

OHIO RURAL PARTNERS
REVOLVING LOAN FUND PLAN

Ohio Rural Partners



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GENERAL INFORMATION**I. Introduction**

Ohio Valley Regional Development Commission ("OVRDC") administers federal and state loan programs within the parameters set forth herein, to provide credit to borrowers within OVRDC's defined market territory, subject to the availability of lendable funds from federal and state programs, the borrowers ability to utilize the funds for the specified goals, the borrower's capacity to repay, and OVRDC's proper fulfillment of a current legislative and regulatory requirements.

II. Market Territory

The twelve (12) county area served by OVRDC include Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto and Vinton Counties, Ohio. The primary goal of OVRDC is to create employment and the loan funds administered by it are geared to assisting local communities and business people to start up or expand existing businesses.

III. Credit Investigation

OVRDC will accept loan requests on approved application forms supplied by OVRDC.

IV. Application

The minimum information required to be supplied on the application consist of the following:

1. Name
2. Address
3. IRS identification number
4. Form of business conducted by applicant.
5. Number of present employees and projected number of employees within twelve months after the loan proceeds have been disbursed.
6. Information of each proprietor, partner or stockholder with 20% or more ownership in the business.
7. Source and use of project funds from private lenders.
8. Applicant's own equity, as well as other federal or state funds.
9. Information regarding banking and trade references.
10. A history and description of the business.
11. A statement detailing the purpose and exact uses of the loan.
12. A statement on the anticipated benefits from proposed financing to the business and the community. Provide a three (3) year schedule of jobs to be created.

13. A balance sheet and profit and loss statement for the three (3) previous years.
14. A current balance sheet and a current operating statement (not over 90 days old). A pro forma balance sheet and projected current operating statement for two (2) years with notes of explanation.
15. A monthly cash flow analysis for the next twelve (12) months or three (3) months beyond the break-even point.
16. The names of affiliates and/or subsidiary firms. Last fiscal year end financial statement for the listed firms.
17. Resumes of key management personnel.
18. a) Expansion Loans
A list which contains the original date and amount, present balance owed, interest rate, monthly payment, maturity and security for each loan or debt that your business currently has. Please indicate whether the loan is current or delinquent.

b) New Start-Up Loans
A list which contains the original date and amount, present balance owed, interest rate, monthly payment, maturity and security for each loan or debt that each proprietor, partner or shareholder with 20% or more ownership of the business currently has. Please indicate whether the loan is current or delinquent.
19. Current personal financial statement for each proprietor and partner, and each stockholder with 20% or more ownership of the business.
20. Preliminary plans and specifications covering new construction, and supplier estimates of cost for machinery and equipment.
21. A letter from the participating lender(s) state the terms and conditions of its participation and the reasons why it will not finance the entire project. Borrowers from the RLF must provide evidence acceptable to OVRDC that credit is not otherwise available on terms and conditions which would permit completion, successful operation or accomplishment of the borrower's project.
22. A list of collateral to offered as security for the OVRDC loan. An independent appraisal may be required.
23. A marketing plan which supports the sales projections identified in the pro forma financial statements.
24. Supporting documents such as credit reports, letters of intent, letters of reference contracts, legal descriptions, patents or pending patents, copies of releases, feasibility studies, etc.
25. Required certifications, where applicable.

V. Strict Compliance With Minimum Application Standards

OVRDC will require and verify the minimum standards for applications as outlined above. The Loan Review Committee will review each application to verify that the borrowers

meet the minimum requirements of EDA, ARC, and this Loan Manual prior to approving an application.

VI. Loan Authority

In no case may any individual staff member of OVRDC commit to a loan above his or her assigned loan authority without proper concurring approval. All loan authorities shall be approved by the Loan Review Committee.

VII. Corporate Organization

A copy of OVRDC's By-Laws outlining the composition and method of selecting the members of the board of directors, committees and officers is attached hereto as Exhibit "1". An organizational chart of OVRDC's structure is attached hereto as Exhibit "2".

VIII. Exceptions To Policy

It is understood that exceptions to this loan policy do occur; however, each exception shall be dealt with on an individual basis. All exceptions must be documented by a memorandum to the file or on the credit application, by the lender, stating the justification for granting the exception.

IX. Right to Modify or Amend the Loan Manual

It is understood that OVRDC currently administers various federal and state loan programs, and may qualify to administer other programs in the future. Accordingly, as the rules, regulations or requirements of specific loan programs administered by OVRDC change, or new loan programs are added, the provisions of this Loan Manual may need to be modified, amended or altered consistent with the federal and state policies. OVRDC reserves the right to modify, alter or amend the rules, regulations and requirements as specified in this Loan Manual at any time subject to state and federal agency approval of said modifications or amendments. Such amendments or modifications may be applied by OVRDC on all new applications or applications which have not yet been approved by the Loan Review Committee as of the date of such amendment or modification.

