



**UINTAH BASIN ECONOMIC
DEVELOPMENT DISTRICT
CARES ACT
REVOLVING LOAN
FUND PLAN**

ADOPTED BY THE UBEDD BOARD ON 10/10/2020

UINTAH BASIN ECONOMIC DEVELOPMENT DISTRICT REVOLVING LOAN FUND PLAN COVID-19 CARES ACT

I. REVOLVING LOAN FUND STRATEGY

Comprehensive Economic Development Strategy

The Comprehensive Economic Development Strategy (CEDS) for the Uintah Basin Economic Development District (UBEDD) is a tool that provides an analysis of the regional economy. It serves as a guide for establishing regional economic development goals and objectives. It assists in developing a regional plan of action, and identifies investment priorities, and appropriate funding sources. Programs initiated and individual projects supported by the UBEDD must meet the mission statement of the CEDS which is to promote sustainable economic development that strengthens our communities and provides quality jobs.

The CEDS endorses the use of a long established Revolving Loan Fund Program as a useful means to increase private sector investment in the region. The strategic purpose of the RLF Program is to provide low interest small business loans that result in long term job creation and increased commercial development activity. The RLF strategy, policy and portfolio standards are centered on the CEDS identified regional economic strength and weakness.

A. ECONOMIC ADJUSTMENT PROGRAM OVERVIEW

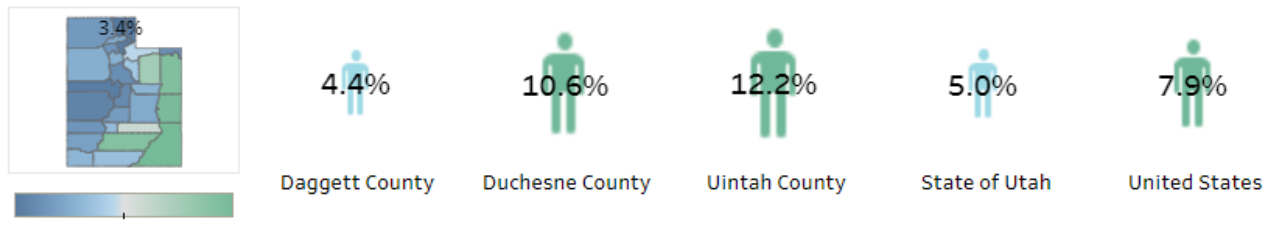
1. Economic Adjustment Problems

The District's Economic Development Program identifies the following distress to economic development:

In February 2020 a pandemic (COVID-19) rocked the world that basically shut down and collapsed the economy. As a result of this global pandemic, the unemployment rate in Uintah and Duchesne counties rose to 15.9% and 12.7% respectively in each county, before decreasing to 12.2% & 10.6% as of September 2020. Daggett County, the smallest of the three counties within our district has a current unemployment rate of 4.4%. Due to a low job creation/loss count in Daggett County, more statistical weight was placed on the two larger counties that produce 95% of the job creation/loss. These unemployment rates are still more than double the unemployment rate for the state of Utah at 5% and well above the national unemployment rate of 7.9%.

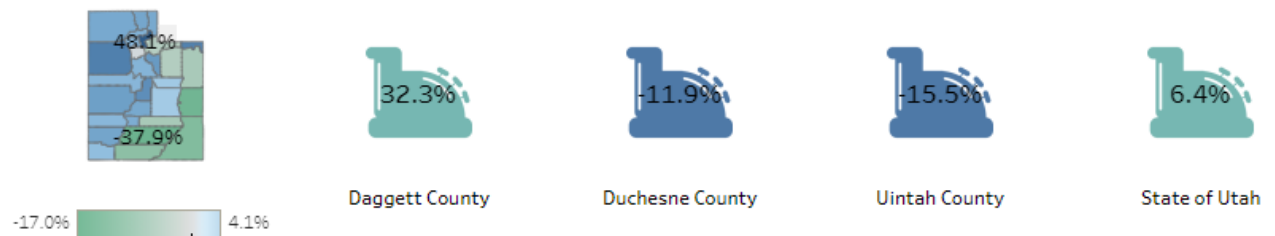
See chart below for statistical figures from Department of Workforce Services:

Seasonally Adjusted Unemployment Rate SEPTEMBER 2020



Additionally, the pandemic of COVID-19 has further exacerbated the poor economic condition in the Uintah Basin with gas and oil prices reaching their lowest prices in decades. With the uncertainty of COVID-19 many businesses have struggled to keep their doors open with a large decrease in business and added costs related to the safety of the public. As a result, this has caused a financial strain and hardship to keep employees on payroll. The Year to Year change in gross taxable sales are down significantly for the two largest counties that comprise 90% of business sales. Uintah County has been hit the hardest with a drastic decrease in gross sales of 15.5% in comparison the state of Utah has seen an increase of 6.4%. See chart below:

Year-to-Year Change in Gross Taxable Sales SECOND QUARTER 2020*



Source: Utah Department of Workforce Services; Utah State Tax Commission; Kem C. Gardner Policy Institute.

