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REQUEST FOR PROPOSALS
FOR
ECONOMIC DEVELOPMENT ADMINISTRATION
REVOLVING LOAN FUND
SUPPORT SERVICES

Table of Contents

PROJECT OVERVIEW & BACKGROUND

GENERAL PROJECT DESCRIPTION

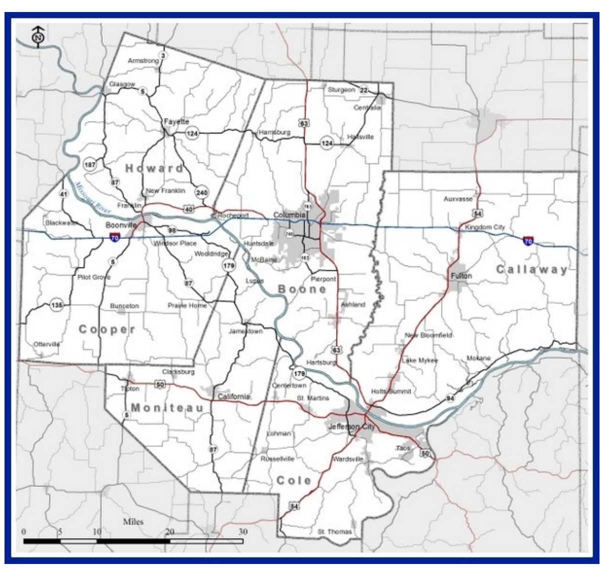
The Mid-Missouri Regional Planning Commission (Mid-MO RPC) is issuing a Request for Proposals (RFP) to identify a qualified lending professional to offer "Support Services" (defined under "Scope of Services (Work)") for its Revolving Loan Fund (RLF) program. Mid-MO RPC is seeking expertise in small business lending to assist with review of RLF applications and guidance regarding recommendations to its RLF Administration Committee. The selected qualified lending professional will identify strengths and weaknesses in applications to identify potential concerns and give direction to the RLF Administration Committee regarding the suitability of the applicant for a loan. The selected lending professional will draft a Credit Memorandum for potential loan recipients for review by the RLF Administration Committee. All final lending decisions will be made by the RLF Administration Committee.

BACKGROUND

Mid-MO RPC was awarded a grant for $1.5 million from the U.S. Economic Development Administration (EDA) to administer a RLF to serve the six-county region of Boone, Callaway, Cole, Cooper, Howard, and Moniteau counties. The RLF will be an important tool for businesses in Mid-Missouri that are finding it difficult to acquire financing during and after the COVID-19 crisis. The RLF will be a supplemental source of funding to pair with traditional private lending and to serve as a gap financing tool when traditional lending alone is not sufficient.

In the initial two-year lending phase of this RLF, a focus will be placed on existing businesses impacted by the COVID-19 crisis. It is anticipated that this RLF will be used by existing business for expansion and retention purposes, but also by new businesses to the region and startups. The immediate objective of the RLF is to provide a resource to the businesses of Mid-Missouri that will assist in the response to the COVID-19 crisis including the promotion of job retention. After the initial two-year disbursement phase, the focus will be on creation and retention of jobs and increasing private investment.

The Mid-Missouri Region



INSTRUCTIONS TO PROPOSERS

The submission of a proposal shall be deemed a representation and certification by the Proposer that they:

- Have carefully read and fully understand the information that was provided by Mid-MO RPC to serve as a basis for submission of this proposal.
- Have the capability to successfully undertake and complete the responsibilities and obligations of the proposal being submitted.
- Represent that all information contained in the proposal is true and correct.
- Did not, in any way, collude, conspire to agree, directly or indirectly, with any person, firm, corporation or other Proposer in regard to the amount, terms and conditions of this proposal.
- Acknowledge that the Mid-MO RPC has the right to make any inquiry it deems appropriate to substantiate or supplement information supplied by Proposer, and Proposer herby grants the Mid-MO RPC permission to make these inquiries, and to provide any and all related documentation in a timely manner.

SUBMISSION OF PROPOSALS

Submit proposals by email and any questions regarding this RFP to:

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Regional Planner/Recovery Coordinator
206 E. Broadway
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RIGHTS OF THE MID-MISSOURI REGIONAL PLANNING COMMISSION

This RFP does not commit the Mid-MO RPC to enter into a contract, nor does it obligate Mid-MO RPC to pay for any costs incurred in preparation and submission of proposals or in anticipation of a contract. The Mid-MO RPC reserves the right to:

- Make the selection based on its sole discretion;
- Reject any and all proposals;
- Issue subsequent Requests for Proposals;
- Postpone opening for its own convenience;
- Remedy technical errors in the Request for Proposals process;
- Approve or disapprove the use of particular subconsultants;
- Negotiate with any, all or none of the Proposers;
- Accept other than the lowest offer;
- Waive informalities and irregularities in the Proposals and/or
- Enter into an agreement with another Proposer in the event the originally selected Proposer defaults or fails to execute an agreement with the Mid-MO RPC. An agreement shall not be binding or valid with the Mid-MO RPC unless and until it is executed by authorized representatives of Mid-MO RPC and the Proposer.

SCOPE OF SERVICES (WORK)

The selected qualified lending professional will be responsible for:

1) Review of all incoming RLF loan applications for completeness and suitability for lending.

2) Summarizing the key aspects of the loan such as firm history, management, product, productions capability, market conditions, financing, collateral, repayment ability, consistency with the RLF's financing policy and whether there are any environmental issues as part of the credit memorandum process.

3) Performing a complete loan analysis, preparation of a credit memo, and presenting the loan request to the RLF Administration Committee to facilitate the decision-making process.

4) Working in tandem with Mid-MO RPC, small business development and economic development organizations, and regional lending institutions to raise awareness of the RLF and facilitate engagement with potential applicants.

5) Advising Mid-MO RPC on RLF best practices and serving as a point of contact and source of expertise for Mid-MO RPC throughout the contract period.

PROJECT TIMELINE

RFP Issued:	May 17, 2021
Deadline for Proposal submission:	June 7, 2021
Scoring of Proposal submissions (1 week after deadline):	June 14, 2021
Contract awarded:	June 14, 2021
End of Initial Disbursement Phase:	March 18, 2023

PROPOSAL CONTENT

All submitted proposals must include the following:

- Experience and technical competence of the firm with respect to completing type of work included in the scope of work.
    - Include list of past projects.
- Availability of key personnel to be assigned to this project, including a brief description of experience and expertise offered by each firm member associated with this project
- Project Approach / Work Plan
- Cost / Project Budget

CONTRACT TYPE AND METHOD OF PAYMENT

It is anticipated the agreement resulting from this solicitation, if awarded, will be a LUMP SUM form of contract. The method of payment to the successful Proposer shall be on a lump sum basis distributed over two payments.

SELECTION PROCESS

Applicants will be judged on the following criteria:

1) **Approach and Work Plan** – appropriateness of the work plan in meeting the project objectives to serve the entire six-county region.

2) **Experience and Technical Competence** – demonstrated past success of completing projects similar in scope to the proposed work.

3) **Key Personnel** – demonstrated experience, knowledge, and expertise of primary proposal staff, including familiarity with the project region.

4) **Budget and Cost** – ability of the proposal to complete the project objectives at a reasonable and competitive cost.

RFP SCORING

The following rubric provides evaluative criteria for RFP applications in four different areas:

Score Description

3 – Exemplary: Proposal offers well developed, strong examples and/or realistic estimates for the program element.

2 – Adequate: Proposal is convincing, information provided is appropriate for the program element.

1 – Needs Improvement: Lacking in detail, program element description is not convincing of success.

0 – Inadequate: Proposal does not include or address the program element.

