**

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**MEMBER GOVERNMENTS — COUNTIES:** Benton, Lincoln, and Linn **CITIES:** Adair Village, Albany, Brownsville, Corvallis, Depoe Bay, Halsey, Harrisburg, Lebanon, Lincoln City, Lyons, Millersburg, Monroe, Newport, Philomath, Scio, Siletz, Sweet Home, Tangent, Toledo, Waldport, Yachats **OTHER:** Confederated Tribes of Siletz Indians, and Port of Newport

Oregon Cascades West Council of Governments is an Equal Opportunity Lender, Provider and Employer

**OREGON CASCADES WEST COUNCIL OF GOVERNMENTS  
LOAN PROGRAM ADVISORY COMMITTEE MEETING  
DRAFT MINUTES**

Monday, December 5, 2019

**Attendees:** Mayor Biff Traber, Corvallis; Mayor Sharon Konopa, Albany; Commissioner Clair Hall, Lincoln County; Mayor Jim Lepin, Millersburg; Mayor Dann Cutter, Waldport; and Economic Development Catalyst Alysia Rodger, Lebanon.

**Staff:** Community and Economic Development Director Phil Warnock; Business Loan Officer Sandra Easdale, and Executive Administrative Assistant Emma Chavez.

**1. Call to Order and Agenda Review**

Meeting called to order at 11:37 am Chair Mayor Biff Traber.

**2. Approval of December 5, 2019 LPAC Meeting Minutes**

**Decision: Motion to approve the December 5, 2019 Loan Program Advisory Committee (LPAC) meeting minutes made by Mayor Dann cutter. Seconded by Mayor Jim Lepin. Minutes approved by consensus.**

**3. Economic Development Administrative (EDA) Revolving Loan Fund Plan Resolution**

The approval of the Economic Development Administration (RLF) Resolution is a yearly housekeeping item. The Resolution is part of the RLF Work Program. The document ensures that the Lending Program is following the processes and procedures for loans. It is dictated that the LPAC initially authorizes the Resolution. The Resolution then moves on to the COG Full Board for approval.

**Decision: Motion to approve recommendation of the EDA RLF to the OCWCOG Board made by Mayor Dann Cutter. Seconded by Mayor Sharon Konopa. Recommendation approved by consensus.**

**4. Business Investment Fund (BIF) Work Plan Update**

Staff Phil Warnock advised that there are modifications to the BIF Work Plan. Staff Sandra Easdale advised that the last time the BIF was amended was in 2012. At that time it was updated to increase the loan service fees that the program collects monthly. This time, there are increases in the loan amount, job creation count, and other minor changes.

- Cost of things are increasing and making it difficult to qualify, the updates will give more flexibility for borrowers to qualify
- There is a requirement that loans must increase jobs
- There are requirements that a borrower cannot relocate and cause negative ramifications

**Decision: Motion to approve recommendation of the BIF Work Plan to the OCWCOG Board made by Mayor Dann Cutter. Seconded by Mayor Sharon Konopa. Consensus to recommend the BIF Work Plan.**

**5. Program Activities**

Sandra Easdale provide an activities report handout to members, and provided a review of the information, noting that there is a lot on the pipeline. She went on to advise that she has been doing a lot of work with Lincoln City Urban Renewal.

Mayor Traber questioned what the value is for Lincoln City to work with COG. Easdale advised that staff makes recommendations to the validity of applications. She collects the payments and sends out monthly billing statements while not holding any liability.

In regards to the Urban Renewal, Warnock noted that the portfolio was unclear as how the reporting was being managed. COG is now able to assist with the management, and the clarity, transparency, and accountability has opened it up for the consideration of the Urban Renewal District to be on better footing of their existing portfolio.

Lastly, Easdale reported that staff continues to market the program at events, and recently posted a flier for the Rural Microentrepreneur Assistance Program (RMAP).

**6. Adjournment**

Meeting adjourned at 12:02 pm.



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**M E M O R A N D U M**

**DATE:** June 25, 2020

**TO:** Oregon Cascades West COG Board

**FROM:** Sandra Easdale, Business Lending Officer

**RE: Economic Development Administration – New Administrative Plan  
for new Grant Award**

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The Coronavirus Aid, Relief, and Economic Security Act (CARES) has made funding available to the Economic Development Administration for economic development assistance programs to help communities prevent, prepare for, and respond to coronavirus. Oregon Cascades West Council of Governments has applied for a CARES Act Supplemental EDA Award and expects to receive funds in July, 2020. Prior to disbursing funds, an approved Administrative Plan must be developed. Attached you will find an updated plan which allows more flexibilities in lending policies and procedures in order to give businesses better access to funds.

**ACTION REQUESTED: Recommend approval of the New Administrative Plan for new Grant Award to OCWCOG Board of Directors**

**OREGON CASCADES WEST COUNCIL OF GOVERNMENTS**  
**REVOLVING LOAN FUND**  
**ADMINISTRATION PLAN**  
**MODIFICATION OF GRANT AWARD #07-39-02821.01 Administrative Plan**  
**FOR NEW**

GRANT AWARD # \_\_\_\_\_

JULY 2020

**BELOW ARE MODIFICATIONS TO EXISTING ADMINSTRATIVE PLAN:**

A. Overview and Goals – Edits

**The overall goal of the new proposed Revolving Loan Program is to make it easier for businesses to alleviate sudden and severe economic dislocation caused by the coronavirus (COVID-19) pandemic, to provide permanent resources to support economic resiliency, and to further the long-term economic adjustment objections of the region served by this award.**

The RLF program makes it easier for businesses to **succeed** in the service area. This aspect of the program is extremely valuable to Lincoln and Linn Counties because there has been an historic dependence on very cyclical industries. Downturns, particularly in the primary and secondary wood products industries, have been very disruptive to the local labor market in recent years. The ability to provide low interest financing is a significant marketing tool in the endeavor to expand and diversify the economic base of the market area.

The Cascades West Economic Development District’s annual Comprehensive Economic Development Strategy has identified a lack of capital at reasonable rates and terms as an ongoing barrier to economic development and business expansion in the area.

The RLF will address the following goals:

1. The diversification of the Lincoln and Linn County manufacturing, value added wood products, fisheries, natural resource industries and tourism economies.
2. Encourage development of employment in manufacturing.
3. Encourage development of essential commercial projects.

1. Eligible Projects and Activities - Add

Generally, RLF financing will be available to support the start-up or expansion of businesses in Lincoln and Linn Counties. Activities that may be undertaken include the following:

- **Refinancing of loans made by other lenders.**

## 5. Loan Criteria – Delete

### (b) Private Sector Leveraging Ratio

The private sector-leveraging ratio is defined as the amount of private dollars proposed as part of the finance package divided by the amount of the proposed RLF loan. Private dollars may consist of financing from conventional and/or other private sources including equity investment on the part of owners and stockholders.

This also includes the unguaranteed portion and 90% of the guaranteed portion of SBA loans.

The portfolio average private sector leverage ratio is targeted at 2 private dollars to every 1 RLF dollars. The RLF program can, therefore, generally provide a maximum of 33% of the financing required in a proposed loan package; however, may go up to 50% of the required financing. This ratio may vary in individual cases, but the loan portfolio, as a whole will maintain the standard ratio of 2 to 1, private to public dollars.

If other public lending sources are involved in the loan package, the maximum public participation in such a package will not normally exceed 50%. It will generally not be acceptable to replace equity dollars required in an RLF package with the proceeds from a loan originating from a public source.