Below are a few challenges that businesses are experiencing:

- Added costs due to COVID-19 resulting in decreased sales.
- Lack of sufficient capital and available resources to sustain the recent down turn.
- Uncertainty of future costs related to the pandemic.
- Lack of adequate rail and highway access for new industries to spur business.

2. Economic Adjustment Strategy Development

The overall strategy is to get involved and understand which businesses are in need of immediate assistance. This will be accomplished by:

- Visiting local businesses in person within the 3 county region.

- Visiting local municipal offices and educating them on the Cares ACT RLF Program regarding the availability of funds for small businesses.
- Designing marketing material to distribute to private and public entities.
- Marketing with the region’s economic development professionals.
- Serves as a liaison between local, state, and federal partners in order to speed the recovery process through strategic technical assistance and local capacity augmentation for the highly impacted communities within the Uintah Basin region.

This will provide UBEDD with the best analysis of the heartbeat of the regional economy.

3. RLF to support Economic Adjustment Activities

The Uintah Basin Cares Act Revolving Loan Fund is designed to address each of the economic barriers described above by increasing the needed capital injection. The funds received will be used for businesses that have been hit the hardest and are struggling to maintain their business. Businesses will be using the funds for several reasons:

- Changes required for social distancing inside the business.
- Correct safety/cleaning equipment needed (signage, protective plexiglass, masks, etc...) Additional staff needed because of safety measures required due to Covid-19.
- Capital required to cover rents, utilities, supplies due to slowdown of business.
- Creation/retention of jobs.

During these times businesses are learning to adapt to changes as a result of the coronavirus pandemic. There have been many unforeseen costs added to small businesses due to safety. With the Cares Act RLF grant many of these businesses will use the funds to get them through the next phase of change without having to close their doors. It will require a greater labor force due to the drastic changes of how businesses operate their day to day business. The grant will also help businesses manage new marketing strategies that will be required to reach potential customers with awareness that their business is open and safe to conduct business.

B. BUSINESS DEVELOPMENT STRATEGY

Due to the pandemic which has caused an increase in the unemployment rate of the district, much of the employment opportunity within the UBEDD is found within small, service-based businesses. The UBEDD believes that small business owners are the foundation of the region’s economy and is committed in assisting small business owners with retaining and creating new jobs through its Cares Act RLF, especially in these times of the COVID-19 pandemic.

Objectives

The objective of the UBEDD RLF program is to assist in the creation and retention of private sector employment opportunities and aiding in small businesses that have been affected by COVID-19. Priorities are:

- Seek to provide appropriate gap financing to new and existing businesses as added costs have impeded many businesses due to the coronavirus.
- To strengthen both the commercial and service based industries in the area by stabilizing existing businesses and attracting new ones.
- To create new and retain existing jobs.
- To stimulate struggling businesses due to the negative economic effects of the COVID-19 pandemic.

This will be accomplished through:

- Assist existing businesses that are struggling with added costs of COVID-19.
- Assist service based industries who rely heavily on foot traffic that has seen a decrease in sales.
- Assist service industries with the creation of jobs as an increase in unemployment has hit the region.

Target Industries

The UBEDD RLF program targets three types of industries within the region:

- **Service Based Industries:** Many retail businesses that depend on day to day foot traffic have been hit the hardest. This will be a main focus for gap financing to help sustain business overhead (utilities, rents, payroll, etc....) until business returns back to normal. Many local restaurants/grocery stores have added costs to create a safe eating/shopping environment. The gap financing will help with the extra costs related to protective shields, safe cleaning procedures, etc...
- **Small natural resource business industries:** Local small gas & oil businesses that have been impacted by the pandemic slowdown will be a big emphasis. These small businesses staff 2-10 employees and have been hit hard with business activity slowed down to a crawl. The RLF will help these type of businesses with costs such as rents, utilities, payroll, etc.
- **Trade/Transport/Utility Industries:** This industry is a wide variety of small businesses (HVAC repair contractor, homebuilding contractor, plumbing contractor, electrical contractor, etc.) that make up a big portion of the three county region. This industry has had a large layoff of jobs due to the inactivity of work needed. As things eventually get back to normal these type of businesses are needed for a healthy economic recovery. The

RLF will allow these companies to exist and weather the storm of the pandemic. The RLF will be used for payroll, utilities, and expansion of new training procedures due to COVID-19 while working around the public.