RFP Scoring Reference Sheet

Category (Weight)	Exemplary – 3 pts			Adequate – 2 pts			Needs Improvement – 1 pt			Inadequate – 0 pts	TOTAL SCORE
	Score/ Total			*Score/ Total*			*Score/ Total*				
Approach and Work Plan (3)	The work plan is well tailored to meeting the project objectives.			The work plan demonstrates ability to meet project objectives.			The work plan lacks detail and specificity on how it will meet project objectives.				
Experience and Technical Competence (2)	Proposal demonstrates strong past success in completing projects similar in scope to the proposed project.			Proposal notes past success in completing projects similar in scope to the proposed project.			Proposal demonstrates some experience in completing projects similar in scope to the proposed project.				
Key Personnel (2)	Proposal demonstrates extensive experience, knowledge, and expertise of primary staff, including familiarity with the project region.			Proposal notes experience, knowledge, and expertise of primary staff involved in the project with some knowledge of the region.			Proposal notes some experience, knowledge, and expertise of primary staff involved in the project, but no knowledge or familiarity with the region.				
Budget and Cost (1)	The proposal demonstrates ability to complete the project objectives at a reasonable and competitive cost.			The proposal demonstrates ability to complete the project objectives at an acceptable cost.			The proposal demonstrates ability to complete the project objectives, although at a significant cost.				

Total Score
(Max 24)

FINANCING STRATEGY

Through the RLF, a business can obtain financing of up to 90% of business assets. The target for RLF participation in the project will be 30%, which would require the bank to participate at a 60% level for the borrower to participate at a 10% level. The RLF may participate at a maximum level of 40%.

1) **Eligible Area:** The EDA RLF service area includes Boone, Callaway, Cole, Cooper, Howard, and Moniteau counties.

2) **Target Areas:** The RLF will target at least 40% of investment at Boone County and at least 20% of RLF investment at Jefferson City/Cole County. The remaining 40% of the RLF may be used region wide. A minimum of 20% of the RLF portfolio is reserved for areas outside of Boone and Cole counties.

3) **Allowable Borrowers:** Most RLF loans will be made to private for-profit borrowers. Up to $250,000 of RLF funding may be used by public bodies to construct buildings to house new or expanding industries, purchase the necessary land, or construct other public infrastructure linked to job creation. Up to $250,000 of RLF funding may be used to fund broadband development provided the target cost/job ratio (item #12) is maintained.

4) **Loan Size:** The preferred maximum RLF loan amount for any single project is $250,000. Larger loans up to $400,000 can be considered if applications include a letter of support by a local economic development organization. No more than 25% of the total RLF fund will be loaned to any one borrower or principal owner.

5) **Interest Rates:** All RLF interest rates will be fixed. The minimum rate is one percent above the prime rate quoted in the Wall Street Journal. The maximum is the maximum allowed to be charged by state law.

6) **Terms:** Generally, loans for working capital, inventory, furniture and fixtures will be for no more than five years. Terms for machinery and equipment will generally not exceed the useful life of machinery and equipment and shall be for a term of no more than 10 years. Loans for real property, such as land and buildings, will generally be for 10 years but may be amortized over 20 years with a balloon payment set at the end of the 10-year term with the option to refinance for an additional 10-year term.

7) **Fees:** Mid-MO RPC may charge a loan origination/processing fee of up to 1.5% of the face value of the RLF loan, but not less than $500 and no greater than $1,500. Applicants will be required to provide a deposit with the loan application.

8) **Equity & Collateral**: The borrower will be required to inject at least 10% into the project. The injection may be equity if the equity is part of the new project and represent new or recent investment, up to one-year prior from approval of the application of the loan.
   Loans will be secured by all available assets. Security for all loans must be such that the repayment of the loan is reasonably assured. Fixed assets will be secured by the items being purchased; plus additional security as may be deemed necessary by the RLF Administration Committee. Other allowable collateral includes, but is not limited to, inventory, accounts receivable, assignment of patents, licenses, insurance assignment and corporate and personal guarantees. Loan staff works to provide the greatest collateral coverage to protect the assets of the organization. In addition, the participating lender may take a first position on real estate and the RLF loan take a first position on any machinery, equipment, furniture, and fixtures. Security interest on personal property/real estate of the owners of the business borrowers will be considered if there is lack of sufficient business collateral.

9) **Moratoria:** Because RLF financing is designed to provide "gap" financing, special financing techniques may be required to meet the needs of borrowers. These can include delaying the repayment of RLF principal until other loans made in connection with the project have been brought current, release of certain collateral if the RLF payments have been timely and the amount of payment is sufficient to justify release of some collateral, reduced interest rate if job creation exceeds the ratio, and any other arrangements the board decides are prudent, given the circumstances of the individual loan. Moratoriums on principal repayments will not exceed one year.

10) **Credit not otherwise available**: Private sector financing is required unless waived by the Mid-MO RPC Board of Directors. Applicants must provide evidence full financing for project is unavailable from private lending sources.

11) **Leverage:** The RLF portfolio must meet the private investment leverage requirement of at least two dollars for every one dollar of RLF loans made for the duration of the RLF's operation. To be classified as leveraged, private investment must be made within 12 months prior to or after approval of an RLF loan closing, as part of the same business development project, and may include: capital invested by the borrower or others, financing from private entities, or the non-guaranteed portion and 90% of the guaranteed portions of U.S. Small Business Administration's 7(A) loans and 504 debenture loans. Private investments shall not include accrued equity in a borrower's assets.

12) **Cost/Job Ratio:** The RLF portfolio must maintain a cost/job ratio of one full-time job or full-time equivalent job created and/or retained for every $50,000 of RLF participation. In general terms, projects with a better cost/job ratio will be looked at more favorably.

ELIGIBLE USES OF FUNDS

RLF projects may include financing for purchase and/or repair of machinery and equipment, working capital, inventory, purchase of land, acquisition, construction and renovation (subject to Prevailing Wage), furniture and fixtures, and broadband development.

Eligible Project Costs Include:

- Purchase of equipment, leasehold improvements, machinery or supplies
- Working capital for existing businesses
- Business and industrial acquisitions with job retention and/or creation
- Construction, conversion, enlargement, repair, or modernization of a building
- Purchase and development of land, easements, right-of-way, buildings, facilities, leases, or materials (RLF funds will not be used for the purpose of land banking
- Broadband development
- Educational institutions
- Hotels, motels, tourist homes, bed & breakfasts; convention centers, other tourist and recreational facilities
- Start-up operating costs and working capital
- Acquisition of cars, trucks, and airplanes provided it is necessary for the business and in order to create and/or retain jobs using prudent lending practices
- Reasonable fees and charges directly related to the loan; and
- Business relocation expenditures provided it is necessary to create and/or retain jobs for the business.

Ineligible uses: The RLF will conform to EDA regulations identified in 13 CFR 307.17(c).

LOAN SELECTION CRITERIA

Loan selection criteria were developed to select those applicants that will best fulfill the program's objectives. Criteria are divided into four categories: eligibility, financial qualifications, applicant's qualifications, and public benefit.

Eligibility

Projects must be in the 6-county region; be an allowable borrow; be for an allowable use; and conform to loan size, interest rate term, equity, collateral, and all other requirements.

Financial Qualifications

- Applicant demonstrates ability to repay the loan based on financial statements and sufficient credit factors.
- Applicants must provide evidence that full financing is unavailable from a private lending source.
- Adequate collateral security is available and, when applicable, a lien can be taken on it. Real estate appraisals will be required as determined by project size and/or the amount attributable to real estate and buildings. The Appraisal must be performed by a qualified appraiser.

Applicant's Qualifications

- A traditional credit check will be made on the principal(s) of the business venture and guarantor(s).
- Information will be required on the owner/operator's past business history. Repeated business failures and/or unexplainable/poor management will be given considerable weight in the loan decision process if the project realistically can generate enough profit to repay the loan. In the event of a start-up or when historic cash flow is determined to be insufficient, projected financial statements for the project will be required in the application to provide information on how money will be generated to service the debt.
- If the applicant is an existing business, three (3) years of business tax returns and interim financial statements will typically be required. This requirement may be reduced or waived based on the circumstances of the applicant. Mid-MO RPC requires three (3) years of personal tax returns for all owners of 20 percent or more of the applicant business. Further investigation by Mid-MO RPC may include, but is not limited to, contacting the register of deeds, title searches on real property, calculating the debt service ratio, and interviewing personal references.