In general, RLF monies will not be used for interim financing for SBA 504 loans, and whenever possible the RLF will take an equal position with the SBA loan.

### (d) Loan Recipients

Loan recipients will be businesses using traditional and new technologies and will be prioritized by those companies that will increase employment with higher paying jobs, stimulate increased productivity and add to the economic multipliers in their communities. Desirable objectives of those businesses will be expansion and diversity in the local and regional economy, increase private sector investment in disadvantaged communities and have a high probability of success.

## E. Financing Policies – Delete

### 2. Fixed Assets/Working Capital

Not more than 50 percent of the portfolio will be for working capital. Working capital loans will generally be advanced in conjunction with fixed asset financing.

**6. Equity and Collateral Requirements**

It will be general policy to loan the minimum amount needed to elicit financing from other sources, usually not exceeding one RLF dollar for each two dollars of private capital.

**10. Cooperation with Other Financing Programs**

Staff will continue to refer the borrower to the appropriate local, state or federal program. However, should the applicant be ineligible for them, the RLF program will then be utilized.

**11. Private Financing Requirements**

Private sector financing in RLF projects is generally required. For purposes of leveraging private dollars, it is generally preferable that private sector lenders fund at least as much of the project as the RLF is funding. Loans from financial institutions must be term loans, not lines of credit. Private sector lenders must specify in commitment letters for RLF projects the reason(s) why the private sector lender is unable to finance the entire project.

**G. RLF Loan Selection Criteria – Delete**

Each application must demonstrate that financing is not otherwise available with terms or conditions that would permit completion and/or the successful operation or accomplishment of the project activities to be financed. The primary evidence for this will be the analysis provided in the credit memo supported by outside documentation, such as bank decline letters. Loan recipients will be businesses using traditional and new technologies and will be prioritized by those companies that will increase employment with higher paying jobs, stimulate increased productivity and add to the economic multipliers in their communities. Desirable objectives of those businesses will be expansion and diversity in the local and regional economy, increase private sector investment in disadvantaged communities and have a high probability of success.

**C. Loan Selection and Approval Process - Delete**

**1. Application**

**Loan amount to be 50% of the eligible project requirement.**

**3. Loan Write-up and Loan Approval Procedures and flow are as follows:**

**2) Substantiate why credit is not available without the participation of the RLF loan fund.**

**OREGON CASCADES WEST  
COUNCIL OF GOVERNMENTS  
REVOLVING LOAN FUND  
ADMINISTRATIVE PLAN**

~~Grant Award #07-39-02821.01~~

FOR:

Grant Award #

07-2020

~~Amended — March 15, 2018~~

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## I. PROGRAM ELEMENTS

### A. Overview and Goals

~~The overall goal of the new proposed Revolving Loan Program is to make it easier for businesses to alleviate sudden and severe economic dislocation caused by the coronavirus (COVID-19) pandemic, to provide permanent resources to support economic resiliency, and to further the loan-term economic adjustment objections of the region served by this award.~~

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~~The overall goal of the proposed Title IX Revolving Loan Program is to encourage business expansions and start ups, and thereby to create new job opportunities in Lincoln and Linn Counties in Oregon. The method employed to encourage this expansion will be to utilize Title IX and local matching funds to make low interest subordinated or participation loans to small business concerns. These loans will generally be made in cooperation with commercial lending institutions in the service area.~~

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The RLF program makes it easier for businesses to expand-succeed in the service area. This aspect of the program is extremely valuable to Lincoln and Linn Counties because there has been an historic dependence on very cyclical industries. Downturns, particularly in the primary and secondary wood products industries, have been very disruptive to the local labor market in recent years. The ability to provide low interest subordinate financing is a significant marketing tool in the endeavor to expand and diversify the economic base of the market area.

The Cascades West Economic Development District's annual Comprehensive Economic Development Strategy has identified a lack of capital at reasonable rates and terms as an ongoing barrier to economic development and business expansion in the area.

The RLF will address the following goals:

1. The diversification of the Lincoln and Linn County manufacturing, value added wood products, fisheries, natural resource industries and tourism economies.

2. Encourage development of employment in manufacturing.
- 3 Encourage development of essential commercial projects.

#### **B. Identification of Service Area's Financing Problems**

In early 2009, the U.S. economy was in the midst of a recession sparked by the collapse of a housing bubble. Companies were slashing jobs. The unemployment rate was surging. Auto sales in January 2009 had reached a 26-year low.

Employers cut 794,000 jobs in January 2009 and 4.5 million from November 2008 through April 2009.

Home prices plunged 19 percent in the 12 months that ended in January 2009. Eventually, they fell by a third overall before bottoming in late 2011.

Perhaps the clearest barometer of the economy was soaring unemployment. The unemployment rate was 7.8 percent in January 2009, just below the current 7.9 percent. But only two months later, in March 2009, it was nearly a full point higher — 8.7 percent. By October, it had peaked at 10 percent.

The recovery has been slow. Consumers have been wary about spending after piling up debt in the mid-2000s. Local governments, squeezed by tight budgets, have cut 560,000 jobs in four years. And until recently, an anemic housing market discouraged the home construction that in past economic recoveries had powered growth.

Now, companies are hiring modestly but steadily. Employers added an average of 181,000 jobs a month in 2012 and 175,000 in 2011. Still, unemployment remains far higher than the 5 percent to 6 percent that economists regard as normal.

Commercial banks are the primary source of capital for businesses in the service area. Several state chartered community banks serve the market area, with regional and national banks active with deposits and large commercial transactions. The state chartered community banks primarily serve rural areas. Many of the regional and national banks have down-sized or eliminated their commercial banking centers from the service area, with most maintaining a presence in the larger Cities. While the economy in recent years has been generally strong, the commercial banking industry within the state of Oregon has seen significant fluctuations in the availability of credit. The result has been the ease of credit for a while in many of the areas, particularly rural communities. Then, when the lending environment changes or mergers and acquisitions occur in the banking industry, conservative lending policies are re-established, tightening credit, many times abruptly in those rural communities. The nature of these changes causes instability in the capital markets available to small businesses, especially those located in rural communities within the service area.

Another significant issue has been the centralization of credit decisions in the larger institutions. In the past, commercial credit decisions were vested in the branch management more able to identify and meet the financing needs of small businesses in the service area. Small business

owners could develop a borrowing relationship with the branch banker and through successful operation and debt repayment, establish a good credit history and instill lender confidence. The centralization has diminished the importance of the relationship between the business owner and the loan officer, and along with it, the importance of the loan officer's detailed knowledge of a particular business' opportunities.

The loan packaging activity conducted by OCWCOG in the past has provided an opportunity to observe banks' commercial activity and the financing problems confronted by small businesses attempting to start up or expand their operations. It is observed that reasonable financing is generally available to small businesses within this service area. The availability of reasonable credit has been sufficient to act as an incentive for expansion and investment for qualifying creditworthy firms. However, there continues to be demand for loan terms, particularly for expansion projects, that go beyond the ability of commercial lenders in the market place from small businesses that are creditworthy but unable to qualify for bank financing.

Though SBA 504 financing is available, through CCD Business Development Corporation this program disallows working-capital uses and is also available only for long-term fixed asset projects, such as heavy equipment and/or real estate. The Oregon Business Development Fund, offered by the Oregon Economic & Community Development Department, provides for some limited amount of working capital and short-term capital equipment financing but is currently highly limited to wholesale and manufacturing companies. Other programs are now available that provide working capital; however, demand for patient working capital still outstrips supply of funds in those programs, being primarily the COG's USDA IRP and OCWCOG BIF program.