REQUIREMENTS FOR LOAN APPLICATION AND OBJECTIVES

I. Statement of OVRDC Goals and Objectives

The loan funds administered by OVRDC are established to meet the following goals:

1. Encourage the expansion and stability of the economic base of the geographic market area served by OVRDC.
2. Encourage increased employment opportunities, particularly for low/moderate income residents in the aforementioned geographic market territory.
3. Stimulate private sector capital formation.
4. Assist with small business development.
5. Encourage the redevelopment of blighted or vacant land or facilities or productive business or industrial uses.
6. Stabilize and diversified the economy of the twelve (12) county territory by providing employers with needed capital for start up or expansion or retention of businesses or industries located within the territory.
7. Coordinate, to the greatest extent possible, with other local, regional state or federal economic development activities and organizations.

OVRDC will coordinate with other area redevelopment investments, including investments to be made from the OVRDC Appalachian Regional Commission (ARC) and Economic Development Administration (EDA) revolving loan fund programs, as well as the various economic development/oriented programs operated by the State of Ohio through the Small Cities Community Development Block Grant (CDBG) Program, as well as others.

II. Identification of Financing Problem

In meeting the aforementioned goals and objectives, OVRDC will assist in addressing financing "gaps" created by the area's financial problems which have been identified by local officials and community and business leaders, as well as others, more particularly described as follows:

1. The reluctance of area lenders to use underwriting standards to allow participation in high-risk ventures.
2. The lack of fixed-rate and/or long term financing opportunities from the area financial institutions.
3. The generally conservative lending practices of area financial institutions.

These financial problems have been one of the principal reasons for the area's general, chronic economic distress, which is characterized by very high unemployment, low per capita income and declining economic development activity and tax base.

The loan programs administered by OVRDC will not be used to compete with or replace the local lending institutions. OVRDC's programs will provide the financing required to compliment the conventional financial resources available. The working capital needs of a

business or industry may be addressed by many of the loan programs administered by OVRDC by providing an amount necessary to induce the local financial institutions to complete the financial package. The programs provide direct loans to the business or industry at a favorable interest rate and with flexible terms. The effect of blended interest rates and terms for repayment will be an incentive for the business or industry to proceed with an otherwise unfeasible project.

III. Targeting Criteria

In order to meet the goals, objectives and identified financing needs of the loan programs administered by OVRDC, all private, for profit, business and industrial concerns located or operating, or willing to locate and operate, within the geographic boundaries of the twelve (12) county territory are eligible for participation in the OVRDC loan programs.

Eligibility to participate in the loan programs are based on the above location requirements initially. However, participating businesses or industries must create or retain private sector jobs, and the loans will be targeted to small, locally owned manufacturing or service business or industries, where opportunities for private sector job creation are the greatest. The OVRDC administered loan programs will also target loans to businesses or industries that have the greatest potential for "spin-off" economic impact. Changing conditions may result in the targeting of certain loan funds to meet economic needs of more specific locations, sectors of the loan economic and/or population groups.

IV. Standards for Overall OVRDC Loan Funds

The following describes the standards to be achieved by the total cumulative impact of the OVRDC loan funds as a whole, and individual loans will generally conform to these standards, but may vary depending upon the economic benefits to be achieved by each loan. The following standards, together with the targeting criteria outlined above, will determine OVRDC's loan programs effectiveness as a tool for economic development and serve to distinguish its loan programs from other conventional lending services:

1. Eligible applicants for financial assistance will include private for profit businesses or industrial concerns, including, but not limited to:
 - a) Locally owed and outside owned businesses or industries willing to operate or expand within the market territory;
 - b) New businesses or expansions or retention of existing businesses;
 - c) Traditional or new technology and/or utilization of regional resources;
 - d) Industrial or commercial borrowers;
 - e) Small businesses or large companies;
 - f) Private developers are eligible applicants, but only for the types of projects listed in the RLF Plan. The same criteria for granting loans to operational business activities apply to developers. Developers will be required to hold binding commitments for occupancy from private business tenants that meet the established job to loan ratio;
 - g) A borrower is only eligible for RLF financing when credit is not otherwise available, on terms and conditions which would permit completion, successful operation or accomplishment of the borrower's project. The

intent in not to displace local capital which is available under terms and conditions which would permit the success of the borrower's project.

No more than 70% of the OVRDC administered loan funds will be made available to commercial or retail borrowers.

2. Projects should produce at least one (1) new or retained full time equivalent job (FTE) for each \$15,000 of loan funds disbursed. New job creation contributable to loaned funds must occur within twelve (12) months of the project completion date.
3. The ratio of OVRDC administered loan funds to other private sector funds must be as follows: **ARC Loans: 1:1** **EDA Loans: 1:2**
4. No applicant will be denied a loan on the basis of race, color, national origin, religion, age, disabilities or sex.
5. Special consideration will be given to businesses or industries which meet one (1) or more of the following criteria:
 - a) High degree of linkage within the area's economy;
 - b) Introduction of new goods or services to the area;
 - c) Low or moderate income enterprise;
 - d) Minority business enterprise;
 - e) Prevention of loss of significant number of employment opportunities, but for the involvement of an OVRDC loan program;
 - f) Redevelopment of blighted or vacant land or facilities for a productive use;
 - g) Significant employment creation;
 - h) Significant generation of additional tax revenue;
 - i) Significant growth potential;
 - j) Women's business enterprise; and
 - k) Pollution abatement and other improvements to help firms meet environmental standards.