Public Benefit

The following factors will be considered and favored with each application, however, each are not required unless otherwise identified herein:

1. Number of jobs created or saved.
2. Number of jobs per dollar loaned.
3. New taxes generated for a community.
4. Potential future growth of the business.

LOAN PROCESSING PROCEDURES

Standard Loan Application Requirements: Businesses that have an eligible project receive a checklist of information required for their application to be reviewed. Not all checklist items will apply for each loan applicant and certain situations may require additional items. The checklist will include the following items:

Checklist for Existing Business/Expansion Projects:

- Business plan for the project (if available)
- Pro-formas or projections for at least two years with the first years' projections stated as a monthly cash flow projection.
- Copies of personal and business tax returns and/or audited financial statements for each owner of 20 percent or more of the business for the last three years (signed and dated)
- Schedule of all debts for each owner
- Release of credit information form for each owner
- Environmental checklist

Checklist for Start-up Projects:

- Business plan for the project
- Pro-formas or projections for at least two years with the first years' projections stated as a monthly cash flow projection.
- Copies of personal tax returns for each owner of 20 percent or more of the business for the last three years (signed and dated)
- Schedule of all personal debts for each owner
- Release of credit information form for each owner
- Environmental checklist

Loan Write-Up: The contracted lending professional will summarize the key aspects of the loan such as firm history, management, product, productions capability, market conditions, financing, collateral, repayment ability, consistency with the RLF's financing policy and whether there are any environmental issues as part of the credit memorandum process. Mid-MO RPC is responsible for any necessary environmental review subject to the National Environmental Protection Act (NEPA) of 1969 (42 U.S.C. §§ 4321-4327)

Procedures for Loan Approvals: After all necessary documents are obtained from the borrower, the contracted lending professional performs a complete loan analysis, prepares a credit memo, and presents the loan request to the RLF Administration Committee. The RLF Administration Committee reviews the loan and approves, denies, or requests additional information. Following loan approval or denial, the borrower and participating bank are contacted, with a written approval or denial provided to the borrower.

A restructure of a loan will be allowed only if it supports additional capital investment intended to increase business activities.

APPENDIX A

MID-MISSOURI REGIONAL PLANNING COMMISSION

ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)
REVOLVING LOAN FUND (RLF) PLAN

APRIL 13, 2020

PART I: REVOLVING LOAN FUND STRATEGY

A. ECONOMIC ADJUSTMENT OVERVIEW

Regional Overview

The six-county region served by the Mid-Missouri Regional Planning Commission is comprised of Boone, Callaway, Cole, Cooper, Howard, and Moniteau counties. With a population of 326,543 (2010 Census), Mid-Missouri is blend of urban and rural communities with Columbia and Jefferson City serving as the urban centers of employment and commerce. Columbia is home to the University of Missouri and Jefferson City is the state capital and center of state government. Healthcare is a vital sector within the regional economy with Columbia and Jefferson City serving as healthcare hubs for much of central Missouri. Other important economic sectors in the region include manufacturing, agriculture, financial services/insurance, nuclear energy, and higher education (seven four-year institutions in the region).

Economic Adjustment – COVID-19 Public Health Crisis

The COVID-19 pandemic is proving to be the greatest public health crisis in over 100 years, and as a result may be causing the greatest economic downtown since the Great Depression. The Federal Reserve Bank of St. Louis is predicting unemployment rates in the U.S. reaching as high as 32%.

Mid-Missouri has been one of the hardest hit regions of the state by COVID-19. Boone County recorded the first COVID-19 death in the state on March 18th and has had the second highest number of COVID-19 cases of any county in the state outside of the St. Louis and Kansas City areas. Moniteau County has had the second highest number of COVID-19 cases per capita in the state, and Cole County has also had a high number of COVD-19 cases and was one of the earlier counties to record a case.

The economic impacts of COVID-19 have been and will be immense in Mid-Missouri. The public sector – University of Missouri and state government – is the foundation of the Mid-Missouri economy. Declining tax revenues statewide have already resulted in significant cuts to higher education in the state and the University of Missouri is considering major cuts and layoffs as a result. It is also anticipated that cuts to state government – the largest employer in the region – will be felt by employees.

Retail in Missouri and around the country has been especially hard hit by this crisis due to statewide stay-at-home orders, but we expect retail to be particularly hard hit in Mid-Missouri due to university closures. The University of Missouri shut down in-person classes on campus on March 13th and classes will not resume until this fall. This means that long after stay-at-home orders are lifted much of the 30,000 student population simply will not be in the region for several months. Jefferson City, Fulton, and Fayette also have four-year universities and will feel the impact of students being absent as a result. Retail has also been harder hit in Boone and Cole counties because those counties experienced early cases which resulted in local leaders issuing stay-at-home orders prior to the state-wide order being put in place.

In Moniteau County, one of the county's largest employers – a meat processing facility that employs over 300 people – had to temporarily shut down after 21 employees tested positive for COVID-19.

The RLF will be an important tool for businesses in Mid-Missouri that are finding it difficult to find financing during and after the COVID-19 crisis. It is anticipated that during the initial disbursement phase of this RLF, businesses impacted by COVID-19 will be the primary users of the fund. The RLF will be a supplemental source of funding to pair with traditional private lending and to serve as a gap financing tool when traditional lending alone is not sufficient.

Mid-Missouri Comprehensive Economic Development Strategy (Mid-MO CEDS)

The Mid-Missouri Comprehensive Economic Development Strategy (Mid-MO CEDS) is a regional planning document that looks beyond individual cities and counties and instead focuses on a regional approach to economic development. It is the guiding document behind the Mid-Missouri Regional Planning Commission's economic development activities in the region.

The issue of lack of access to capital for businesses is a theme that reverberates multiple times in the Mid-MO CEDS. A SWOC analysis – an assessment of the region's strengths, weaknesses, opportunities, and challenges – identified a lack of access to capital as a weakness for the region. The plan identifies small business and entrepreneurship development as a goal for the region, and the top strategy identified to achieve this goal is to "encourage the creation of capital investment resources including RLF development in the region."

The RLF is designed to assist with this lack of access to capital by partnering with local financial institutions in order to provide gap financing for businesses. In the initial lending phase of this RLF, a focus will be placed on existing businesses impacted by the COVID-19 crisis; however, as the Mid-MO CEDS shows us, access to capital is a need beyond the current crisis. It is anticipated that this RLF will be used by existing business for expansion and retention purposes, but also by new businesses to the region and startups.

B. BUSINESS DEVELOPMENT STRATEGY

1. **Objectives:** The RLF will have both near-term and long-term objectives. The immediate objective of the RLF is to provide a resource to the businesses of Mid-Missouri that will assist in the response to the COVID-19 crisis including the promotion of job retention. As the RLF moves away from its initial disbursement phase of lending and into its revolving phase, the objectives of the RLF will more closely mirror those of a traditional RLF. The focus will be on creation and retention of jobs and increasing private investment.

2. **Targeted Businesses:** A primary initial target for the RLF will be small businesses impacted by the COVID-19 disaster. In the initial phase of the RLF and moving forward the primary focus will be on funding quality projects. It is important to remain flexible in the types of businesses that are being assisted by the RLF, while also maintaining a diversified portfolio.

3. **Business Needs:** In response to COVID-19, the primary needs expressed by stakeholders have been working capital and inventory; although, with the landscape changing on a daily basis Mid-MO RPC staff will continue to identify other potential needs for businesses impacted by this disaster. Financing for higher risk projects, working capital, access to a quality workforce, and improved infrastructure are all important business needs that need to be addressed during normal times.

4. **Other Programs and Activities**: Other public sector programs aimed at addressing business needs include U.S. Small Business Administration (SBA) loan programs, Missouri Department of Economic Development grants and loans, U.S. Department of Agriculture grant and loan programs, and the Missouri Development Finance Board. Local economic developers engage in a variety of activities to promote business attraction, retention, expansion, and entrepreneurship.