The District's current goals as stated in the most recent CEDS are as follows:

- Develop a wide and varied industrial base within the Uintah Basin region that extends to each community and that enables them to experience a stronger tax base and provide appropriate services and support to local residents.
- Provide regional economic development oversight and coordination of activities. Provide plans to maximize the available resources and assure compatibility with approved and adopted district goals and policies.
- Develop area natural and energy resources and their support industries in such a manner that the environment will be protected from the effects of haphazard and undue growth and development.
- Identify and oversee the planning efforts of local jurisdictions regarding recreation development to ensure local economic benefit and compatibility with related plans and programs.
- Promote the tourist and travel industry within the region in close conjunction with other agencies in such a manner that scenic and recreational sites are preserved for future use and benefit.
- Coordinate the planning of local capital improvement projects in such a way that jurisdictions will avoid duplication of effort and will realize, where possible, savings from cooperation and economy of scale.
- Provide on-going technical assistance to local communities as requested in areas relating to economic development planning, implementation and management.
- Promote communication and coordination of effort between all local development interests within the region so that responsibilities are appropriately shared.
- Increase the cooperation and association between the EDD and local private sector firms in marshaling public financial support for job creating activities.
- Continue the concept within the area to assure the systematic development of resources, the creation of permanent jobs and public awareness and involvement at every level of planning the development.
- Assess and address the ill economic effects of COVID-19 on the Uintah Basin region.

C. FINANCING STRATEGY

The lack of working capital financing represents a very large gap in local lending practices. Local banks are reluctant to lend money at fixed rates for longer terms, thus making it extremely difficult for new businesses to manage their expenses during start-up phases. The RLF will be used to finance projects in need of working capital and to leverage necessary financing from local lending institutions.

Area of Eligibility

The Cares Act RLF program will have an eligibility lending area of the region (Duchesne, Uintah & Daggett County).

Targeting Criteria

These additional CARES Act funds will respond to the ill effects of the coronavirus and the economic injury resulting from the COVID-19 by providing assistance to businesses who need capital funds.

By taking a second position on collateral, private lenders will be more willing to assist with financing because the risks are reduced. Loans providing working capital will also be made. This is one area where conventional financing sources are reluctant to participate. RLF loans will be limited to \$250,000 with loan terms of 5 to 25 years for fixed assets, and 5 to 7 years for working capital. Typically, working capital loans may be called within 5-7 years. The fixed asset loans will be called within 10-15 years. All loans will be offered at fixed interest rates. This type of gap financing program emphasizes the fact that the RLF is not intended to compete with local banks, but to provide an incentive for them in worthy projects.

D. RLF Portfolio Standards

The Cares Act RLF will be used to create or save approximately 40 jobs in the three qualified counties over the next two years of the grants disbursement period. This figure allows for a \$25,000 cost per job creation or retention through the RLF portion of financing. The methodology used was based on similar RLF loans in the current portfolio. Job creation needs to be within the first two years of loan disbursement. Priority will be given to those worthy projects that can produce the most long-term jobs – especially at a lower cost per job.

The RLF financing in most cases will limit its participation in a project to 33 percent of the total project cost. This leaves approximately 67 percent to the borrower and/or the private sector lender/investor. Projects which can leverage a larger portion of private sector dollars will be considered more favorable. RLF loans must be used to leverage private investment of at least two dollars for every one of RLF investment. This leveraging requirement applies to the portfolio as a whole rather than individual loans.

Flexibility will be maintained on loans from the RLF to maximize its effectiveness; however, the following breakdowns will be considered as general goals for the use of the total revolving loan fund:

- | | | |
|----|--------------------|---------------------------|
| 1. | Public Borrower: | Up to 15% or \$150,000 |
| 2. | Private Borrowers: | At least 85% or \$850,000 |
| 3. | New Companies: | 30% or \$300,000 |
| | Expansions: | 50% or \$500,000 |
| | Retentions: | 20% or \$200,000 |
| 4. | Locally-owned: | 60% or \$600,000 |
| | Outside-owned: | 40% or \$400,000 |
| 5. | Small Business: | 70% or \$700,000 |
| | Commercial: | 30% or \$300,000 |
| 6. | Industrial: | 70% or \$700,000 |
| | Commercial: | 30% or \$300,000 |
| 7. | Traditional: | 60% or \$600,000 |
| | New Technology: | 40% or \$400,000 |

New firms must show the promise of positive growth potential. Existing companies must submit financial history statements indicating past growth. In all cases, a personal history statement must be submitted regarding the principal owners. Establishment of businesses with high growth potential will be emphasized.