V. Gap Financing

The purpose of the RLF Fund is to provide Gap Financing or financing where commercial lending sources are unable or unwilling to provide financing for the entire project. A borrower is eligible for RLF financing when credit is not otherwise available on the terms and conditions which would permit completion and/or the successful operation or accomplishment of the project activities to be financed. The RLF grantee is responsible for determining that a borrower meets this requirement and for maintaining documentation in the loan file describing in each case, the basis for the determination. Proper documentation of these facts must be provided to the RLF in order to qualify for the RLF loan proceeds. The RLF will strictly review

and administer this aspect of the loan application process in order to ensure proper compliance with the Gap Financing eligibility requirement.

VI. Financing Policies and Techniques

1. The estimated total number of loans to be completed by OVRDC and the timeframe in which they will be completed is more particularly described on Appendix A attached hereto and incorporated by reference herein.
2. The estimated average size of loans is \$25,000 with a maximum limit of \$100,000 available to a single borrower from all sources administered by OVRDC. This policy for present and future loans may be waived if the success of the project is determined by the Loan Review Committee to benefit significantly the area and to meet and exceed the underwriting standards. Specific loan programs have maximum limitations for each borrower as specified on Appendix B.
3. Eligible types of loans include the following:
 - a) Fixed asset loans for the acquisition and/or improvement of land, buildings, plant facilities and equipment, including new construction or renovation of existing facilities, demolition and site preparation;

To be considered a fixed asset, new or improvement equipment must have at least a five (5) year useful life;
 - b) Working capital loans with the restriction that no more than 50% of the OVRDC loan fund capitalization will be made available for working capital loans;
 - c) Loan guarantees with the restriction that the procedure can only be done in the revolving phase, after the full disbursement of grant funds are made. The RLF may be used to guarantee loans of private lender provided that OVRDC has obtained EDA's written approval of its proposed loan guarantee program.
4. The following projects will not be considered for financing eligibility for the OVRDC loan funds:
 - a) Speculative activities such as land banking and the construction of speculative buildings are not permitted since they do not normally result in near-term job creation or retention, or any perspective employment normally under the control of the borrower;
 - b) Loans which assist the relocation of jobs or businesses or industries from one (1) labor area to another;
 - c) Loans for the purpose of investing in high interest accounts, certificates of deposit or other investments not related to job creation or retention;
 - d) Those loans made to applications who are not willing to offer equal opportunity in the employment of women and minorities;

- e) Those loan applicants who can not demonstrate their ability to repay the loan;
 - f) Those loan applicants who can not demonstrate their ability to repay the loan;
 - g) Those loan applicants who do not have proper certificates, licenses, patent rights and permits in advance of operations;
 - h) Those ventures requiring 100% financing by a OVRDC loan program;
 - i) Those ventures that are not current with local, state or federal taxing authorities;
 - j) Those ventures that are not current with other private sector state or federal loans;
 - k) Those ventures with cash or equity less than 10% of the project costs;
 - l) Franchise businesses;
 - m) Those ventures with inherent environmental problems;
 - n) Those ventures with the capacity to borrow funds from conventional sources on acceptable terms;
 - o) Purchase or finance equity in private businesses;
 - p) Subsidize interest payments on existing loans;
 - q) Refinance loans made by other lenders;
 - r) Provide the equity contribution to qualify for EDA business loan or other federal programs; and
 - s) Loan or guarantee a loan to any recipients of a Federal Direct Loan or guarantee assistance without prior written notification of ARC and the Federal Agency involved.
5. Potential Conflicts of Interest. Pursuant to OVRDC's Formal Conflict of Interest Policy, loans which would create a potential conflict of interest for any board members, officers or staff members of OVRDC who review, approve or otherwise participate in decisions on loans are prohibited. Former members of the board, former staff and former members of the Loan Review Committee are barred from making loan applications for a period of one (1) year from the date of termination of service to OVRDC. Loan activities which directly benefit these individuals or people related to them by blood, marriage or law are prohibited for a period of one (1) year from the date of termination of such related person. Verification of no potential conflict of interest shall be confirmed at each LRC meeting where a loan application is being considered.
6. Applications. All applicants for assistance from an OVRDC loan program will be required to file a formal application with OVRDC. OVRDC will require sufficient information to assure that the project is feasible, that OVRDC loan fund

financing is necessary, and that the project will go forward is assistance is provided.