The RLF program assists in addressing the problem of business capital availability within the service area by providing an incentive for private lender participation. This subordinated financing feature leverages a commercial lender's capital, putting the private sector funds into productive use within the service area. The increased availability of subordinate debt capital, with reduced risk to the lender, promotes consideration of more reasonable interest rates and terms by the participating lender and mitigates risk so that the projects are seen to fruition. The fixed rate nature of the subordinate financing also serves to stabilize the overall financing cost, thereby providing an otherwise missing stimulus for economic expansion that will result in increased job opportunities.

### **C. Business Development Strategy and Targeting Criteria**

The targeting criteria for the RLF of Linn and Lincoln Counties include four standards.

First, the RLF will be an equally available service throughout the two-county area and such other areas as may receive EDA approval for expansion in the future. If competition for funding necessitates it, geographic considerations will be utilized to allocate accessibility to the RLF.

Second, loan packaging will be targeted toward private entities in the manufacturing sector located in Lincoln and Linn Counties, which are primarily dependent upon timber, fisheries, and agriculture and tourism industries. In recent years, the high tech and software industries are growing in the services area. Historical changes in national economic activities in the lumber

and wood products industry produced devastating and long-term economic down turns in the area. Consequently, a manufacturing sector profile of the area reveals that the depth and breadth of manufacturing does not reflect the diversity of the state or national profiles. In order to combat these cyclical effects, the RLF will primarily focus on diversifying the manufacturing sector.

Third, lending will be targeted to secondary wood products manufacturing; renewable resource industries, including agriculture, fisheries, and tourism. While the wood products industry has suffered significant decline over the past 35 years it has been targeted as one of the service area's key industries. Tourism has become one of the major industries in the state of Oregon, and Lincoln and ~~Linn Counties~~Linn Counties have the natural aquatic and other physical attractions that are basic to tourism development.

Fourth, the EDA RLF will target commercial enterprises that provide vitally needed services to the local communities. This target area, along with the others that have been identified, will focus primarily on existing businesses rather than start ups and will also be geared towards fixed asset financing that will allow small business enterprises to expand through the acquisition or renovation of real property. A commercial project may be funded only if it provides substantial employment and long-term economic benefits to the area. As a general rule, manufacturing projects will take precedence over commercial projects due to their relative high employment per dollar ratio and the economic diversification, which they provide.

Although it is not anticipated that significant changes will occur in the area's economic composition in the short run, should a vital shift happen, a subsequent realignment of criteria may be instituted with EDA approval.

#### **D. Standards for the RLF Portfolio**

Eligible applicants include private, for-profit firms, including corporations, partnerships and sole proprietorships, cooperatives and private non-profit organizations organized for the conduct of business.

1. Conflicts of interest.
  - (a) General

It is EDA's and the Department's policy to maintain the highest standards of conduct to prevent conflicts of interest in connection with the award of Investment Assistance or its use for reimbursement or payment of costs (e.g., procurement of goods or services) by or to the Recipient. 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 may also exist where there is an appearance that an Interested Party's objectivity in performing his or her responsibilities under the Project is impaired. For example, an appearance of impairment of 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 Recipient, a participant in the Project or to the Federal government.

Additionally, a conflict of interest may result from non-financial gain to an Interested Party, such as benefit to reputation or prestige in a professional field.

(b) Prohibition on direct or indirect financial or personal benefits.

(1) An Interested Party shall not receive any direct or indirect financial or personal benefits in connection with the award of Investment Assistance or its use for payment or reimbursement of costs by or to the Recipient.

(2) An Interested Party shall also not, directly or indirectly, solicit or accept any gift, gratuity, favor, entertainment or other benefit having monetary value, for himself or herself or for another person or entity, from any person or organization which has obtained or seeks to obtain Investment Assistance from EDA.

(3) Costs incurred in violation of any conflicts of interest rules contained in this chapter or in violation of any assurances by the Recipient may be denied reimbursement.

(c) Special rules for Revolving Loan Fund (“RLF”) Grants.

(1) An Interested Party of a Recipient of an RLF Grant shall not receive, directly or indirectly, any personal or financial benefits resulting from the disbursement of RLF loans;

(2) A Recipient of an RLF Grant shall also not lend RLF funds to an Interested Party; and

(3) Former board members of a Recipient of an RLF Grant and members of his or her Immediate Family shall not receive a loan from such RLF for a period of two (2) years from the date that the board member last served on the RLF's board of directors.

[71 FR 56675, Sept. 27, 2006, as amended at 73 FR 62866, Oct. 22, 2008; 79 FR 76129, Dec. 19, 2014]

Ineligible applicants are entities and organizations other than those described above.

1. Eligible Projects and Activities

Generally, RLF financing will be available to support the start-up or expansion of businesses in Lincoln and Linn Counties. Activities that may be undertaken include the following:

- Acquisition and assembly of land, for commercial, industrial and related uses.
- Acquisition of machinery, equipment, furniture and fixtures.
- Acquisition of abandoned properties with redevelopment potential.
- Development of real estate, including redevelopment and rehabilitation of historical buildings for industrial or commercial use.
- Other investments that will accelerate recycling of land and facilities for job creating activity, such as assistance to firms to locate and expand in such facilities.

- Working capital needs.

## 2. Ineligible Projects and Activities

- Projects involving the relocation of any firm from one area to another in such a manner as to cause unemployment at the location where such work previously was performed.
- Projects that is not located within Lincoln or Linn Counties.
- Projects that is not consistent with:
  - (a) The Cascades West Economic Development District's Annual Community and Economic Development Strategy update, or
  - (b) Relevant city or county comprehensive plans.
    - Projects that will not provide more than temporary alleviation of unemployment or underemployment within the area of project impact.
    - Projects for which funds are judged to be otherwise available from private lenders or other public agencies at terms which will permit the accomplishment of the project.
    - Projects on which there is not reasonable assurance of repayment of the proposed loan(s).
- Projects that would create a conflict-of-interest for any current or former OCWCOG Board member, loan committee member, or employee, or people related to them by blood, marriage or law.

## 3. Eligible Costs

- Land costs, including engineering, legal, grading, testing, site mapping, related costs associated with acquisition and preparation of land.
- Building costs, including real estate, engineering, architectural, legal, and related costs associated with acquisition, construction, and rehabilitation of buildings.
- Machinery and equipment costs, including delivery installation, engineering, architectural, legal, insurance, and related costs associated with acquisition and installation of machinery and equipment.
- Other costs contributing directly to the value of the project fixed assets, such as sales and uses taxes and interest on interim construction financing.
- Adequate contingency reserves.
- Working and start-up capital.
- Infrastructure costs.
- Refinancing of loans made by other lenders under limited conditions.

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## 4. Ineligible Costs

- Costs incurred prior to OCWCOG's acceptance of the loan application.
- Acquisition of equity in private businesses.

- Subsidy of interest payments on loans.
- ~~- Refinancing of loans made by other lenders.~~
- The equity contribution required of borrowers participating in other Federal Loan Programs.

## 5. Loan Criteria

The standards described below apply to the performance of the Revolving Loan Fund as a whole. The selection of a business as a recipient of a Revolving Loan Fund loan will be based on its ability to meet the loan portfolio standards. Individual loans may vary significantly from the loan portfolio standards. In a case where a significant economic benefit is available through assisting a particular business, less than specified performance on one or any of these standards may be acceptable.