C. FINANCING STRATEGY

1. **Financing needs:** The primary financing needs and opportunities for target businesses identified in the business development strategy includes, but is not limited to, fixed rate long-term financing, gap financing, working capital financing and other lines of credit opportunities.

2. **Local capital market:** An assessment of the local capital market identified the following region's financial needs/problems:
   - The COVID-19 crisis has dramatically changed the local and national lending market in just a few weeks' time. In this time of unpredictability, a resource like this RLF would be a major benefit to reduce the risk to local banks and encourage lending in our region.
   - Prior to the COVID-19 crisis, lack of access to capital (both private and public) was identified as a weakness in Mid-MO RPC's Comprehensive Economic Development Strategy (Version adopted in 2016). This RLF will help address this weakness by leveraging public dollars to encourage additional private lending.
   - The local capital market also does not have sufficient venture capital investments, angel investors, micro-loan opportunities and seed capital investments.
   - The highest need areas in the region are anticipated to be the region's population centers Columbia/Boone County and Jefferson City/Cole County. Local economic development agencies in Columbia/Boone County and Jefferson City/Cole County have conservatively estimated that their markets would support $1,000,000 and $500,000 in RLF funding respectively over the next two years.

3. **RLF financing niche**: The RLF is designed to work in partnership with the region's commercial banks, with the bank and the RLF together funding the capital needs of the participating businesses and the RLF providing gap financing for businesses. In the initial lending phase this RLF will place a focus on assisting existing businesses impacted by the COVID-19 crisis. The RLF will also have the ability to fund start-ups.

   Through the RLF, a business can obtain financing of up to 90 percent of business assets. The target for RLF participation in the project will be 30 percent, which would require the bank to participate at a 60 percent level in order for the borrow to participate at a 10 percent level. The RLF may participate at a maximum level of 40 percent unless the Mid-MO RPC Board of Directors decides to change this policy. The bank is able to take a first collateral position, improving their loan to value coverage, and the RLF will assume a second collateral position on all project collateral if necessary. Additional collateral may be obtained if necessary, including personal assets and guarantees. The lower equity contribution allows small businesses to reserve their working capital for other business needs, helping to eliminate one of the top reasons for small business failures-the lack of working capital.

Long-Term fixed-rate commercial financing for businesses in the Mid-Missouri region is rare in today's banking market. Even with the increased competition between commercial lenders in this region, typically banks will fix a rate for no longer than five years and the rate is usually adjusted annually. The fixed rate RLF terms, when blended with the adjustable bank rate, help mitigate the impact of fluctuations in commercial lending interest rates and offer an advantage to small businesses in reduced interest costs.

D. FINANCING POLICIES

1. **Eligible Area**: The EDA RLF service area will include the counties of Boone, Callaway, Cole, Cooper, Howard, and Moniteau.

2. **Target Areas**: The RLF is intended to be a regional asset that benefits businesses in each county of the region. It is anticipated that the greatest need for gap financing dollars will be in the larger population centers in the region Columbia/Boone County and Jefferson City/Cole County. In response to this need, the RLF will target at least 40% of investment at Boone County and at least 20% of RLF investment at Jefferson City/Cole County. The remaining 40% of the RLF may be used region wide. The intent of the fund is for each county to receive a direct benefit from the RLF if quality projects from each county are presented for consideration. A minimum of 20% of the RLF portfolio shall be reserved for areas outside of Boone County and Cole County. These targets may be adjusted by the Mid-MO RPC Board of Directors if targeted areas are not on track to meet these targets within the two-year disbursement phase of the RLF.

3. **Allowable borrowers**: Most RLF loans will be made to private for-profit borrowers including a sole-proprietorship, partnership, Limited Liability Company, corporations, or any other legal form. RLF funding may also be used by public bodies to construct building to house new or expanding industries, purchase the necessary land, or construct other public infrastructure linked to job creation. Up to $250,000 may be loaned to public bodies to retain or create jobs in their area if the jobs are created immediately. No speculative land acquisition, building construction, or other public infrastructure construction will be allowed using RLF funds. A portion of this RLF may be used to fund broadband development. Private, public, and non-profit broadband providers (including electric co-operatives) are allowed to borrow up to $250,000 from the RLF for broadband development pending that the overall RLF portfolio maintains a job/cost ratio of $50,000 per job for each full-time or full-time equivalent job created or retained.

4. **Allowable lending activities and ineligible uses**:

   Allowable lending activities

   RLF projects may include financing for purchase and/or repair of machinery and equipment, working capital, inventory, purchase of land, acquisition, new building construction, remodeling of existing buildings, furniture and fixtures, and broadband development. The RLF will be a participant in the total project to be funded and will take a collateral position on all available assets.

   Eligible Project Costs Include:

- Purchase of equipment, leasehold improvements, machinery or supplies;
- Working capital for existing businesses;

- Business and industrial acquisitions with job retention and/or creation;
- Construction, conversion, enlargement, repair, or modernization of a building;
- Purchase and development of land, easements, right-of-way, buildings, facilities, leases, or materials (RLF funds will not be used for the purpose of land banking;
- Broadband development;
- Educational institutions;
- Hotels, motels, tourist homes, bed and breakfast establishments; convention centers, and other tourist and recreational facilities;
- Start-up operating costs and working capital;
- Acquisition of cars, trucks, and airplanes provided it is necessary for the business and in order to create and/or retain jobs using prudent lending practices;
- Reasonable fees and charges directly related to the loan; and
- Business relocation expenditures provided it is necessary to create and/or retain jobs for the business.

Purchase of Machinery and Equipment: Loan proceeds may be used to finance the purchase of major items of machinery and equipment, independent of land and building, if the assets being financed have a useful life of at least 10 years. The purchase price, delivery cost and installation expense can be considered in determining the amount allocated to project cost. When buying existing equipment or machinery that is being moved to a new location, the cost of dismantling, moving, and installing the equipment is an eligible project cost. In a project primarily involving the financing of machinery and equipment, the loan officer's analysis of the proposed project will include consideration of the following factors:

1. The specific use of, and the need for, the asset by the business;
2. As estimate and opinion of the reasonableness and cost of installation; and,
3. An opinion as to the collateral value when the project is completed, and whether there is sufficient collateral to secure Mid-MO RPC.

An appraiser engaged by the applicant can be requested to assist the loan officer in analyzing the life and value of the asset, the reasonableness of cost and the capacity of the asset(s) to accomplish the business objective.

Contingency Fund: An amount not to exceed 10 percent of the construction costs can be considered to avoid problems in funding cost overruns.

Furniture and Fixtures: The purchase of furniture and fixtures may be included in the project cost if it does not affect maturity, is considered minimal and is incidental to the total project cost.

Land: Land acquired within twelve months prior to the RLF loan application may be contributed as the applicant's injection **in** a project involving new construction. The value of the contribution shall be the contributor's equity in such land and shall be valued at the lesser of cost or market value.

Working Capital: In many cases, conventional financing will fund fixed assets but not working capital or other "soft" project costs where the quick sale value of the asset is very low. Mid-MO RPC takes the position that adequately funding a new or expanding business - giving it enough working capital to get an adequate cash flow established during the first few years of operation, will offer that business the best chance for success. During the deal structuring and loan analysis, special attention is paid to a thorough cash flow analysis, ensuring that the cash is adequate to support the new or expanding business' needs.

Professional Fees: Applicants for RLF loans may obtain the assistance of any attorney, accountant, engineer, appraiser, or other representative to aid them in the preparation and presentation of their applications to the RLF; however, such representation is not mandatory. The fees for professional services necessary to prepare documentation for the RLF application are considered necessary project costs and may be included in the amount of the loan request.

RLF Closing Costs and Attorney Fees: The costs associated with preparing loan closing documents, attorney review and letter of opinion and the required document filing fees are eligible costs. Closing costs may be added into the loan principal at borrower's request. Should the borrower wish to have separate counsel to represent him at the closing, such expenses shall be paid by the borrower are not considered part of the RLF closing costs and fees or may be paid separately.