7. OVRDC will identify and direct the applicant to pursue other programs offered by local, state or federal authorities and programs, including but not limited to, the following:
 - a) Appalachian Regional Commission (ARC) Grant & Loan Programs;
 - b) Economic Development Administration (EDA) Grant & Loan Programs;
 - c) Farmers Home Administration (FmHA) Grant & Loan Programs;
 - d) Small Business Administration (SBA) Loans & Loan Guarantees;
 - e) U.S. Department of Housing and Urban Development (HUD) Urban Development Action Grants (UDAG);
 - f) Industrial Revenue Bonds (IRB's);
 - g) Ohio Department of Development (ODOD) Community Development Block Grant (CDBG) Programs;
 - h) ODOD Economic Development Financing Commission Loans & Loan Guarantee;
 - i) ODOD Minority Development Financing Commission Loans;
 - j) Linked Deposit Program Loans.
8. 10% of the total project costs must be provided by principal or equity of the applicant from the applicant's own source of funds, and may not be borrowed funds.
9. Each loan approved by the Loan Review Committee will be evidenced by a promissory note and secured by appropriate collateral, mortgages, security agreements, UCC financing statements, or other liens. OVRDC may take a subordinate position on mortgages, security agreements or other liens, if necessary, in order for a project to proceed. OVRDC loan fund programs shall also be secured by the personal guarantees of principals, proprietors, general partners, and shareholder of applicant.
10. Unless otherwise provided by the Loan Review Committee, the minimum interest rate to be charged by a loan program administered by OVRDC will be:
 - a) EDA Loans. Four (4) percentage points below the current money center bank prime rate as quoted in The Wall Street Journal, but not less than 4%, or the maximum interest rate allowed by state law, whichever is lower;
 - b) ARC Loans. Four (4) percentage points below the current U.S. treasury rate for an issue of similar size and maturity, but not less than 4%, or the maximum interest rate allowed by state law, whichever is lower.

11. The term of the repayment schedule shall not be longer than the useful life of the collateral or assets securing such repayment. The standard term for financing will be for a period of five (5) to ten (10) years; however, this term may vary depending upon the financial needs of the business or industry of the applicant. Loans for working capital will be restricted to a term of three (3) years to five (5) years.
12. An equal monthly repayment schedule for the term of the loan will be required on OVRDC administered loan programs. However, at the discretion of the Loan Review Committee and to meet the credit needs of the business or industry, special financing techniques may be offered to applicants where certain circumstances warrant, including, but not limited to:
 - a) Balloon payments at the end of the shortened term requiring a re-evaluation of the borrower's financial needs;
 - b) Deferral of interest and/or principal;
 - c) Subordination of loans to primary and secondary lenders;
 - d) Revision of the repayment schedules to meet applicant's special requirements;
 - e) Providing longer term loans that are available locally for a particular type of financing.
13. A penalty of 2% of the monthly payment due may be required for any payment which is ten (10) days or more past due.
14. The Loan Review Committee may consider a borrower's request to restructure a loan or modify the terms of the loan at any time after one (1) year following the loan closing date. Any modification or restructuring shall be based on a thorough analysis of the financial capacity of the borrower and a recertification of financial need. The Loan Review Committee and the Loan Administrators must adhere to the same policies and procedures established for the initial approval of loan applicants in making determination on any request for modification or restructuring of an existing loan.
15. The loan agreement between OVRDC and the borrower will specify that the loan shall be called and the borrower found in default if the borrower should move its business or industry operations from the geographic boundaries of the twelve (12) county area during the term of the loan.
16. The loan agreement between OVRDC and the borrower will require the borrower to provide OVRDC with access to whatever records and information it has which, in the opinion of OVRDC, is necessary in order to determine that funds have been properly expended and that the projected accomplishments have been achieved.
17. The borrower will bear the costs of all accounting, appraisals, legal surveys, financial and credit analysis and other consulting services associated with the preparation and filing of the application, and closing of the loan. The borrower shall be charged a nonrefundable application process fee of \$350, with credit of this amount applying against a loan origination fee of 1.50 percentage points of the loan amount.

18. When required by the loan program administered by OVRDC, the Loan Review Committee will require documentation for all outside sources, including, but not limited to, bank rejection letter or other documentation, to support the claim that the loan program is not a substitution for private capital.
19. Through present regional planning and development organization grants, funding, fees and interest on loans, OVRDC will provide the necessary administrative services for the implementation of its loan program. Principal payments will be returned to the various loan funds for future loans. OVRDC will use between 25% and 50% of interest earned for administrative duties.

VII. Time Schedule For Loan Closing

The first loans to be funded in any loan program will have an estimated closing date within six (6) months of the loan fund approval. Upon loan application approval, a loan will be scheduled for closing within forty-five (45) calendar days.

VIII. Related Activities

In addition to making loans, OVRDC will provide other forms of assistance and services to aid business development and benefit unemployed Workers in the area.