RLF Lending shall not be used to:

- (1) Acquire an equity position in a private business;
- (2) Subsidize interest payments on an existing RLF loan;
- (3) Provide a loan to a borrower for the purpose of meeting the requirements of equity contributions under another Federal Agency's loan programs;

(4) Enable borrowers to acquire an interest in a business either through the purchase of stock or through the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient justification may include acquiring a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The potential economic benefits must be clearly consistent with the strategic objectives of the RLF;

(5) Provide RLF loans to a borrower for the purpose of investing in interest-bearing accounts, certificates of deposit, or any investment unrelated to the RLF; or

(6) Refinance existing debt, unless:

(i) The RLF Recipient sufficiently demonstrates in the loan documentation a “sound economic justification” for the refinancing (e.g., the refinancing will support additional capital investment intended to increase business activities). For this purpose, reducing the risk of loss to an existing lender(s) or lowering the cost of financing to a borrower shall not, without other indicia, constitute a sound economic justification; or

(ii) RLF Cash Available for Lending will finance the purchase of the rights of a prior lien holder during a foreclosure action which is necessary to preclude a significant loss on an RLF loan. RLF funds may be used for this purpose only if there is a high probability of receiving compensation from the sale of assets sufficient to cover an RLF's costs plus a reasonable portion of the outstanding RLF loan within a reasonable time frame approved by EDA following the date of refinancing.

(7) Serve as collateral to obtain credit or any other type of financing without EDA's prior written approval;

(8) Support operations or administration of the RLF Recipient

E. FINANCING POLICIES

It is anticipated that 50%, or about \$500,000 will be used for fixed asset loans. The remaining 50%, or \$500,000 may be used for working capital loans.

1. INTEREST RATES:

All loans will be offered at fixed interest rates. The minimum interest rate an RLF Recipient may charge is four 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 percent or 75 percent of the prime interest rate listed in the Wall Street Journal. Should the prime interest rate listed in the Wall Street Journal exceed 14 percent, the minimum RLF interest rate is not required to be raised above 10 percent if doing so compromises the ability of the RLF Recipient to implement its

financing strategy. Repayment of working capital loans may be required within five to seven years. If the Uintah Basin Economic Development District Board of Directors determines that a fixed asset borrower needs additional time to repay the loan and ensure success of the industry, then the repayment schedule may be extended for up to an additional five years. However, at the end of five years, an industry should have a track record that will enable it to refinance through private lending agencies and free up RLF money for other loans. Payments on an amortization schedule or principal and accrued interest will be paid on a monthly basis beginning one month after the loan is closed, unless otherwise approved by the Loan Board. On approval by the Loan Board, RLF principal payments may be delayed until after other loans made in connection with the projects have been repaid in full.

Standard interest rates charged by the RLF will be no more than two percentage points plus or minus of the prime interest rate published in the Wall Street Journal.

2. COLLATERAL

Loans will be secured by all available assets. Loans for fixed assets will be secured by the items being purchased, plus additional security as may be deemed necessary by the Uintah Basin Economic Development District Board of Directors. Fixed assets will be obtained as collateral whenever possible. For projects involving working capital loans, liens on inventory, accounts receivable, capital loans, assignment of patents, licenses, and insurance may be allowed. Additional security will be provided with a corporate and/or personal guarantee from principal owners. All loans will have liability and hazard insurance; flood insurance may be required depending upon location. The participating bank and the RLF will be listed as beneficiaries.

3. REPAYMENT TERMS

Micro loans (\$5,000-\$25,000) will have a repayment term of 2 to 5 years. Working capital loans will be five to seven years. Fixed asset loans will be repaid within 10 to 20 years. If the Uintah Basin Economic Development District Board of Directors determines that a fixed asset borrower needs additional time to repay the loan and ensure success of the industry, then the repayment schedule may be extended for up to an additional 10 years. However, at the end of 10 years, an industry should have a track record that will enable it to refinance through private lending agencies and free up RLF money for other loans. Payments of principal and accrued interest are based upon the calculation of daily interest and will be paid on a monthly basis beginning on the day of the month that the loan is closed. On approval by the loan board, RLF principal payments may be delayed for a period of time. Because RLF financing is designed to assist firms with special credit problems, special financing techniques may be required to meet the credit needs of borrowers.

4. LOAN RESTRUCTURES

Existing RLF loans which are restructured or refinanced through the RLF will require the borrower to pay another loan administration fee. Because restructuring requirements will differ in each case, the Uintah Basin Economic Development District Board of Directors will determine the policies unique to each case.