### (a) Job/Cost Ratio

The portfolio average cost per job will not exceed \$50,000.

### ~~(b) Private Sector Leveraging Ratio~~

~~The private sector leveraging ratio is defined as the amount of private dollars proposed as part of the finance package divided by the amount of the proposed RLF loan. Private dollars may consist of financing from conventional and/or other private sources including equity investment on the part of owners and stockholders.~~

~~This also includes the unguaranteed portion and 90% of the guaranteed portion of SBA loans.~~

~~The portfolio average private sector leverage ratio is targeted at 2 private dollars to every 1 RLF dollars. The RLF program can, therefore, generally provide a maximum of 33% of the financing required in a proposed loan package; however, may go up to 50% of the required financing. This ratio may vary in individual cases, but the loan portfolio, as a whole will maintain the standard ratio of 2 to 1, private to public dollars.~~

~~If other public lending sources are involved in the loan package, the maximum public participation in such a package will not normally exceed 50%. It will generally not be acceptable to replace equity dollars required in an RLF package with the proceeds from a loan originating from a public source.~~

~~In general, RLF monies will not be used for interim financing for SBA 504 loans, and whenever possible the RLF will take an equal position with the SBA loan.~~

### (ae) Activities to be Financed

Loans from the RLF will be available to private small businesses for the purposes of start up, expansion or maintenance of existing operations. For the purposes of the RLF program, the definition of a small business will be that used by the U.S. Small Business Administration. The RLF program will be targeted primarily towards manufacturing and other industrial operations. Secondary targeting of RLF loans

will be toward tourism and recreation facilities, agriculture support and service activities, and commercial activities vital to their communities.

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~~(d) Loan Recipients~~

~~Loan recipients will be businesses using traditional and new technologies and will be prioritized by those companies that will increase employment with higher paying jobs, stimulate increased productivity and add to the economic multipliers in their communities. Desirable objectives of those businesses will be expansion and diversity in the local and regional economy, increase private sector investment in disadvantaged communities and have a high probability of success.~~

~~(be) Other Economic Objectives/Benefits~~

Other elements that will receive consideration in the selection of loans for the RLF program are:

- Linkages with the area's existing economy that would permit a business to absorb displaced or underemployed skill workers in the area labor force.
- Companies whose markets appear to indicate the opportunity for significant expansion of production and employment over the short term.
- Significant opportunities for the development and/or expansion of minority or female-owned and operated small business concerns.

The standards for the RLF may be revised if the area's needs change in the future and with EDA's approval.

To ensure that RLF funds will not merely substitute for available private capital, borrowers will be required to sign a statement that they had sought to borrow from other lenders under similar terms as those provided by the RLF and had been declined. The RLF staff will substantiate these when in question and will contact lenders to ascertain possible participation with RLF involvement. RLF staff will also determine the need for the RLF loan and document this in the Loan write-up pursuant to the EDA RLF Standard Term and Conditions, and its successors.

**E. Financing Policies**

1. Lending Limits

Loans made under the terms of the RLF program will normally have a minimum loan size of \$5,000, and a maximum loan size of \$242,000 or 25% of RLF base capital, whichever is greater. Additionally, no one borrower, company, organization, entity or affiliated group will have credit outstanding from the Revolving Loan Fund in excess of this amount at one time.

~~2. Fixed Assets/Working Capital~~

~~Not more than 50 percent of the portfolio will be for working capital. Working capital loans will generally be advanced in conjunction with fixed asset financing.~~

### 3.2. Repayment Terms

Loan terms will generally not exceed the full useful life of the assets being financed. However, shorter-term loans will be encouraged in order to accelerate the reuse of RLF dollars. Repayment will normally be accomplished in equal monthly installments, including principal and interest over the life of the loan, except that up to six months of payment may be interest only if found necessary to make the project viable. Except in cases of loan renegotiation, fully amortizing repayment terms will generally be adhered to. RLF loan terms will normally equal the loan term of the participating private lender.

The term of a fixed asset loan will ordinarily not be greater than the average useful life of the fixed assets in the project, and in no case be made for a term of more than 15 years. The term of a working capital loan will not ordinarily exceed five years. An attempt will be made to shorten working capital loan terms to three years and fixed asset loan terms to five to seven years (where feasible) in order to accelerate the velocity of RLF dollars.

### 4. 3. Interest Rates and Fees

OCWCOG may make loans to eligible borrowers at interest rates and under conditions determined by the OCWCOG to be appropriate in achieving the goals of the RLF. The minimum interest rate OCWCOG may charge is four (4) percentage points below the lesser of the current money center prime interest rate quoted in the *Wall Street Journal*, or the maximum interest rate allowed under State law. In no event shall the interest rate be less than the lower of four (4) percent or 75 percent of the prime interest rate listed in the *Wall Street Journal*, as per EDA requirements.

OCWCOG will make loans to eligible borrowers at interest rates between 3.5% and 10% as long as these interest rates meet the criteria stated in 13 CFR stated above. The interest rate will be determined by the strength of the borrower's credit review.

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 RLF Recipient to implement its financing strategy.

In the event of a technical or payment default on a note, the interest rate may be increased to 2.5% over the initial note rate for the remaining term of the loan.

Interest rates will be fixed over the life of the loan, except that a rate review will ordinarily be conducted after a period of one year. If the promised number of jobs has not been created by the business within the first year, the OCWCOG Loan staff shall have discretion to raise the loan rate to a market rate. This will ordinarily be done only when the OCWCOG Loan staff has reason to believe the borrower has not acted in good faith in making job creation estimates or managing the general and administrative expenses of their business.

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A per payment servicing fee of \$12.00 will be assessed on all loans with ACH payment processing, a requirement of the loan program. In the event the borrower cancels their ACH payment authorization or is canceled by OCWCOG or the bank of account due to rejected item activity, the per payment servicing fee will increase to a total of \$55.00. Payoffs are excluded from this assessment, may be processed with a check or wire transfer and are subject only to the \$12.00 servicing fee.

In the event a payment is returned due to non-sufficient funds a \$25.00 rejected item fee will be assessed per occurrence. Unpaid servicing and NSF fees shall accrue and be added to all payoffs.

#### 5.4. Special Financing Techniques

Loans will generally be made on a subordinated basis. This approach will lower the risk for commercial lenders and act as an incentive to encourage their participation. However, the RLF will secure 1<sup>st</sup> lien positions in specific collateral where risk considerations warrant protection of RLF investments.

#### 6.5. Equity and Collateral Requirements

An applicant's pro-forma balance sheets (combining business and personal when appropriate), including the proposed project and financing, will generally not exceed a 6:1, or be within the upper quartile of the RMA Industry Average range of debt-to-equity ratio, unless additional adequate security is provided (such as guarantees, other business assets, personal assets). For purposes of this paragraph, debt means total liabilities of a business.

~~It will be general policy to loan the minimum amount needed to elicit financing from other sources, usually not exceeding one RLF dollar for each two dollars of private capital.~~

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Security will be required, as necessary, to adequately collateralize RLF loans. In the case of fixed asset loans, security usually will be liens on the assets financed. Working capital loans will normally be secured by receivables, inventory and fixed assets. Assignments of lease will also be perfected; security usually will be liens on the assets financed. Liens upon other non-project assets of the applicant may also serve to secure loans. It will also be general policy to require personal guarantees by the applicant's principals, secured, as appropriate, dependent upon the likelihood of repayment through liquidation of the assets upon a default, so as to benefit the service area by better assurances of recapitalization and further loan activity.