1. Technical and Management Assistance. OVRDC will seek to involve local officers of the Ohio Technology Transfer Organization (OTTO), the Ohio Industrial Training Partnership (OITP), SBA's Service Corporation of Retired Executives (SCORE), and other similar organizations and programs, as well as local Chamber of Commerce and Small Business Development Centers (SBDC), in order to provide technical and management assistance and support to businesses requesting assistance under the loan programs.
2. Loan Packaging and Referral Services. OVRDC currently provides assistance to businesses in locating funds from private sources or other development programs and will continue to do so. Packaging of the loan programs not administered by OVRDC will benefit the market territory without drawing on the limited resources of OVRDC.
3. Linking Jobs to the Long Term Unemployed. OVRDC will encourage involvement of the local offices of the Ohio Bureau of Employment Services (OBES), the area Private Industry Council (PIC) and Community Action Organization (CAO) to insure that jobs created with loan program funds are made available to low and moderate-income residents.

**ADMINISTRATION OF LOAN APPLICATIONS
AND DISBURSEMENTS**

I. Loan Review Committee

The Loan Review Committee will administer the OVRDC loan fund programs.

1. Membership. The committee will be composed of twelve (12) individuals, one (1) selected from each of the twelve (12) counties included in the geographic market territory. Each county representative shall be appointed by the Board of Commissioners for said county and shall serve a three (3) year term without compensation and representing at least one (1) of the following areas:

- a) The business community and/or community improvement corporation;
- b) A financial institution; and/or
- c) Local government.

No more than five (5) of the twelve (12) members serving on the committee shall be from any one area of expertise listed above (at least six (6) members of the Loan Review Committee shall have commercial loan experience and shall be from the private sector – e.g., business community or financial institution). In the event there is a conflict among the counties as to which area of expertise shall be filled by which county, said counties shall draw lots to determine which area of expertise a county shall fill. The Loan Review Committee will maintain a current list of its members which will include a brief statement of each member's commercial loan experience. A copy of the current list is attached hereto as Exhibit "3". The Loan Review Committee will also maintain a current list of the Board of Directors of OVRDC. A copy of the current list of Board of Directors of OVRDC is attached hereto as Exhibit "4".

Representation on the committee shall comply with all of the federal civil rights and equal opportunity requirements.

2. Quorum. A majority of the voting members (6 members) of the committee shall constitute a quorum.
3. Meeting Time. The Loan Review Committee shall meet at least bi-monthly or six (6) times annually to review applications submitted to the Loan Administrators in the prior month. At the discretion of the Loan Administrators, meetings of the committee members may be held by telephone conference.
4. Responsibility. The committee will be responsible for the following functions:
 - a) Investment of all unobligated or recaptured loan funds in savings accounts, U.S. Treasury Securities, or similar investments, insured by agent of the federal government;
 - b) Review, selection, and approval or disapproval of loan applications;
 - c) Review of guidelines, policies and procedures for the loan program;
 - d) Selection of type of account or trust for loan payments;

- e) Review and monitoring of repayment of all existing loans on the books to ensure nondefault and monitoring of goals to be achieved for existing loans (i.e. job creation, economic development, etc.)
5. Loan Application Review. The committee will meet bi-monthly or more frequently to review loan applications presented by the Loan Administrators. The committee will review each application and the financial credit analysis of the applicant to determine:
- a) The ability of the applicant to repay the loan;
 - b) The collateral or security available;
 - c) The development benefits and other special considerations;
 - d) Any environmental concerns;
 - e) Expected hiring practices;
 - f) Interest rates and terms of the loans;
 - g) Minimum amount of participation necessary in order to qualify for the particular loan fund;
 - h) Number and type of jobs to be created or retained;
 - i) The loan fees to be paid by the borrower at the time of closing and the cost directly incurred in the processing and closing of a loan.

II. Administrative Staff Capability

The Executive Director and Finance Director of OVRDC will serve as the Loan Administrators. The Loan Administrators possess the requisite skills in the areas of loan and grant packaging, development of business and marketing plans, training programs etc., in order to properly administer the OVRDC loan programs.

Assistance of outside consultants or experts will be obtained when required:

1. Financial Review and Credit Analysis. OVRDC will obtain the services of a certified public accountant in order to prepare the financial review and credit analysis for each loan applicant. This Financial Consultant will be responsible for preparing the basic financial data and information of each loan application, analyzing the same based upon the program criteria, soundness and appropriateness as identified in this Loan Manual. After performing his analysis, the Financial Consultant will prepare a summary report on each loan application to be presented to the Loan Review Committee. The Financial Consultant will subsequently meet with OVRDC's Finance Director and Executive Director prior to the Loan Review Committee meeting and discuss each loan application or delinquent loan. This meeting will focus on the consultant's summary report and recommendation, on such questions as to the sufficiency, as well as the soundness of financial information. The meeting will also discuss the kinds of information and recommendation that will be presented to the Loan Review Committee and whether any special conditions or recommendations should be made in connection with the loan applicant under consideration. When the Loan Review Committee meets, it will hear a report

regarding the financial review and recommendations before it takes a final vote on approving any loan application or before approving any action in regard to a delinquent loan. The Financial Consultant will present his or her summary report on the financial review of each loan application to the Loan Review Committee.