<u>Ineligible uses</u>

The RLF will conform to EDA regulations identified in 13 CFR 307.17(c) which prohibits RLF funding from being used for the following:

(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; or

(9) Undertake any activity that would violate the requirements found in part 314 of this chapter, including §314.3 ("Authorized Use of Property") and §314.4 ("Unauthorized Use of Property").

5. **Loan Size:** The preferred maximum RLF loan amount for any single project is $250,000; however, the Mid-MO RPC Board of Directors may approve larger loans if loan applications include a letter of support by a local economic development organization. Special consideration for larger loans shall be given to businesses in Boone County and Cole County where cost of doing business is highest but no RLF loan shall exceed $400,000. No more than 25 percent (25%) of the total RLF fund will be loaned to any one borrower or principle owner.

   <u>Single Purpose or Contract Loans</u>: There will also be cases where loans will be single purpose and include only one of the eligible items, such as upgrade or retooling of machinery or acquisition of inventory to supply a large contract. In those cases, the basic participation requirements will be the same unless the Mid-MO RPC Board of Directors establishes separate policies for short-term contract loans or other special financing needs.

6. **Interest Rates**: All RLF interest rates will be fixed. The minimum interest rate for the RLF is one percent above the prime rate quoted in the Wall Street Journal. The maximum interest rate for the RLF is the maximum interest rate allowed to be charged by state law. Any changes to these interest rate guidelines must be recommended by the RLF Administration Committee and approved by the Mid-MO RPC Board of Directors.

7. **Terms**: Loan terms will be determined by the RLF Administration Committee, based on the financial analysis taking into consideration the request and projections of the borrower. As a general rule, loans for working capital, inventory, furniture and fixtures will be for no more than five years. Terms for machinery and equipment will generally not exceed the useful life of machinery and equipment and shall be for a term of no more than 10 years. Loans for real property, such as land and buildings, will generally be for 10 years but may be amortized over 20 years with a balloon payment set at the end of the 10-year term with the option to refinance for an additional 10 year term. The Mid-MO RPC Board of Directors may, if circumstances are compelling, grant a repayment extension of up to five years. Mixed use loans may have blended terms.

8. **Fees**: Mid-MO RPC may charge a loan origination/processing fee of up to one and one-half percent (1.5%) of the face value of the RLF loan, but not less than $500. Applicants will be required to provide a deposit with the loan application. Said deposit shall be one and one-half percent (1.5%) of the RLF loan amount, but no less than $500 and no greater than $1,500. Borrowers will be required to cover all closing costs.

9. **Equity & Collateral**: The borrower will be required to inject at least 10 percent into the project. The injection may be equity as long as the equity is part of the new project and represent new or recent investment, up to one-year prior from approval of the application of the loan.

   Loans will be secured by all available assets. Security for all loans must be such that the repayment of the loan is reasonably assured. Fixed assets will be secured by the items being purchased, plus additional security as may be deemed necessary by the RLF Administration Committee. Other allowable collateral include, but is not limited to, inventory, accounts receivable, assignment of patents, licenses, insurance assignment and corporate and personal guarantees. Loan staff works to provide the greatest collateral coverage to protect the assets of the organization. In addition, the participating lender may take a first position on real estate and the RLF loan take a first position on any machinery, equipment, furniture, and fixtures. Security interest on personal property/real estate of the owners of the business borrowers will be considered if there is lack of sufficient business collateral.

10. **Moratoria:** Because RLF financing is designed to provide "gap" financing, special financing techniques may be required to meet the needs of borrowers. These can include delaying the repayment of RLF principal until other loans made in connection with the project have been brought current, release of certain collateral if the RLF payments have been timely and the amount of payment is sufficient to justify release of some collateral, reduced interest rate if job creation exceeds the ratio, and any other arrangements the board decides are prudent, given the circumstances of the individual loan. Moratoriums on principal repayments will not exceed one year.

11. **Start-ups:** New business start-up projects will follow the same policies as projects for retention or expansion of an established business.

12. **Working Capital:** Working capital loans are considered eligible projects for funding. See Part I, D, Section 3.

13. **Credit not otherwise available**: Private sector financing will be required unless waived by the Mid-MO RPC Board of Directors. Applicants must provide evidence that full financing for the project is unavailable from a private lending source. Acceptable documentation may include, but not be limited to, a letter from a lender indicating that the lender can only finance a portion of the money needed.

E. PORTFOLIO STANDARDS AND TARGETS

1. **Target Percentages**: The RLF does not have targeted percentages in land use (i.e. industrial, commercial, service commercial, etc.), business status (start-up, expansion, retention), or does it require a number of fixed asset loans versus working capital loans.

2. **Leverage**: The RLF portfolio as a whole will meet the private investment leverage requirement of at least two dollars for every one dollar of RLF loans made for the duration of the RLF's operation. To be classified as leveraged, private investment must be made within 12 months prior to or after approval of an RLF loan closing, as part of the same business development project, and may include: capital invested by the borrower or others, financing from private entities, or the non-guaranteed portion and 90% of the guaranteed portions of U.S. Small Business Administration's 7(A) loans and 504 debenture loans. Private investments shall not include accrued equity in a borrower's assets.

3. **Cost/Job ratio**: Job creation is a key qualifying factor in all RLF loans. The RLF portfolio as a whole must maintain a cost/job ratio of one full-time job or full-time equivalent job created and/or retained for every $50,000 of RLF participation. In general terms, projects with a better cost/job ratio will be looked at more favorably.

4. **Types of jobs**: The RLF does not require specific criteria for the types of jobs to be created/saved (i.e. semiskilled, industrial, commercial, or other types suited to a target population).

F. RLF LOAN SELECTION CRITERIA

Loan selection criteria were developed to select those applicants that will best fulfill the program's objectives. Criteria are divided into four categories: eligibility, financial qualifications, applicant's qualifications, and public benefit.

Eligibility

1. Project must be located in an eligible area as defined in Part I, D, Section 1.
2. Loan must be to an allowable borrow as defined in Part I, D, Section 2.
3. Loan must be for an allowable use as defined in Part I, D, Section 3.
4. Loan must conform to loan size, interest rate, term, equity and collateral, and all other requirements set out in Part I, D.

Financial Qualifications

1. The applicant demonstrates the ability to repay the loan based on financial statements and sufficient credit factors.
2. Applicants must provide evidence that full financing is unavailable from a private lending source.
3. Adequate collateral security is available and, when applicable, a lien can be taken on it. Real estate appraisals will be required as determined by project size and/or the amount attributable to real estate and buildings. The Appraisal must be performed by a qualified appraiser.

Applicant's Qualifications

1. A traditional credit check will be made on the principal(s) of the business venture and guarantor(s). This information is needed to evaluate risk.
2. Information will be required on the owner/operator's past business history. Repeated business failures and/or unexplainable/poor management will be given considerable weight in the loan decision process if the project realistically can generate enough profit to repay the loan.
   In the event of a start-up or when historic cash flow is determined to be insufficient, projected financial statements for the project will be required in the application to provide information on how money will be generated to service the debt. This information is needed to determine if the project is financially feasible.
3. If the applicant is an existing business, three (3) years of business tax returns and interim financial statements will typically be required. This requirement may be reduced or waived based on the circumstances of the applicant. Mid-MO RPC requires three (3) years of personal tax returns for all owners of 20 percent or more of the applicant business. Further investigation by Mid-MO RPC may include, but is not limited to, contacting the register of deeds, title searches on real property, calculating the debt service ratio, and interviewing personal references.

Public Benefit

The following factors will be considered and favored with each application, however, each are not required unless otherwise identified herein:

1. Number of jobs created or saved.
2. Number of jobs per dollar loaned.

3. New taxes generated for a community.
4. Potential future growth of the business.

Evaluation of prospective Applicants and the monitoring of loans are the critical stages of this program. Decisions on loan approval or denial will be made by the RLF Administration Committee unless and until such time that the Mid-MO RPC Board Directors decides to take on this role.