#### 7.6. Restructuring or Modifying Loans

Terms and conditions of existing loans may be modified from time to time, as deemed appropriate, particularly to preserve the assets of the business and value of loan collateral should there be a problem with loan repayment. In general, restructuring a loan will be accomplished in a manner that will produce a reasonable likelihood of repayment, given a

current and complete reassessment of conditions. RLF loans will be restructured only where it improves a borrower's ability to repay.

8. Use of Interest and Fees from Activity

1. *General requirements.* RLF Income must be placed into the RLF Capital base for the purpose of making loans or paying for eligible and reasonable administrative costs associated with the RLF's operations. RLF Income may fund administrative costs, provided:

- (a) Such RLF Income and the administrative costs are incurred in the same twelve-month (12) reporting period;
- (b) RLF Income that is not used for administrative costs during the twelve-month (12) reporting period is made available for lending activities;
- (c) RLF Income shall not be withdrawn from the RLF Capital base in a subsequent reporting period for any purpose other than lending without the prior written consent of EDA.

When charging costs against RLF Income, RLF Recipients (OCWCOG) must comply with applicable OMB cost principles and RLF audit Guidelines. See 13CFR 307.12 (§ 307.12 Revolving Loan Fund Income)

Other sources of funds may be made available for relending and administrative expenses. These funds may include: loan fees, interest on deposits or temporary investments from recycled funds or profits on sale or liquidation of RLF loans.

9. Fees and Charges

There will normally be a \$500 application fee, creditable towards a loan fee. For loans between \$5,000 to \$150,000 the loan fee is 2%. Loans between \$150,001 and \$242,000 the loan fee is 1.5%. Loan fees will be charged to successful applicants at closing. Additionally, borrowers will pay for any direct costs incurred in loan processing and closing, such as recording fees, attorney fees, escrow fees, etc.

10. Cooperation with Other Financing Programs

RLF loans will be used to fill gaps in the financing that exist for a wide range of business development purposes. This will be accomplished in a complementary manner to other public and private sources. Either directly or through an established relationship, businesses in the service area will be provided assistance in all local, state, and federal programs, including but not limited to the following:

- Certain city financing programs established by HUD-CDBG.
- Oregon Community Development Program (HUD-CDBG funds), administered by the State Intergovernmental Relations Division.

- SBA 504 long-term subordinated fixed asset loans
- Oregon Business Development Fund, administered by the State Economic Development Department
- Industrial Revenue Bonds, available from the State Economic Development and Port authorities.
- SBA 7(a), bank issued-SBA guaranteed business loans

~~Staff will continue to refer the borrower to the appropriate local, state or federal program. However, should the applicant be ineligible for them, the RLF program will then be utilized.~~

#### 11. Private Financing Requirements

~~Private sector financing in RLF projects is generally required. For purposes of leveraging private dollars, it is generally preferable that private sector lenders fund at least as much of the project as the RLF is funding. Loans from financial institutions must be term loans, not lines of credit. Private sector lenders must specify in commitment letters for RLF projects the reason(s) why the private sector lender is unable to finance the entire project.~~

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## **F. Related Activities**

### 1. Technical and Management Assistance

OCWCOG has established cooperative-working relationships with the Small Business Development Centers at Linn-Benton Community College and Lane Community College, respectively. Courses in financial management, marketing, personnel management, and others are available, as well as are one-to-one consultations with successful business persons.

Technical assistance is also available to loan recipients from the SBA, S.C.O.R.E., and from the business development finance personnel with the Council of Governments. These individuals are available for consultation not only on available financing but also on questions where appropriate referrals can be made to other individuals or agencies that can provide suitable materials or educational services.

### 2. Loan Packaging

OCWCOG staff is responsible for loan packaging under the RLF. The staff also has responsibility for loan services for the SBA 504 program, the SBA 7(a) loan guarantee, the Oregon Business Development Fund, the OCWCOG Business Investment Fund Program, the OCWCOG Rural Development Funds and all other government guaranteed or direct loan programs.

### 3. Linking Jobs with the Long-Term Unemployed

The primary vehicle that will be used for ensuring that the long-term unemployed will be linked with the jobs created through the RLF program will be the Employment and Training initiative programs operating in Lincoln and Linn Counties. The programs provide not only training and displaced worker assistance but also can design testing programs specific to an industry's worker needs. Loan recipients in the RLF will be provided with a description of the services and financial benefits of participation in the various employment initiatives available and will be referred to the programs available in their areas.

### G. RLF Loan Selection Criteria

~~Each application must demonstrate that financing is not otherwise available with terms or conditions that would permit completion and/or the successful operation or accomplishment of the project activities to be financed. The primary evidence for this will be the analysis provided in the credit memo supported by outside documentation, such as bank decline letters. Loan recipients will be businesses using traditional and new technologies and will be prioritized by those companies that will increase employment with higher paying jobs, stimulate increased productivity and add to the economic multipliers in their communities. Desirable objectives of those businesses will be expansion and diversity in the local and regional economy, increase private sector investment in disadvantaged communities and have a high probability of success.~~

Loans will be made on a first come first served basis and will be available to businesses in the eligible area, if:

1. Staff can demonstrate credit worthiness based upon the financing policies of the plan;
2. The project is consistent with the business development strategy; and
3. The loan will meet program goals to facilitate in the creation of higher paying, higher skilled, private sector jobs diversify and strengthen the economy and stimulate private investment. Priority will be given to those projects that provide the highest economic stimulus relative to program goals.
4. The loan is consistent with the goal of maintaining a diversified portfolio.

4.

### H. Performance Assessment

The portfolio goals will be monitored at the time of reporting to EDA. If priorities and targets are not being met, more frequent monitoring will be implemented. This will be accomplished by utilizing the current database software that is used to generate the EDA report.

The EDA Administrative Plan will be reviewed annually as part of the annual certification. Changes will be made to the plan as appropriate to ensure the plan is consistent with the area's current economic development strategy and that the RLF is

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operating in accordance with the policies and procedures contained in the approved plan. (Refer to Section VIII.D “Annual Plan Certification”).

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## II. ADMINISTRATIVE ELEMENTS

### A. Loan Administration Board

Oregon Cascades West Council of Governments Inc. is an ORS 190 Intergovernmental Cooperation that operates in Benton, Lincoln, and Linn Counties. The Board of Directors will provide oversight and establish policy for the RLF program through their Loan Program Advisory Committee and appoint a Loan Review Subcommittee (LRS) to approve loans submitted by the OCWCOG Loan staff. The OCWCOG Executive Director will give final approval of the applications. The OCWCOG Loan staff will make recommendations regarding major servicing and foreclosure and report actions to the LPAC members.

The Loan Review Subcommittee (LRS) will include members representing a cross section of the leadership of the approved LTED Title IX eligible areas including members with financing experience. A LRS member with commercial lending experience will participate in all loan approval decisions. The services of private legal counsel will be available to the Loan staff and the LRS as needed. The legal counsel will not be a LRS member.