2. Legal Counsel. After thoroughly discussing each loan application and in deciding the kinds of recommendations that will be made to the Loan Review Committee, the Loan Administrators will determine whether any legal questions should be addressed by OVRDC's legal counsel. If there are such legal questions, these will be discussed with legal counsel.

In addition, any loan commitment made by the Loan Review Committee will be conditional upon legal review of the loan application by its legal counsel. No loan commitment letter will be sent to an applicant until after a thorough legal review has been completed. Legal counsel will be asked to review the commitment letter before it is submitted to the loan applicant.

The Loan Review Committee, Finance Director, Financial Consultant or the Executive Director will have the ability to request that legal counsel attend the Loan Review Committee meetings to discuss possible legal questions and issues. If legal questions arise during a Loan Review Committee meeting and legal counsel is not present, the Loan Administrator, as identified, will take these questions to legal counsel in order to receive his opinion on these matters. The opinions and recommendations given by legal counsel will be reported to the Loan Review Committee before any loan commitment is finalized.

The Loan Administrators will consult with legal counsel in order to prepare the appropriate closing documents, including, but not limited to, loan agreements, promissory notes, mortgages, security agreements, financial statements, mortgage insurance, and, where necessary default notices, foreclosure actions, etc.

3. Loan Services. When required by the specific loan program, OVRDC will enter into an agreement with a local financial institution in order for the financial institution to service the OVRDC administered loan programs. Otherwise, OVRDC will service the loans. In such cases, an agreement regarding these services will be executed between OVRDC and the local financial institution for each loan program so administered.

III. Function of Loan Administrators

1. The Loan Administrators will be directly responsible for basic loan application processing, reviewing the application for completeness, insuring loan application fees are paid in accordance with established policies and addressing general administrative questions brought by the potential applicant, exclusive of financial review and analysis. Loan applications will be considered by the Loan Administrators only if they fulfill the general loan requirements as specified herein, as well as the general and specific loan requirements as dictated by the particular loan program from which the funds will be obtained.

The Loan Administrators will be directly responsible for the following:

- a) Receipt of OVRDC loan program applications;

- b) Preliminary analysis of loans based on program criteria and potential economic benefits to the project area;
 - c) Working with special staff and outside consultants as required to process or document applications;
 - d) Preparation of notices for and minutes of the Loan Review Committee meetings;
 - e) Preparation of an agenda for the Loan Review Committee meetings in consultation with the committee;
 - f) Presentations of pending and completed applications and loan program related status reports, updates, monitors, etc. as needed.
2. Loan Review Committee. The Loan Administrators will present the following at each meeting of the Loan Review Committee:
- a) Current status of the loan program, including status of all current loans on the books;
 - b) Discussion of any proposed policy and/or procedural changes to the loan program;
 - c) Financial report of administrative income or expenses;
 - d) Presentation of current applications and any recommendations regarding each application;
 - e) Updates of other area economic development efforts and programs available;
 - f) Updates of program marketing efforts.

LOAN SELECTION AND APPROVAL PROCESSI. Advertising

1. OVRDC will advertise or publicize the loan programs by means of the following methods:
 - a) Distribution of brochures or flyers to local lending institutions in the area, and to the Ohio Valley Minority Business Association;
 - b) Informational items on the OVRDC newsletter;
 - c) News articles and advertisements in area newspapers;
 - d) Presentations at County Caucus meetings and meetings of the OVRDC Minority Caucus;
 - e) Public service announcements and new stories broadcast by area radio and television stations;
 - f) Speaking engagements sponsored by area organizations;
 - g) Visits with area businesses or industries.

II. Credit Documentation

1. Credit File. A credit file must be maintained for each applicant. The file will contain the loan application, financial or credit analysis, any other credit information obtained from private lending institutions, borrowers certificate that the loan is not substitution for private capital (when appropriate), financial statements, loan agreement, closing documents, collateral documents, OVRDC Loan Review and Executive Committees' approvals, borrowing resolutions and correspondence. Contents of this file must be maintained neatly and chronological order.
2. Loan Agreement. No RLF loan shall be made without the execution of a loan agreement which shall include, but not be limited to, the following: representation as to the borrowers, guarantors, if any, terms of the loan, interest rate, collateral, use of the loan funds, equity contributions of borrowers, other sources of loan monies, etc.; language which allows recovery of the loan principal or for increasing the interest rate to commercial levels of the loan is not used for the purpose represented in the loan application or if the jobs created do not meet the grantee's RLF plan criteria by the end of the creation period; certification by borrower that credit is not otherwise available on terms and conditions which would permit completion, successful operation or accomplishment of the borrower's project from borrower's equity or from other commercial lending sources; verification that the loan proceeds shall be utilized and comply with the regulations, purposes, uses, etc., of the respective RLF fund or funding sources (e.g. EDA requirements or ARC requirements). In the event that such requirements are not met and maintained throughout the repayment period of the loan, OVRDC reserves the right to call the loan and hold borrower in default pursuant to the loan agreement.