5. LOAN GUARANTEES

The EDA portion of the RLF will not be used for any loan guarantees.

6. ADMINISTRATIVE COSTS

Micro loan origination fee will be a sliding scale: \$5,000-\$10,000 will be \$150 and \$10,001-\$25,000 will be \$250.

Loan origination fee of 1.0% will be charged to borrowers participating in the RLF over \$25,000.

These fees will be used to cover administrative costs including loan packaging, monitoring and marketing the RLF. If the loan is rejected, the balance of the fee that is not needed to cover actual administrative costs will be returned to the loan applicant.

Up to 100% of the interest earned (RLF Income-Net proceeds from loan sale, collection or liquidation above the loan principal) from the sale, collection or liquidation of loans will be used to cover eligible administrative costs in accordance with the rules for use of the Cares Act RLF income.

7. GAP FINANCING

Using the RLF as a gap finance tool ensures that applicants will not be seeking to utilize the RLF financing as a substitute for private financing sources.

In addition to the above policies, every effort will be made to encourage applicants to utilize SBA 503, 502, and 7(a) programs before seeking RLF financing. The RLF program has been developed to be compatible and complimentary to these programs.

8. SOURCES OF EQUITY

The borrower is required to inject at least 10 percent of the project costs from equity sources. The most preferable means of injecting equity is cash. However, the UBEDD Board of Directors may accept assets of a borrower, if the amount of assets is calculated by:

1) Establishing the current working capital position of the borrower (current assets minus current liabilities)

2) Subtracting the amount of any existing liens on the assets.

Only assets acquired in the nine month period preceding the loan application may be used in this calculation.

9. LOAN SIZE

The minimum loan amount is \$5,000. The maximum loan to any one borrower shall be \$250,000. In addition, no more than 25 percent of the capital base may be lent to any one borrower.

F. TIME SCHEDULE FOR LOAN CLOSINGS

With an average loan size of \$70,000 it is anticipated within 2 years of this grant that 14 to 15 loans will be made. Of that number it is estimated a goal of 4 loans will be granted every 6 months.

G. RELATED ACTIVITIES

1. Technical and Management Assistance

- The Grantee (UBEDD) provides technical and management assistance to potential borrowers, which includes loan application packaging. A detailed analysis will be made of the projections and expectations of the business and comparisons to national standards will be drawn. All facets of future earnings and expense will be taken into consideration to provide a realistic idea of needs and a workable plan to meet those needs.
- Once the loan has been approved, the UBEDD staff will service the loan by monitoring the progress of the business. If problems develop, recommendations will be given regarding possible sources of assistance.
- The counties are included in marketing efforts conducted by the UBEDD to attract new and expanding industries to the area. This marketing program utilizes direct mailing, promotional brochures, and advertising. These counties are also involved with job training, federal procurement, and other economic development activities that will be important links to the RLF program.

2. Loan Packaging and Referral Services

- Should applicants be unable to obtain RLF financing, UBEDD staff will assist interested applicants in initializing efforts (packaging, etc.). To obtain other financing, referrals may be made to other organizations that are willing to assist with loan packaging. Local bankers are also very willing to assist business persons with their packaging needs.

3. Linking Jobs to the Long-Term Unemployed and Underemployed

The UBEDD works closely with other local Department of Workforce Services in utilizing “on-the-job” and “customized” job training programs.

H. PERFORMANCE ASSESSMENT PROCESS

1. Periodic Review

The RLF staff will prepare the following reports:

- A Loan Status Report which indicates the status of each loan in the portfolio including balance due and payment status.
- An Account Balance Report which shows the sources and uses of all capital and program income, by account. Each source of capital (EDA, CDBG, RD, CARES EDA) is tracked to a separate financial and bank account.
- An Administrative Costs Account Report which summarizes all uses of program income for administrative purposes. This is used by staff to prepare required agency progress reports, as well as the required single audit.
- A Loan Proceeds Distribution Report which shows the allocation of loan funds by borrower and account.
- Monthly financial and statistical reports generated by the Revolving Loan Servicing Software (RLSS) system.
- A semi-annual Revolving Loan Fund Report which is submitted to the Economic Development Administration to document the status of capital and program income generated by EDA funds in the RLF accounts.
- Provide any and all periodic and final reports required by the CARES Act program.
- The UBEDD CARES RLF Plan will be reviewed on a yearly basis by staff for any changes of the economic development goals.

- Every five years, the RLF CARES Plan will be brought to the UBEDD Board of Director’s for approval. Upon approval it will be submitted to Economic Development Administration (EDA).