G. PERFORMANCE ASSESSMENT PROCESS

The process for assessing the RLF and updating the RLF Plan will include the following:

1. Staff will present for a loan servicing report, inclusive of all loans within the loan portfolio, at each meeting of the RLF Administration Committee and Mid-MO RPC Board of Directors. The servicing report will include a risk rating classification assigned and additional information supporting a change to the risk rating from its original assignment throughout the life of the loan.
2. A postmortem analysis will be performed on all defaulted loans post write-off. Results of the postmortem analysis will be presented to the RLF Administration Committee and Mid-MO RPC Board of Directors at their next meetings following completion and documented in the loan file.
3. The RLF Administration Committee will periodically review and update the RLF Plan as necessary with changes approved by the Mid-MO RPC Board of Directors. A full review and update of the plan will occur no less often than every five years per EDA regulation. Modifications to the RLF plan are subject to EDA's approval.

PART II: REVOLVING LOAN FUND OPERATIONAL PROCEDURES

This section will serve as the Mid-MO RPC's internal operating manual and set out administrative procedures for operating the RLF consistent with the "Prudent Lending Practices," as defined in 13 CFR 307.8. As administrator for the RLF, Mid-MO RPC has adopted procedures to comply, and ensure that potential borrowers comply, with applicable laws and regulations including but not limited to 13 CFR Part 307.

A. ORGANIZATION STRUCTURE

1. Critical Operational Functions

The Mid-Missouri Regional Planning Commission (Mid-MO RPC), having no current staff with a background in loan administration at that time that this RLF Plan is adopted, will contract out much of the loan administration services – loan processing, loan closing, loan servicing, and some marketing – for the RLF during the initial two year disbursement phase of this program. For the purposes of this document the term "staff" or "loan staff" shall be interpreted as either a contracted staff person or organization or direct staff of the Mid-Missouri Regional Planning Commission unless otherwise specified.

Marketing the RLF & Business Assistance: In the initial disbursement phase of this RLF, the RLF will be marketed as a resource to assist business requiring assistance in response to the COVID-19 public health crisis. As the fund moves into the revolving phase of lending, the RLF will be marketed as a fund to assist new and expanding businesses and to aid in the retention of existing businesses. During both phases of lending, the RLF will be marketed as a supplemental source of funding to pair with traditional private lending and to serve as a gap financing tool when traditional private lending alone is not sufficient for a project.

Mid-MO RPC staff along with any contracted staff and members of the Mid-MO RPC Board of Directors will all play a role in promoting the fund with local banks in the region. Marketing will be a constant activity and will include educating bankers, economic developers, and businesses about the RLF. Mid-MO RPC's marketing strategy is targeted to professionals in the region that deal directly with businesses – both start-ups and expansions – including lenders, realtors, accountants, and economic developers/industrial development authorities.

Mid-MO RPC will also explore opportunities to partner with MOSourceLink, Missouri Small Business Development Centers, Missouri Women's Business Center, and other organizations that focus on small business development. These organizations are valuable resources to our small businesses and start-ups.

Environmental Review: Mid-MO RPC staff will be responsible for ensuring that all loans comply with the National Environmental Protection Act (NEPA) of 1969 (42 U.S.C. §§ 4321-4327).

Organizational Administration: Mid-MO RPC staff and any contracted staff will share responsibility for ensuring proper financial record keeping. Mid-MO RPC will also have the ultimate responsibility for ensuring that EDA requirements are met and filing all required EDA reports including a semi-annual report with EDA pursuant to 13 CFR 307.14 including an income and expense statement if 50% or more of RLF income is used for administrative costs in a six-month period.

2. **RLF Administration Board & RLF Administration Committee**: The Mid-MO RPC Board of Directors shall serve as the RLF Administration Board which has the authority of final approval for elements of the RLF Plan, which includes but not limited to the following: loan size, interest rate, loan terms, and loan terms, and equity and collateral requirements. The Mid-MO RPC Board of Directors may delegate any of its authorities to the RLF Administration Committee.

   The RLF Administration Committee shall be comprised of seven individuals and shall attempt to have representation from each of the six counties in the region. The seventh member of the committee shall be the Chair of the committee and must be a member of the Mid-MO RPC Board of Directors. All committee members must have strong understanding of commercial lending and at least three must have experience working in the lending industry. The other committee members may be economic developers, attorneys, or others with a professional background that has given them a strong understanding of commercial lending. All RLF Administration Committee members are selected by the Mid-MO RPC Board of Directors and will serve for a two-year term. At least four committee members – at least one of whom has experience working in the lending industry – must be present in order to have a quorum.

3. **Conflicts of Interest**: Mid-MO RPC shall maintain the highest standards of conduct to prevent conflicts of interest in connection with lending activities. A conflict of interest generally exists when an interested party (Board member or staff) 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 loan is impaired. Additionally, a conflict of interest may result from non-financial gain to an interested party, such as benefits to reputation or prestige in a professional field.
    1. An interested party shall not receive any direct or indirect, financial, or personal benefits in connection with any lending activities.
    2. An interested party shall 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 a loan from the RLF.
    3. Mid-MO RPC shall not lend RLF funds to an interested party.
    4. Former Mid-MO RPC board members and members of his or her immediate family shall not receive a loan from Mid-MO RPC for a period of two years from the date that the board member last served on Mid-MO RPC's Board of Directors.
    5. Board members and staff will disclose at the beginning of each meeting any potential conflicts of interest with any of the loans on the agenda to be considered.

B. LOAN PROCESSING PROCEDURES

1. **Standard Loan Application Requirements**: Businesses that have an eligible project receive a checklist of information required for their application to be reviewed. It is acknowledged that not all checklist items will apply for each loan applicant and that certain situation may require additional items on the list. The checklist will include the following items:

    Checklist for Existing Business/Expansion Projects:
    - Business plan for the project (if available)
    - Pro-formas or projections for at least two years with the first years' projections stated as a monthly cash flow projection.
    - Copies of personal and business tax returns and/or audited financial statements for each owner of 20 percent or more of the business for the last three years (signed and dated)
    - Schedule of all debts for each owner
    - Release of credit information form for each owner
    - Environmental checklist

    Checklist for Start-up Projects:
    - Business plan for the project
    - Pro-formas or projections for at least two years with the first years' projections stated as a monthly cash flow projection.
    - Copies of personal tax returns for each owner of 20 percent or more of the business for the last three years (signed and dated)
    - Schedule of all personal debts for each owner
    - Release of credit information form for each owner
    - Environmental checklist

2. **Credit and Financial Analysis**

Credit reports are required as follows: For corporate applications for RLF loans, language must be added to the application to allow Mid-MO RPC to obtain credit bureau reports on individuals. In addition, credit reports will be obtained for all individuals with an interest in ownership of 20 percent or more.

Standard collateral requirements include, but is not limited to, the following:

a. Subordination to Commercial Lenders: In order to encourage commercial lenders to participate, in most cases, the RLF position may be junior or subordinated to the commercial lender except on certain assets that the senior lender does not take a position. The RLF may also share collateral with the lender on a pro-rata basis based on the percentage of funding participation. In liquidation, the pay-out would be based on the same percentage.

b. Subordination to Other Private Lenders: In some cases where the private leveraging is coming from non-commercial sources, such as private investors, family members or business related suppliers, the RLF may require such terms as the RLF Administration Committee deems advisable in order to protect the interest of the RLF when dealing with unregulated lenders.

c. Reduction of Collateral and Other Borrower Requests: All requests for reduction in collateral and other borrower requests will be reviewed by the RLF Administration Committee and approved by the Mid-MO RPC Board of Directors, to determine if it is a prudent lending request for the particular situation. If the Mid-MO RPC Board of Directors will not meet at a date to allow for timely processing of the request, the Mid-MO RPC Executive Committee may be polled to obtain a decision. Costs incurred as a result of a request will be borne by the borrower.

c. Personal Guarantees: Additional security will be provided with a corporate and/or personal guarantee from the principal owners who hold 20 percent or more of the business or corporation. In some cases, "stand-by" agreements may also be required subordinating the owners or shareholders payments from stock or repayment of equity by owners to the RLF debt. Staff will obtain a credit bureau report for all owners who hold 20 percent or more of the business or corporation. In addition, it is required that those shareholders provide personal tax returns for the most recent three years.