3. Financial Statements. Financial statements not over ninety (90) days old are required for all loan request. A current financial statement is required, in file, on all loans on the OVRDC loan books. A financial statement will be considered current if it is less than one (1) year old, unless the loan program requires financial statements more often than annually.
4. Financial and Credit Analysis. A financial and credit analysis is required on all applicants and guarantors of OVRDC administered loans.
5. Insurance Requirement. The RLF will require borrowers to provide adequate hazard insurance, flood protection insurance, if applicable, and other appropriate insurance as needed in order to protect and insure the assets given as collateral for the RLF loan. Such insurance verification shall be provided in the form of an insurance certificate with the appropriate lender's loss payable endorsement noted thereon.

III. Collateral Requirement

In the determination of collateral requirements, OVRDC may consider the merits and potential economic benefits of each request. When appropriate and practical, OVRDC may be secured by liens or assignments, of rights in assets of assisted firms as follows:

1. In order to encourage financial participation in a direct fixed asset loan project by the lenders and investors, the loan may be repayable after other loans made in connection with the project have been repaid in full. The lien position of OVRDC may be subordinate and inferior to lien(s) securing other loans made in connection with the project.
2. In projects involving working capital loans, OVRDC will normally obtain collateral such as liens on inventories, receivables, fixed assets and/or other available assets of borrowers. Such liens shall be properly recorded under applicable state laws and may be subordinate only to existing liens or record and other loans involved in the project.
3. In projects involving guaranteed loans in the revolving phase, the lending institution ordinarily will be required to maintain a collateral position (to which OVRDC is subrogated) in the assets of the borrower and/or principals of the borrower such as by taking liens on inventories, receivables, fixed assets and/or other available assets of borrowers. Such liens shall be properly recorded under applicable state law.
4. In addition to the above types of security, OVRDC may also require security in the form of assignment of patents and licenses, the acquisition of hazard and other forms of insurance, performance bonds and such other additional security as the Loan Review Committee determines is necessary to support OVRDC's exposure.
5. Loan requests submitted by closely held corporations, partnerships or proprietorships dependent for their continuing success on certain individuals will ordinarily be expected to provide and assign to OVRDC life insurance on these key persons. Personal guarantees from principal owners and their spouses shall also be required.

6. In the case of sole proprietorship and partnerships, security documents providing collateral and personal guarantees must be signed by the principals as well as their spouses making them jointly and severally liable for the loan.
7. In case of corporate borrowers, in addition to the pledging of corporate assets, members of the board of directors holding 20% or more of the outstanding common stock of the corporation or 20% or more of the voting stock of the corporation must guarantee the loans.

IV. Executive Committee

The OVRDC Executive Committee shall approve each loan prior to closing of the loan upon recommendation of the Loan Review Committee at a regular or special meeting of the Executive Committee.

V. Loan Flow Chart

The following flow chart illustrates the steps of the loan selection and approval process in total:

Flow Chart

Pre-inquiry Period	Outreach Programs Marketing	County Caucus County Loan Bd. Member Newsletter, Brochures, Speaking Engagements Word of Mouth
Day 1	Receive Inquiry	If Eligible, Continue On Process
Day 2 - 5	Site Visit	Meet with Applicant for More Detailed Project Information OVRDC Identifies Other Public/Private Grant Loan Sources
Day 5 - 25	Applicant Prepare And Submits Application	OVRDC Staff Assistance If Necessary \$350 Nonrefundable Fee Charged and Collected
Day 25 - 35	OVRDC and Bank Review Application	
Day 35 - 45	OVRDC and Bank Do Joint Credit Check	Includes Term, Rate, Etc., Credit Reports
Day 45 - 60	Package Distributed to Loan Review Committee	
Day 60	RLF Loan Review Committee Meeting	1 Representative From Each County Representatives From Each Area of Expertise Decision Requires A Quorum of 6 of 11 Members With Member From Applicant's County Abstaining Committee Sets Interest Rate and Term If Decision is Based On Approval of Other Public Funds, Then Committee Approval/Disapproval Will wait until Other Funds Are Committed Rates and Length of Repayment

Day 60 - 70	Conditions Set OVRDC Executive Committee	Review and Approval/Rejection
Day 65 - 70	OVRDC Notified Applicant	If Approved By Committee, OVRDC Will Send Notification/Reservation Acknowledgment of Merit of the Project If Turned Down, Alternatives Are Examined and The Package May Be Resubmitted if Merited
Day 70 - 80	Legal Documents Prepared By Legal Counsel	Review Loan Agreement Terms, Documents, Etc.
Day 70 - 90	State or Federal Agency Reviews Approved Package (Where Applicable)	If Accepted, Loan Closing Is Scheduled
Day 90 - 100	OVRDC Closes Loan	Collect All Costs At Closing, Release Loan Proceeds Per Loan Agreement
Day 100 - 110	Filing of Documents By OVRDC and Bank	In Conjunction With Bank: Mortgage Deeds Security Agreements All Other Documents
Post Closing Activities	Servicing By OVRDC	Environmental Review Monitor Use of Proceeds Job Creation Monitoring Site Visits Business Repays Monthly Principal and Interest To The Trust or OVRDC Financial Monitoring