### B. Staff Capacity

The economic development staff of OCWCOG currently package small business loans for the SBA 504 program, the SBA 7(a) Guarantee Program, the Lincoln County Revolving Loan Funds, the OCWCOG Business Investment Fund, the respective USDA IRP funds and all other government guaranteed loan programs in the service area. Staff is experienced in the analysis of business financial statements and cash flow, debt service, collateral and documentation requirements. Staff has also been responsible for interviewing small business prospects, assessing their needs and eligibility, and assisting them in structuring reasonable request to various public and private financing sources.

The staff available to assist the loan committee in RLF administration includes the OCWCOG Loan staff including Community and Economic Development Director, Loan Officer and Assistant Loan Officer. All of the required skills for RLF operation and administration are represented in this staff, assisted as appropriate by an outside attorney.

The primary activities of the staff with respect to the Revolving Loan Fund program are as follows:

- Publicize RLF objectives and availability in Lincoln and Linn Counties.
- Screen all applicants, inviting promising candidates to submit preliminary information.
- Based on preliminary data, invite qualified candidates to submit detailed applications. Decline ineligible or businesses that do not meet the acceptable underwriting criteria for the RLF program.

- Work with applicants to help them prepare complete application; do loan and credit review and make final recommendations to LRS. For approved loans, ensure proper documentation, compliance with all appropriate regulations, timely loan closing and implementation of project.
- Monitor ongoing operations of loan recipients; provide ongoing technical and management consulting assistance and recommend loan revisions as appropriate.
- Perform routine loan servicing and accounting.
- Perform loan collections with attorney, including asset liquidation.
- Provide monthly financial reports for the RLF, including individual account status.

The OCWCOG Loan Officer will make the recommendations called for or implied in this list of activities, based upon information received regarding the loan and borrowers with consideration given to the recommendations of the staff members who have been assigned to work with a particular applicant. OCWCOG is responsible for loan administration of the RLF Program.

Any Loan Review Subcommittee (LRS) member, staff person or professional associated with the RLF shall reveal to the LRS any business relationship (example - CPA) with a loan applicant in order to avoid any possible conflict of interest or appearance of conflict of interest. No officer, employee, or member of the LRS or of the RLF Recipient's Board of Directors, or other Board (hereinafter referred to as "other board") that advises, approves, recommends or otherwise participates in decisions concerning loans or the use of RLF grant funds, or person related to the officer, another employee, or any member of the Board by immediate family, law, or business arrangement, may receive any benefits resulting from the use of the RLF loan or grant funds. In addition the RLF Recipient may not lend RLF funds to an employee of the RLF Recipient or any member of the RLF Recipient's Board of Directors, or a member of any other board. Immediate family is defined as parents, grandparents, siblings, children and grandchildren, but does not include more distant relatives, including cousins, unless they live in the same household. A benefit or loan may be conferred if the officer, employee, or board member affected first discloses to the RLF Recipient on the public record the proposed or potential benefit involved is not so substantial as to reflect adversely upon or affect the integrity of the RLF Recipient's decision process or the services of the officer, employee or board member.

No officer, employee or board member of the RLF Recipient must not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment or any other form of monetary value, for himself or for another person, from any person or organization seeking to obtain a loan or any portion of the grant funds.

Former board members and/or officers are ineligible to apply for or receive an RLF loan for a period of two (2) years from the date of termination of his/her services.

In the event representatives from the financial community on the LRS have a separate financial interest (excluding regular checking and savings accounts) in a loan applicant, such member will not participate in loan deliberations.

**C. Loan Selection and Approval Process**

The loan selection and approval process includes four stages as follows:

1. Marketing

First, prospective borrowers learn of the availability of loans through a variety of means. There has been media coverage of the OCWCOG RLF Program. Second, many area bankers are aware of the loan program, and recommend it to their clients when appropriate. Area bankers will be notified of the availability of RLF funds on a routine basis to ensure the market place is aware of the programs. Third, staff makes numerous public appearances to inform local chambers of commerce, downtown groups and other development organizations of the availability and extent of the programs through the areas. Fourth, staff develops promotional materials on all OCWCOG lending programs and will do so for the RLF.

2. Application

Normal and prudent lending standards are used in evaluating the strength and ability-to-repay of both companies and individuals. However, the loans will be made in some cases where, in OCWCOG's judgment, the employment and other benefit potential (and the quality of business planning) outweigh risks that more conservative lenders would likely avoid. This would apply, for example, to viable business startups, which are routinely excluded from consideration by most members of the private financial community.

Procedure and flow are as follows:

- Preliminary discussion with staff representatives for eligibility and rough fit with RLF loan criteria. If another lending program is more appropriate, the staff will work with the prospective borrower on an application for that program.
- Decision by staff representative to invite preliminary written information or decline loan request at this point. If negative, inform applicant reasons for decline. If positive, review preliminary information needs with applicant and provide counseling regarding the applicant's business plan, if appropriate.
- If positive, review preliminary information needs with applicant; provide counseling regarding applicant's business plan, if appropriate.
- Preparation and submission by applicant or preliminary information and supporting documents by applicant.
- Applicant submits formal application and principals authorize credit checks.

Review of application and required documents as follows:

- Three years of business financial statements/tax returns and personal returns with all schedules. (IRS Form 4506 may be required)
- Interim financial statements and personal financial statements on each principal owning 20% or more of the business. These statements must be current within 90 days of the application date. Personal financial statements may also be required of key personnel if deemed critical to our credit decision.
- Business Plan with 2 years financial projections, generally to include:
  - 1) Projected balance sheet and income statement;
  - 2) Other as may be necessary to adequately assess the application.
- Proof of hazard, liability and workman's compensation insurance. Life insurance may be required for principal equity owners.
- Accounts receivable and accounts payable aging schedules dated the same date as the interim financial statements.
- Schedule of debts to include:
  - 1) Original amount of debt;
  - 2) Current balance;
  - 3) Payment amount(s);
  - 4) Interest rate;
  - 5) Collateral;
  - 6) Payment status.

Minimum loan requests for the RLF will normally be \$5,000 and the maximum loan request will be ~~\$242,000-242,000 or 50% of the eligible project.~~

- Decision by the OCWCOG Loan staff to invite formal application or decline loan request at this point. If negative, provide a written explanation or reasons for decline. If positive, inform applicant and schedule application conference, if needed.
- Application conference; review with Applicant in detail the RLF application packet. The applicant must complete all Exhibits and schedules.
- Environmental review or assessment by staff or other representative.
- Applicant will be asked to submit any other supporting documents that will support the prudent lending standards of the RLF program and will verify equity requirements.

3. Loan Write-up and Loan Approval Procedures and flow are as follows:

- Review by staff for completeness and regulatory compliance; submission of additional information by Applicant, as appropriate.
- Acceptance of formal Application by Loan staff.
- Detailed review by Loan staff. No loan will be recommended for approval without the determination that there is a reasonable assurance of repayment. Loan write-up will include:
  - 1) Public benefit (i.e. job creation/saved and community revitalization).
  - 2) ~~Substantiate why credit is not available without the participation of the RLF loan fund.~~

32) Projects are only eligible if located in Linn or Lincoln Counties and will become due and payable if moved to another county.

34) No relocation from one commuting location to another will be approved prior to funding or after.

45) All construction projects with public access will provide access to the handicapped as required by law (ADA).

56) Recommendation for approval and conditions of approval.