II. REVOLVING LOAN FUND OPERATIONAL PROCEDURES

A. ORGANIZATIONAL STRUCTURE

1. Uintah Basin Revolving Loan Fund Board of Directors

Daggett County:

- RLF Elected Official (1)
- Lending Institution Professional (1)
- EDD Elected Official/Private Representative (2)

Duchesne County:

- RLF Elected Official (1)
- Lending Institution Professional (1)
- EDD Elected Official/Private Representative (2)

Uintah County:

- RLF Elected Official (2)
- Lending Institution Professional (1)
- EDD Elected Official/Private Representative (2)

Ex Officios: Economic Development professionals (4) from the three county region will provide input and clarification and cannot vote.

The Revolving Loan Fund Board of Directors (CARES) was established in 2020 in order to simplify the process of approval. The RLF Board of Directors will follow the same meeting schedule as the Uintah Basin Economic Development District meeting schedule or as needed.

The RLF Board will continue to select a Chairperson, First Vice Chair, and Second Vice Chair annually with representation from each of the three counties.

All applicable duties outlined in this plan are derived from the Uintah Basin Economic Development District (UBEDD) by-laws

B. STAFF CAPACITY

The Uintah Basin Economic Development District Board of Directors will utilize staff to perform the following duties: package loans, monitoring and reporting, bookkeeping, make program and policy recommendations, use program criteria to analyze loans, determine potential economic benefits, market the RLF, submit required project reports, and board-directed research.

C. CONFLICTS OF INTEREST

To avoid potential conflicts of interest, or the appearance of a conflict of interest, an RLF loan will not be made to any board member, officer, general manager, or employee of the Uintah Basin Economic Development District or close relative thereof, or to any Uintah Basin Economic Development District subsidiary or affiliated organization in which the Uintah Basin Economic Development District has a financial interest. This prohibition will remain in effect for a period of two years after any board member, officer, general manager, or employee of the Uintah Basin Economic Development District or close relative thereof has left office/employment.

III. LOAN PROCESSING PROCEDURES

The availability of the loan fund is incorporated into the regional marketing program conducted by the Uintah Basin Economic Development District. This marketing program includes direct mail, presentations to civic and governmental organizations, advertising, news releases, and promotional brochures.

A. Application Process

Potential borrowers must contact the UBEDD/RLF staff member before applying for a loan. This consultation period allows staff to determine an applicant's eligibility for a loan, inform the applicant of program guidelines and procedures, and to provide the necessary loan application forms.

Loan applicants will be required to submit a list of documented information upon application before the loan will be packaged and processed. The required information includes:

- Personal Financial Statements for any person with 20 percent or greater interest in the business.
- Balance Sheets, Profit and Loss Statements, Tax Returns, Accounts Receivable Aging, and Reconciliation of Net Worth for the last three years.
- Earnings projections for at least three years.
- Schedule of all existing debts.

- Summary business plan, including a history of the business and sources and uses of the financing requested.
- Statement of qualifications of all persons with a 20 percent or greater interest in the business.
- A list of any co-signers or guarantors, including personal financial statements;
- A Sources and Uses statement showing how RLF funds will be used, to include serial numbers and costs of equipment.
- A description of any previous bankruptcy, legal proceedings, affiliates, franchises, or other information which may affect the loan application; and
- A \$75 loan application fee.

B. Staff Preparation

Once the application is complete, the staff will proceed with a review and analysis of the loan application. The review process includes the following steps:

- Request a Credit Report – Staff has access to a nation-wide credit reporting service.
- Request Appraisal and Preliminary Title Reports - In almost all cases, a private sector lender has required an appraisal. The staff will request a copy from the lender, with approval of the applicant. The staff will also request a preliminary title report from the same title company retained by the private lender.
- Prepare an Environmental Review - The staff will prepare a Description of Proposed Action with supporting documentation and site review. In all cases, the environmental review record and decision will be in place prior to loan closing.
- Collateral Schedules - The staff will list all applicable security interests required to secure the RLF loan. Standard security instruments will include:
 - 1) Trust Deeds for real property where the business will be operated.
 - 2) Uniform Commercial Code (UCC-1) Financing Statements.
 - 3) Personal and Corporate Guarantees. The staff will recommend any additional security it determines may be required to adequately secure a loan.
- Loan Write-up - The staff will prepare the Standard Financial required by the RLF program for every loan. This analysis allows the staff to identify any major concerns, appropriately set recommended interest rates and terms, and document the public benefits of the loan.

- Notification Process - Once the information has been collected and analyzed by the UBEDD/RLF staff, the staff will underwrite the application and shall recommend specific action. The board shall meet in their regularly scheduled meetings or upon demand, and will take official action on the application within sixty (60) days of the original application.