3. **Environmental Reviews**: Each RLF loan is subject to the National Environmental Protection Act (NEPA) of 1969 (42 U.S.C. §§ 4321-4327) and an Environmental Review and will require a complete environmental review and assessment. All RLF loan applications will follow Mid-MO RPC's environmental review procedures in order to determine if there are any physical environmental concerns. This process will include an environmental checklist to ensure compliance with applicable environmental laws and regulations.

   If Mid-MO RPC determines that a Phase I or Phase II environmental assessment is necessary to protect it from liability, the costs of the required study may be included in the amount of the loan request as long as the total amount does not exceed the percentage allowed for RLF funding for the project. In such case where the primary lender requires a Phase I or Phase II review, Mid-MO RPC may accept the lenders report if they are satisfied that it meets the all EDA requirements.

No loan shall be made to an applicant located in a flood plain unless flood proofing of the structure is completed by the applicant at their expense to fully meet the requirements of the flood insurance program. No project will be financed with the RLF, which adversely affects a wetland or an historic property, or which adversely affects air and water quality unless that impact is satisfactorily mitigated in a way which complies with NEPA.

4. **Loan Write-Up**: Staff summarizes the key aspects of the loan such as firm history, management, product, productions capability, market conditions, financing, collateral, repayment ability, consistency with the RLF's financing policy and whether there are any environmental issues as part of the credit memorandum process. See Part I, section F above.

5. **Procedures for Loan Approvals**: After all necessary documents are obtained from the borrower, staff performs a complete loan analysis, prepares a credit memo, and presents the loan request to the RLF Administration Committee. The RLF Administration Committee reviews the loan and approves, denies, or request additional information. Following loan approval or denial, the borrower and participating bank are contacted, with a written approval or denial provided to the borrower.

   A restructure of a loan will be allowed only if it supports additional capital investment intended to increase business activities.

C. LOAN CLOSING AND DISBURSEMENT PROCEDURES

1. **Loan Closing Documents**:

   The Mid-Missouri Regional Planning Commission (Mid-MO RPC) plans to contract out much of the loan administration services for the RLF in the initial two-year disbursement phase of this program. Mid-MO RPC will annually assess whether loan administration services should be contracted out or if Mid-MO RPC staff should take over these duties. Mid-MO RPC staff will still need to be trained on the program in the event that the organization decides to take over full administration duties of the RLF. The review of loan closing documents will be contracted with a local attorney that is familiar with similar loan programs and has extensive training and experience in providing commercial lending legal expertise for banks and government-sponsored loan programs. As part of the closing process, liens on all real property, used as collateral, will be filed within its residing county.

   In addition to the policies outlined in this document and pursuant to EDA regulations, the Mid-MO RPC Board of Directors has developed policies which serve as a guide and standard operation procedure for loan staff as follows:

   <u>Liability and Hazard and Other Requirements.</u> Prior to closing, it may be required that the borrower obtain and maintain adequate life insurance, flood insurance, real estate hazard, personal property hazard, and/or worker's compensation as a condition and for the life of the loan. If real estate or personal property hazard insurance is required, a clause assigning Mid-MO RPC as the mortgagee and lender's loss payee is necessary and must be a part of the policy.

Certification of Project/Adverse Change: Following completion of the project, the primary lender shall advise the Mid-MO RPC RLF Administration Committee if it has knowledge of an adverse change and shall explain the nature and extent of the change. Otherwise, the interim lender shall certify to the RLF Administration Committee that it has no knowledge of an adverse change in the borrower's condition since the issuance of the authorization. The borrower shall certify to the Mid-MO RPC Board of Directors whether there has been an adverse change in the condition of the small business concern and shall furnish current interim financial statements. Following receipt and review of the statements, the RLF Administration Committee shall approve to close the loan to provide permanent financing for the EDA RLF share of the project. The statement must include any of the following information and any other relevant factors:

a. Deterioration of the borrower's financial condition to the extent that it would endanger the borrower's ability to meet the debt service on the project financing including the EDA RLF loan;
b. Fraud or misrepresentation by the small business concern in the loan application and financial exhibits submitted to Mid-MO RPC RLF Administration Committee;
c. A filing under the bankruptcy code by or against the small business concern**;**
d. Assignment of the small business concern's assets for the benefit of its creditors;
e. Receivership of the small business concern imposed by a third party creditor;
f. Forfeiture of the small business concern's corporate charter; or
g. Discontinuance of the business.

Hazardous Waste Materials:

a. In projects where hazardous waste may be reasonably suspected, such as sites near other known waste sites, projects involving refining, storage or production of oil products/other chemicals, projects involving businesses with underground tanks (e.g., gas stations, some dry cleaners), Mid-MO RPC will require, in the loan authorization, that it be given any existing waste mitigation plans or site/soil inspection reports prepared on behalf of, conducted by or paid for by the borrower or interim lender. Mid-MO RPC reserves the right to require additional inspections if the inspection reports are not satisfactory.
b. If the loan officer or the loan board determines that further site testing or inspection is warranted, a Phase I environmental audit/site assessment should be conducted. A Phase I assessment involves a historical analysis of the property, including an on-site observation and perhaps composite sampling of the property. A favorable report must be received by loan staff prior to loan closing. If a Phase I study results in inadequate information, Mid-MO RPC may require a Phase II audit/site assessment, which generally includes extensive sampling of the property. If a Phase II report is required, it must be conducted and a favorable report received prior to loan closing.
c. In those cases where the project or the business deals with hazardous waste substances, the loan proceeds may be used to finance project assets but care should be taken to assure that such project assets will not be collateral for the loan and that Mid-MO RPC does not at any time take possession of the assets and is not put in a

position of being liable for clean-up of hazardous waste. Also, there must be other collateral securing the loan to protect Mid-MO RPC's position as a creditor.

d. In a situation where a project site is not suspected of contamination, but the applicant is engaged in a business which generates hazardous waste, Mid-MO RPC shall assure itself that the applicant is properly licensed and is complying with the required local, state and federal environmental protection laws and regulations.
e. In all cases, Mid-MO RPC will require in the loan authorization that the borrower certify and warrant that to the borrower's knowledge no contamination has or is likely to occur, that the borrower will comply with all environmental laws and that the borrower will indemnify Mid-MO RPC from any liability resulting from any past, present or future toxic waste contamination/damage and/or clean up responsibilities.

Expenditures in Anticipation of an RLF Loan: When a business makes expenditure in anticipation of the loan prior to the completion of the application and approval process, the applicant must provide notice to Mid-MO RPC, within nine months after the expenditure, if it wishes to include the expense as part of the project cost. This requirement may be waived with proper justification and documentation by the applicant.

2. **Loan Agreement Provisions**: The loan agreement will clearly state the purpose pursuant to 13 CFR 307.17, hold the Federal government harmless from and against all liabilities that the Federal government may incur as a result of the RLF grant pursuant to 13 CFR 307.I0(c). The loan agreement procedures will ensure the prospective borrowers, consultants, or contractors are aware of and comply with the federal statutory and regulatory obligations. The loan agreement will include the borrower's requirements for drawing loan funds, including interim financing, and any other disbursement procedures that are necessary to protect the RLF assets.

   Interim Financing: Projects with EDA RLF financing must be completed in accordance with the terms and conditions of the authorization (commitment letter) issued by Mid-MO RPC. Interim financing will only be used for projects that will be considered as new construction. Before EDA RLF funds are disbursed for new construction projects, lien positions must be established. Since this usually cannot be accomplished without interim financing, such financing will be required on all construction projects, including those that involve the acquisition of an existing facility. New construction projects will be required to be in compliance with the Davis- Bacon Act enforcing the requirement of prevailing wages. For projects that involve utilizing contractors, verification and documentation, including but not limited to evidence of references, certificate of good standing with the Missouri Secretary of State and adequate insurance and bonding coverage will be required.