- The OCWCOG Loan staff will forward acceptable credit write ups with staff recommendations to the LRS.
- The Loan staff will forward LRS recommendation to the OCWCOG Executive Director for approval.
- Loan staff will notify applicant in writing. If declined, include reasons for denial.
- The OCWCOG Loan Program Advisory Committee (LPAC), as appropriate, will hear appeals. The LPAC will hear appeals of staff and review the LRS decision on a case-by-case basis. The OCWCOG LPAC, may remand the case to the LRS for re-examination and new analysis, but may not reverse LRS decisions. Matters, which may be appealed by applicants, are limited to questions of staff interpretation of these policies, but not the policies themselves.

#### 4. Loan Closing

Procedures and flow are as follows:

- Upon loan committee approval, preparation of loan closing documents by staff with attorney consultation as necessary.
- Loan closing by staff.

Disbursement of proceeds will be controlled by OCWCOG to ensure collateral lien positions and funding consistent with uses of proceeds in the application and as follows:

- Standard credit reports on all principals owning 20% or more of the business will be ordered and reviewed, as well as business reports on existing businesses. Adverse credit deficiencies that would cause the underwriter to question the ability and/or willingness of the potential borrower to repay the loan will be deemed a valid reason for declining the request. A summary review of the results of the credit reports will be a part of the Loan Write-up. Costs of the credit reports shall be paid by the borrower regardless of whether the loan request is approved or declined.
- Uniform Commercial Code Lien Search will be conducted whenever personal property is being taken as security (i.e. equipment, furniture, fixtures or business assets) and a UCC search shall be used to ascertain existing liens.
- A real estate title report will be used to determine liens on real property when used as collateral. All liens will be perfected as approved by the Executive Director.

- Appraisal or other normally used valuation reports will be utilized to determine value on existing fixed assets and/or real property. Appraisals will be conducted by qualified appraisers and shall be paid for by the borrower regardless of approval or decline of the loan.
- Environmental Reviews shall be complying with all laws and statues including state and local environmental review requirements with all applicable Federal, state and local standards. This will be ensured by: 1) a site inspection of the property by a qualified inspector will determine whether a transaction screen, Phase I or Phase II is needed to identify and make recommendations for compliance.
- Standard collateral require that loans be secured to the fullest extent possible to protect the interest of the RLF as a secondary source of repayment. The RLF will obtain a perfected interest in borrower's assets, including outside assets as appropriate. Loans may be secured with the following types of collateral:
  - Real Estate
  - Machinery & Equipment
  - Furniture & Fixtures
  - Inventory
  - Accounts Receivable
  - Stock Pledges
  - Patents and other intellectual properties
  - Securities
  - Intangibles
  - Personal and/or corporate guarantees
- Personal guarantees will normally be required by any principal having 20% or more ownership in the borrowing company and may be collateralized by liens and/or property. Appropriate hazard, liability and workers compensation insurance will be required as well as key man life insurance, if warranted by the size and nature of the transaction.
- Require submission of an environment and hazardous waste questionnaire to determine impacts on the environment and compliance with applicable law and regulations in accordance with the intent of the National Environmental Policy Act (NEPA) and Section 316.1 of 13 Code of Federal Regulations Chapter III. Any loan project that would adversely (without mitigation) impact flood plains, wetlands, significant historic or cultural properties, drinking water resources, or non-renewable resources will be declined. Where appropriate, lenders will utilize qualified personnel to review environmental questionnaires for compliance with federal, state and local environmental requirements.
- Filing of liens as available and completion of any remaining legal, regulatory or housekeeping matters, all to be carried out by OCWCOG staff.

The following list of requirements constitutes a checklist which will be incorporated into the closing file and reviewed for completeness by the Loan staff at closing.

The Loan Agreement shall contain covenants that shall require the borrower to comply with the Federal statutory and regulatory requirements that apply to activities carried out with RLF loans. The Loan Agreement shall contain a provision to protect and hold the Federal government harmless from and against all liabilities that the Government may incur as a result of providing an award to assist (directly or indirectly) in site preparation or construction as well as the renovation or repair of any facility or site. This applies to the extent that such liabilities are incurred because of ground water, surface, soil or other condition caused by operation of the (RLF Recipient) or any of its predecessors on the property. The Loan Agreement shall also include a list of the Federal requirements that apply to RLF borrowers as provided in Part III.B. of the U.S. Department of Commerce Economic Development Administration Revolving Loan Fund Standard Terms and Conditions and its successors.

#### **Collection and Liquidation Plan**

10 days late-Missed payment notice mailed

15 days late-Delinquent notice mailed and phone call

30 days late-Delinquent notice and Staff contact to work out modification or devise payment plan

45 days late-Delinquent notice and Staff contact

60 days late-Delinquent notice and site visit, in liquidation status and a detailed liquidation plan submitted for approval

90 days late-Demand letter mailed or delivered and liquidation plan is finalized

120 days late-Implement liquidation plan, write off balance, liquidation of collateral and guarantees enforced when finding of default by the Loan staff with no reasonable prospects for remedy and forward to collection agency. Loan staff may Develop Loan Restructuring Plan.

#### **D. Loan Servicing**

Policies and procedures will be established for managing and servicing the portfolio of the RLF. This will include closely monitoring payment performance, annual review of financial data and employment generation; personal inspections and site visits; and management counseling and/or referral, as appropriate.

In general, the OCWCOG RLF is an "understanding" creditor, willing to be flexible, but serious in the desire to be re-capitalized by loan repayment in order to re-lend to deserving businesses within the service area, thereby generating jobs.

Loan monitoring, such as financial statement review and employment reporting, insurance premium payments, etc., will be established in a tickler system to assure the activity and regularity. Site visits will generally be made annually unless circumstances demand greater frequency particularly in the early years of a loan. In order to assure convenient and timely repayment, it will be the OCWCOG's RLF policy to use the Automatic Clearing House (ACH) system wherever

possible, to automatically deduct funds from a borrower's account. This eliminates some payment problems associated with the mailing of checks.

Because early detection of any problems is generally a valuable assistance in correcting them, follow-up communication and monitoring of businesses will continue after loan closing until full repayment. Should payment monitoring indicate a delinquency, a written notice or reminder will be generated and forwarded promptly 15 days after the due date, and if subsequently needed, 30 days after the due date. Thereafter, personal contact will be made, by phone or inspection at the site, for discussion of problems. The follow-up and direction, at this point, will be driven by an assessment of problems after considering all conditions then existing. Counseling will be offered whenever appropriate.

If allowing additional time to bring any payments current becomes inappropriate, modification or revision of the loan agreement will be considered if workable and beneficial to the health of the business and compatible with RLF interests. Modifications will not be approved unless they enhance the borrower's repayment ability without detriment to the RLF fund. The borrower must make a good faith effort under these conditions and not have a hopeless situation. While considering the legitimate special needs of the borrower, the RLF will operate in a manner that also protects its assets. The OCWCOG CED Director shall approve all modification agreements and servicing requests. Should default occur which does not show reasonable prospects for remedy, the RLF will move with assistance from its attorney against the loan collateral and assets of the borrower and guarantors, as appropriate. In any case where delinquency reaches 90 days, a default will be declared by OCWCOG following a finding of default by the OCWCOG CED Director. All defaults shall be promptly reported to the OCWCOG LPAC.

**E. Sources of Funding to Cover Administrative Costs**

Planned sources of funding for the administrative costs of the RLF program include RLF loan interest, RLF fees, interest on the deposits or temporary investments, profits on sale or liquidation of RLF loans as per 13 CFR §307.12 RLF Income. Other business loan packaging income and activities will assist in defraying the administrative costs of this program.