The UBEDD/RLF Board of Directors has final authority to approve, reject, or request modification of all applications.

The staff will notify the applicant within 5 working days of the decision. Loan Board decisions are valid for a period of 6 months after Board approval. Any loan that is not closed within that period of time must be re-approved by the Board.

C. LOAN CLOSING AND DISBURSEMENT PROCEDURES

The following documents will be required for the loan closing process. Each must be properly executed and notarized. The RLF staff has the responsibility to prepare the documents, obtain legal review, when needed, and to provide the documents for execution.

- Cost Certification - Shows exactly how all financing sources will be used.
- Promissory or Trust Deed Note - Establishes payment amounts and terms.
- Trust Deed (s) – Secures the interest in the real property.
- Loan Agreement – Lending standard requirements including job creation targets.
- Security Agreement and UCC-1 Form - Secures interest in company assets.
- Personal and/or Corporate Guarantees - A personal commitment to loan repayment.

Once the closing documents have been prepared, the staff will either schedule a closing at the UBEDD office, where all the documents are executed, or send documents to third party Title Company who will be responsible for the proper execution of the documents. Once all documents are properly executed, a loan proceeds check will be prepared by the Chief Financial Officer (CFO). As outlined by the UBEDD by-laws, two signatures are required from either the approved Board members or the Executive Director.

After loan closing, the staff will file the following documents:

- Trust Deed - to title company for recording.

- UCC-1 Form - to Title Company for recording and to the state for filing.
- Any other forms which require public recording.

Once the loan is closed, the following documents will be placed in the loan closing file. Original documents will be placed in a locked strong box.

- All documents executed at closing.
- Title insurance policy.
- Insurance certificates.

D. LOAN SERVICING PROCEDURES

All loans will require monthly payments based on an amortization schedule provided to the borrower at the loan closing. This payment will be received via check each month at the local UBEDD office. For any NSF payment a \$25 fee will be charged. The UBEDD staff will contact a borrower by phone when a payment is 15 days past due and the borrower agrees to pay a late payment charge equal to five percent of the late amount or \$20.00 ,whichever is greater. When a payment is 30, 45, or 60 days past due, the UBEDD/RLF staff will send notice to the borrower. At 90 days borrower will need to bring loan current or legal actions will be taken to collect the debt in full.

UBEDD/RLF staff will be responsible for monitoring and servicing RLF loans. UBEDD will also provide technical assistance to help assure the success of the borrower and the RLF. As the administrative agent, the UBEDD will maintain all fiscal records of the RLF following acceptable accounting procedures. Amortization schedules will be kept on all loans.

RLF borrowers will be required to submit annual or semi-annual reports during the life of the loan. Violations will be brought to the attention of the UBEDD/RLF Board of Directors. Failure to follow the assurance or falsehoods will constitute grounds for recall of the loan. This report will also include profit and loss statements, balance sheets, modifications in operating procedures or projections, and the number of people employed. The staff will also maintain contact with the borrower as it deems necessary to assure compliance with the RLF Plan.

The UBEDD/RLF staff will provide a job data form to the borrower after the loan is disbursed in order to track employment by the borrower. The initial job creation claims will be reviewed to ensure the project will create or retain at least 1 full time job for every \$25,000 that is lent out.

A borrower who becomes delinquent in repayment of the loan must issue a statement, in writing, to the UBEDD/RLF staff explaining why repayment has been delayed. The delinquency will be

noted on an aging schedule. Repeated failure of the borrower to explain repayment delays will constitute grounds for recall of the loan.

If the borrower becomes delinquent on repayment of the loan and anticipates recurrence of delays, the UBEDD/RLF staff may relay this message to the UBEDD/RLF Board of Directors to examine the possibility of restructuring the loan. The UBEDD/RLF Board of Directors will consider the restructuring provisions found in the financing policies of this plan, or other methods, after consulting with the staff.

Upon default of a loan, the UBEDD/RLF staff will obtain the assets and other forms of security available to it for reimbursement of the loss. The attorney with whom the staff will contract for legal services shall be contacted to begin repossession of all available securities.

Any loan more than 90 days delinquent will be considered in default. Collection procedures will be instituted by the staff. The loan will be written off for all reporting processes when the staff determines that no other reasonable means of collecting the principal remain.

MARKETING OF CARES ACT RLF

The UBEDD/RLF staff will use their designated website to market the program. With a full time individual dedicated to the Cares Act RLF plan it will be his/her duty to review the plan on a regular basis and see the economic impact of COVID-19. This full time individual will be visiting small businesses and financial lending institutions within the three county region to inform businesses of lending funds available. In addition, this staff member will coordinate with local economic development professionals in each respective county to market the program. The promotion of this program will be coming from of an RLF/EDA Cares budget.