   There are no restrictions on the source of interim financing, provided that:

   a. The interim lender is not associated with the business.
   b. "Do it yourself' construction and/or installation of machinery and equipment, or where the applicant acts as his/her own contractor will not be allowed for improvements or new construction. An exception can be permitted, with the

approval of the Mid-MO RPC Board of Directors, where the applicant is qualified as a contractor.

c. Guaranteed loans (SBA 7(a) or other) may not be used as a source of interim financing.

Interim Advances by Lender: An interim lender's right to reimbursement from EDA RLF depends upon whether the loan was disbursed in reasonable compliance with the terms of the loan authorization. Accordingly, both borrowers and lenders must be notified of the terms of the authorization as soon as possible. Any advice to a lender that a loan has been approved or any consent by, or request from Mid-MO RPC to any lender for interim financing should, in all cases, be accompanied by a copy of the loan authorization, together with a statement that any interim advance in contemplation of reimbursement from EDA RLF loan proceeds must be disbursed in accordance with the terms and conditions of the authorization. The authorization must contain the following provisions:

"Other terms and conditions of the loan, as determined by Mid-MO RPC, will be detailed in the authorization, and copies will be signed and returned by all parties before the commitment is considered to be in force. Any changes necessary in the terms before closing due to unforeseen conditions of the project will be handled in the same manner and reflected in the final note."

Progress Payments: Progress payments (draw-downs) that involve intermittent disbursements from the proceeds of the authorized loan are not permitted in EDA RLF projects.

The note will contain specific requirements of the loan. General provisions for all loans may include but are not limited to: annual financial statements, income tax returns, proof of employer's withholding payments and proof of any insurance required in the note. Board meeting minutes in which the RLF loan was approved must become part of the loan document file, as required by EDA 13 CFR, Section 307.15. Borrowers are also required to submit annual reports on employment. All requirements are monitored to insure protection of collateral. Violations are reported to the Mid-MO RPC Board of Directors. Failure to follow the terms of the loan agreement constitutes grounds to call the loan and borrowers are so notified before and during closing. The loan officer may request financial statement on an as-needed-basis if there are concerns about the business.

D. LOAN SERVICING PROCEDURES

1. **Repayment:** It will be required that payments for any EDA RLF loans will be enforced on the first business day of each month. The borrower is required to complete a pre-authorization agreement with Mid-MO RPC's bank account holder in order to enforce automatic payment for the exact loan payment amount. Only under special circumstances will a deviation from this policy be allowed/approved.

2. **Monitoring:** The monitoring and servicing RLF loans will be performed by either Mid-MO RPC staff or a contracted staff person or organization. Some servicing and recording functions

may be performed solely by the participating bank, if authorized by prior agreement or jointly by the bank and Mid-MO RPC staff.

Loan servicing includes, but is not limited to the following:

- Annual site visits to the borrower and place of business;
- Monitoring loan payments from the borrower and addressing issues of late payments or defaults;
- Collecting and analyzing annual financial statements;
- Monitoring lender reports provided by the participating bank;
- Monitoring compliance of real estate, personal, and life insurance as required by the terms and conditions for the loan;
- Tracking job creation and retention from the borrower.

3. **Loan Files:** The following documents will be retained in the borrowers file including but not limited to: Loan application, amortization schedule, promissory note, loan agreement, RLF Administration Committee minutes of loan meeting, lender's commitment letter, resolution to borrow, senior lien holder loan documents, real estate collateral documents, deed of trust, title policy, copy of lease, assignment of rents and leases, security agreement, UCC financing statements, lien searches, federal assurances, environmental questionnaire, personal or corporate guarantees, corporate documents, project completion documentation, construction documents, personal history statement, personal financial statement, insurance policy and assignment, life insurance policy and assignment, flood policy and assignment or exemption letter, appraisal, contract for technical assistance, credit report, credit memorandum and copies of personal and/or business tax returns.

4. **Job Creation:** Job creation is a key qualifying factor in all RLF loans with the requirement of one job created per $50,000 of the RLF portion of the project. Job creation can include new or retained jobs. If the small business retains any jobs, there must be written documentation of justification for those saved jobs.

5. **Delinquent and Defaulted Loans:** A borrower who is delinquent or is showing a pattern of late payments is contacted by a written notice after 10 business days and by phone 30 days after the payment due date. The bank lender is also contacted to determine if there are any known problems or reasons for the delinquencies. The staff will determine if it is necessary for the borrower to submit additional statements or speak to the Mid-MO RPC Board of Directors concerning the delinquency. Staff will continue to monitor as necessary. It will be to the Board's discretion to approve when late fees should be assessed.

   Late fees that will be applied and recorded to a delinquent loan by the borrower will be assessed after 30 business days past the due date with a minimum charge of $25.00 and a maximum of 5 percent of the loan payment amount, whichever is greater. Any request for exemption of first late payment fee by the borrower can be granted by the loan officer. If there are additional delinquent activities by the borrower, the borrower must submit in writing or present to the Mid-MO RPC Board of Directors a request for an exemption of late payment fee.

After a late fee has been assessed or waived and the borrower continues to be delinquent, loan staff will follow the following, but not limited to, collections process:

- Request the retained attorney to issue a demand letter;
- Negotiate a catch-up plan or deferment if applicable;
- Request the retained attorney to start the wage garnishment process; and/or
- Assess and collect any available collateral and/or negotiate with the bank for a better collateral position;

In the case of bankruptcy by a borrower, loan staff will request the retained attorney to file a Proof of Claim.

6. Write-offs: Upon default of the loan agreement, Mid-MO RPC will attempt to obtain whatever portion of the assets and other forms of security are available. The loan will be charged off, minus whatever can be recovered, minus the cost of collection or liquidation. Staff will write-off loans in accordance with generally accepted accounting principles and at the advisement of the retained auditor. The loan will not be an official forgiveness of debt filed with the IRS in case an opportunity to collect presents itself in the future.

E. ADMINISTRATIVE PROCEDURES

1. **Local RLF Funds**: Mid-MO RPC commits that the cash local share of the RLF will only be used for lending purposed and at a rate in proportion to the grant funds or at a faster rate than grant funds.

2. **Accounting:** Mid-MO RPC, as per the grant agreement, will maintain all fiscal records for the RLF following acceptable accounting procedures. Amortization schedules will be kept on all loans, relating to payments of principal and interest for the loans, and will be updated as payments are made. If payment is not received by the date specified in the note, a late notice is sent after 10 business days and the borrower will be contacted by phone after 30 business days. Any late fees enforced by the Mid-MO RPC will be recorded. Borrowers' financial statements and annual tax returns, both business and personal, are to be submitted at least annually for staff review analysis. Corporate financial and loan servicing reports are sent to loan staff on at least a quarterly basis. Annual audits are conducted by an outside audit firm.

   A separate bank account will be established for the RLF so that repayments and interest income are clearly identifiable and auditable. The EDA RLF portfolio and cash will be clearly distinguishable from any other Recipient loan program. This includes both the EDA and local share portions of the RLF. The RLF will be operated in accordance with Generally Accepted Accounting Principles (GAAP).

3. **Administrative Costs:** Income to defray the cost of program operation is derived from loan interest payments, interest earned from all bank accounts, loan origination/processing fees, and any late payment fees. Under the EDA/RLF guidelines, 100% of interest and fees can be used to cover costs. In the event that 100% of these moneys are not needed to cover program operation, the remaining funds are credited to the revolving loan fund capital base and used to re-loan. The

costs associated with the loan closing, filing fees, attorneys' opinion and all document searches are estimated and paid by the borrower.

4. **EDA Reporting**: Mid-MO RPC staff will file all required EDA reports including a semi-annual report with EDA pursuant to 13 CFR 307.14 including an income and expense statement if 50% or more of RLF income is used for administrative costs in a six-month period.

5. **Audits:** Mid-MO RPC will comply with EDA RLF annual audit requirements and the full value of the RLF (outstanding loans and available cash) will be shown every year on the Recipient's Schedule of Federal Expenditures. If the dollar amount of the RLF qualifies the RLF as a major federal program, the Mid-MO RPC will have an auditor perform the required federal audit procedures.