**F. Recapitalization Strategy**

As is noted in other sections, all principal repayments of RLF loans, together with other funds generated from RLF activity in excess of amounts used for administrative costs, will provide an ongoing dedicated source of recapitalization for the RLF. New loans will be made with the principal repayment dollars and other recapitalization dollars, as soon as sufficient amounts have accumulated for this purpose.

Funds returned to the RLF as repayments, together with other funds generated by RLF activity, as appropriate, will be invested in interest bearing accounts or other allowable public investments that are FDIC insured and/or collaterally secured accounts whenever possible.

**G. Other Requirements**

In general, the OCWCOG will obtain assurances of regulatory compliance before an RLF loan is disbursed, monitor for compliance during the payback period and, in a case of confirmed and irremediable noncompliance, will call the loan. Provisions will be provided in loan agreement to call the loan for non-compliance of any of the following: (including the current Standard Terms & Conditions, and its successor)

**I. Non-Discrimination Requirements**

No person in the United States shall, on the grounds of race, color, national origin, handicap, age, religion, or sex, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity receiving Federal financial assistance. The Recipient agrees to comply with the non-discrimination statutory provisions below:

**a.** Title VI of the Civil Rights Act of 1964 (42 U.S.C. §§ 2000d *et seq.*) and DOC implementing regulations published at 15 C.F.R. Part 8 prohibiting discrimination on the grounds of race, color, or national origin under programs or activities receiving Federal financial assistance;

**b.** Title IX of the Education Amendments of 1972 (20 U.S.C. §§ 1681 *et seq.*) prohibiting discrimination on the basis of sex under ~~Federally~~federally assisted education programs or activities;

**c.** Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §§ 794), and DOC implementing regulations published at 15 C.F.R. Part 8b prohibiting discrimination on the basis of handicap under any program or activity receiving or benefitting from Federal assistance;

For purpose of complying with the accessibility standards set forth in 15 C.F.R. § 8b.18(c), non-federal entities must adhere to the regulations, published by the U.S. Department of Justice, implementing Title II of the Americans with Disabilities Act (ADA) (28C.F.R. part 35; 75 FR 56164, as amended by 76 FR 13285) and Title III of the ADA (28 C.F.R. part 36; 75 FR 56164, as amended by 76 FR 13286). The revised regulations adopted new enforceable accessibility standards called the “2010 ADA Standards for Accessible Design” (2010 Standards), which replace and supersede the former Uniform Federal Accessibility Standards for new construction and alteration projects;

d. The Age Discrimination Act of 1975, as amended (42 U.S.C. §§ 6101 *et seq.*) and DOC implementing regulations published at 15 C.F.R. Part 20 prohibiting discrimination on the basis of age in programs or activities receiving Federal financial assistance;

e. The Americans with Disabilities Act of 1990 (42 U.S.C. §§ 12101 *et seq.*) prohibiting discrimination on the basis of disability under programs, activities, and services provided or made available by State and local governments or instrumentalities or agencies thereto, as well as public or private entities that provide public transportation;

f. Section 112 of P.L. 92-65 (42 U.S.C. §§ 3123) prohibiting sex discrimination in any program or activity receiving Federal Financial assistance under PWEDA; and

g. Any other applicable non-discrimination law(s).

2. Davis Bacon

In accordance with section 602 of PWEDA, all laborers and mechanics employed by contractors or subcontractors on projects assisted by EDA under PWEDA shall be paid in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a -276a-5). (*See 13 CFR § 316.15*)

**H. Amendments**

The OCWCOG must update its work plan as necessary in accordance with changing economic conditions in the Region; however, at a minimum OCWCOG must submit an updated plan to EDA every five (5) years.

**I. Appeals**

The OCWCOG Loan Program Advisory Committee (LPAC), as appropriate, will hear appeals. The LPAC will hear appeals of staff and review the Executive Director's decision on a case-by-case basis. The OCWCOG LPAC, may remand the case to the LRS for re-examination and new analysis, but may not reverse Executive Director decisions. Matters, which may be appealed by applicants, are limited to questions of staff interpretation of these policies, but not the policies themselves.

**2019/2020 YTD ACTIVITY REPORT**

TYPE OF BUSINESS	CITY	LOAN TYPE	DATE FUNDED	LOAN AMOUNT	TOTAL PROJECT	JOB CREATED / RETAINED	PARTNER	PURPOSE OF FUNDS
<b>FUNDED</b>								
Telecom Installation Services	Lebanon	RDF1-3	3/25/2019	\$224,000.00	\$571,500.00	5	<b>OSCU</b>	Purchase of RE and Construction for operations
Toy Store	Gleneden Beach	LCLF	7/19/2019	\$36,000.00	\$40,000.00	2	<b>Sole Lender</b>	Working Capital and M & E and Inventory
IT Professionals	Eugene	RLF	3/18/2019	\$240,000.00	\$800,000.00	2	<b>Banner Bank</b>	Purchase RE
Bookkeeping and Tax Prep. Busine:	Junction City	BIF	6/6/2019	\$20,175.00	\$26,900.00	2	<b>Sole Lender</b>	Working Capital and M & E and F & F
Distillery/Brewery Business	Albany	BIF	11/22/2019	\$135,000.00	\$180,000.00	4	<b>OSCU</b>	Purchase Brewery Business
Clothing Store	Newport	RMAP	3/18/2020	\$26,000.00	\$120,000.00	2	<b>OR Pac.Bank</b>	Pay off Private Note to purchase RE
Clothing Store	Albany	BIF	4/30/2020	\$170,000.00	\$1,164,000.00	4	<b>Central Will.</b>	Purchase/Remodel Building
Clothing Store	Albany	RLF	4/30/2020	\$50,000.00	above			
				<b>\$901,175.00</b>	<b>\$2,902,400.00</b>			
<b>APPROVALS</b>								
Distillery/Brewery Business	Albany	504		\$396,000.00	\$990,000.00		<b>OSCU</b>	Purchase RE and Improvements
				<b>\$396,000.00</b>	<b>\$990,000.00</b>			
<b>PAID OFF LOANS</b>								
All Creatures Great & Small - Vet	Corvallis	RDF1-3		\$100,000.00				
McKenzie Scaffolding - Scaffolding	Eugene	RLF		\$40,000.00				
NW Winds Kites - Kite Shop	Lincoln City	LCLF		\$25,000.00				
Windy Woman, Inc.	Newport	LCLF		\$50,000.00				
Rovers RV Park	Waldport	RMAP		\$50,000.00				
Albany Steamworks, LLC	Albany	BIF		\$45,000.00				
Golden Town Buffet	Albany	RLF		\$81,200.00				
Mossy Creek Pottery	Gleneden Beach	LCLF		\$50,000.00				
Northwest Clearwoods	Brownsville	RDF1-3		\$100,000.00				
				<b>\$541,200.00</b>				
<b>PROSPECTS/APPLICATIONS</b>								
Kitchen Store	Newport	RDF4		\$137,000.00				
Vet Business	Corvallis	504		\$3,800,000.00				
				<b>\$3,937,000.00</b>				
<b>Lincoln City - Urban Renewal Agency Loans</b>								
Non-Profit	Lincoln City			\$350,000.00				
Real Estate Holding Co.	Lincoln City			\$150,000.00				
Hotel	Lincoln City			\$150,000.00				
Apartments	Lincoln City			\$30,000.00				
				<b>\$680,000.00</b>				