E. ADMINISTRATIVE PROCEDURES

Files Management

- The following files will be kept for each loan closed:
- Application Materials
- Staff Summary Sheet
- Application Form
- Personal and Business Financial Statements
- Financial Analysis
- Exhibits
- Credit Reports
- Appraisal Reports
- Business Plans

- Tax Returns
- Other applicable items
- Loan Write-up

Environmental Review

- Description of Proposed Action
- Environmental Review Checklist
- Environmental Documents and Site Review
- Agency responses
- Findings

Loan Closing

- Promissory Note
- Trust Deed(s)
- Loan Agreement.
- Security Agreement and UCC-1 Form
- Personal and/or Corporate Guarantees
- Title insurance policy
- Insurance certificates

Loan Monitoring

- Most current financial statements
- Most current monitoring checklist
- Most current insurance certificate
- Income Certification Forms for job creation
- Disbursement Verifications

Payment Tracking

UBEDD uses the Grant Management Systems using RLSS software. This software tracks payments on a continual basis. Staff prepares a series of monthly reports using the RLSS software. The files are backed up nightly to a local server and to a cloud based service.

Control Procedures

Internal control procedures have been established for the financial operation of the UBEDD/RLF as a whole. The RLF operations conform to those internal controls. They include the following:

- Payments are received by the UBEDD office, a non-financial employee.

- Another non-financial employee deposits the funds.
- The CFO reconciles the bank statements and enters into RLSS software.
- The Cares Act Director prepares programmatic reports.
- Executive Director and Board Members must sign checks.
- The CARES ACT Director and staff perform monitoring visits and workouts.

F. RECAPITALIZATION STRATEGY

The RLF CARES will be recapitalized through the repayment of principal and interest. Methods will be used to assure that RLF CARES funds are repaid as quickly as possible so additional loans can be made. The goal of the RLF CARES will ensure funds are loaned as often as possible and the money is utilized to create/retain jobs.

Principal and interest will be repaid to the RLF CARES within five to ten years of each loan closing. This money will be invested in interest-bearing accounts with participating lending institutions to be used for re-lending.

In order to accelerate recapitalization of the RLF CARES, the repayment of outstanding loans and private sector refinancing will be considered in order to have this money available for use with other loans.

G. OTHER REQUIREMENTS

1. Civil Rights

The UBEDD/RLF Board of Directors will have the responsibility of assuring that no applicant is denied a loan on a basis of race, color, national origin, religion, handicap, or sex. Their efforts will be monitored by UBEDD/RLF staff. In the constituent counties, non-white races account for less than 10 percent of the population.

The Revolving Loan Fund CARES will be well publicized in the regions media. It will be publicized and marketed so that minority business persons have the opportunity to participate in the program.

UBEDD/RLF staff will have the responsibility of assuring that borrowers do not discriminate against applicants. Borrowers must sign assurances stating that they will not practice the previously mentioned forms of discrimination for job creation. The loan application also requires the submittal of an employment schedule showing current and projected employment data and descriptions of employment practices. UBEDD/RLF staff is versed on federal, state, and local

regulations regarding discrimination and will use this criteria when evaluating submission of employment data.

2. Environment

The environmental impact of each project will be assessed when considering loan approval and monitoring the borrower. The borrower must also sign assurances concerning environmental protection measures when making the application. If there is the possibility of an adverse environmental impact, the project will receive an evaluation concerning the impact.

Projects that will adversely affect the environment will either be rejected or be required to mitigate the impact. If a project would adversely impact floodplains, wetlands, significant historic or archaeological properties, drinking water resources, or non-renewable natural resources, and no mitigation is available or desired by the applicant, it will be rejected.

3. Relocation

Loan applicants who are relocating jobs from another area are not eligible to borrow from the loan fund. A possible exception could occur if the relocating business simply cannot remain in its original location due to a lack of resources. Loan applicants cannot use the funds for use outside of the 3 county region.

4. Flood Hazard Insurance

If the potential project is to be located in a floodplain, flood hazard insurance will be required. Required flood insurance is included in the list of submittal materials when applying for a loan.

5. ADA Requirements

If the RLF finances a construction project to which the public will have access, the structure will be accessible to the disabled. This is included in the assurance statement signed by the loan applicant.

6. Davis-Bacon

Construction financed by the RLF CARES will be required to meet requirements of the Davis-Bacon Act. UBEDD/RLF staff will monitor each project accordingly in regard to this regulation.