VI. Loan Servicing

1. Closing. Once the loan commitment has been approved by all of the parties, the closing documents have been prepared and reviewed with the applicant and the loan closing is completed and the funds are disbursed, the Loan Administrators will place the following in the credit file:
 - a) A log of all conversations and correspondence relating to the loan;
 - b) All closing documents;
 - c) The loan service check list.

Standard Loan Documents are attached hereto as Appendix C.

2. Master File. The loan will be recorded in a master follow up file to ensure loan servicing and monitoring functions are performed on a timely basis.
3. Servicing Agreement with Local Financial Institution. The agreement with a local financial institution for calculation of principal and interest and collection of payments, posting and monthly payment reports will be executed at the time of loan closing. If no such agreement is desired or appropriate, these activities will be assumed by the Loan Administrators.

VII. Loan Monitoring

1. Procedure. The Loan administrators will prepare a monthly management report which describes loans as either current or delinquent and any actions taken as follows:
 - a) Current loan servicing as required in the loan agreement; or
 - b) Delinquent accounts which is defined as a loan that is ten (10) working days past due.

VIII. Delinquent Accounts

1. Procedure. In the event an account is delinquent, the following actions shall be taken.
 - a) The Loan Administrators shall send a letter to the borrower informing them of their delinquency and requesting that they contact the Loan Administrators within five (5) working days;
 - b) If the borrower contacts the Loan Administrators within five (5) working days, the problem, possible remedies, and promised actions will be discussed and the Loan Administrator will document the results;
 - c) If the borrower does not respond within five (5) working days, the Loan Administrators will send a certified letter informing them of their continued default and request a meeting to discuss the problem and possible remedies, and to obtain a written listing of promised actions;
 - d) The Loan Administrators will conduct a timely follow up to ensure that the promised actions occur; and
 - e) In the event the promised actions do not occur, the Loan Administrators will continue to make efforts to remedy the situation and provide a full report to the members of the Loan Review Committee. If the situation is not remedied within ten (10) working days after the promised actions are to have been completed, the Loan Administrators will schedule a meeting with the Loan Review Committee. At such meeting, the Loan Administrators will provide an up-to-date report of the situation and request the Loan Review Committee's guidance and direction in the matter.
2. Late Charges. At the discretion of the Loan Administrators, a late charge of 2% of the monthly payment may be assessed on any delinquent account.

IX. Policies For Delinquencies, Restructuring and Handling Defaults

1. Delinquencies. The procedures for delinquent accounts outlined above shall be adhered to by the Loan Administrators with regard to any loan program that is ten (10) working days past due.
2. Restructuring of Loan. The Loan Review Committee may consider an applicant's request to restructure a loan or modify the loan terms after the first calendar year following the loan closing. Any modification or restructuring shall be based on a thorough analysis of the financial capacity of the borrower and a recertification of financial need. The Loan Review Committee and Loan Administrators must adhere to the same policies and procedures established for the initial approval of loan applicants.
3. Default. If a borrower is found to be in default under the loan agreement for any reason, the balance of the loan and any interest unpaid shall be called by the Loan Administrators and the following actions will be taken:
 - a) The Loan Administrators shall send a certified letter to the borrower explaining the default and requesting full repayment of any unpaid principal and interest within ten (10) working days;
 - b) In the event the borrower does not submit repayment within the time specified, the Loan Administrators will continue to pursue efforts to secure repayment and provide a full report to the members of the Loan Review Committee;
 - c) If the situation is not remedied within another ten (10) working days after the date scheduled for repayment, the Loan Administrators will schedule a meeting with the Loan Review Committee. At such meeting, the Loan Administrators will provide an up-to-date report of the situation and request the Loan Review Committee's guidance and direction in the matter;
 - d) If determined necessary by the Loan Review Committee, the Loan Administrators will initiate foreclosure proceedings against the pledged collateral and institute collection procedures against the borrower.
4. Compliance with Loan Conditions. The Loan Administrators will be responsible for the collection and maintenance of evidence of ongoing compliance with the requirements of all OVRDC administered loan programs, including projections of job creation and retention, mandatory insurance, financial reporting, and any other special conditions required. A loan servicing and monitoring check list will be used for review of compliance on a quarterly basis.

X. Sources of Funding to Cover Administrative Costs

1. Loan application, loan origination fees and between 25% to 50% of the interest payments on OVRDC administered loans will be utilized for administration costs, including legal fees and other consulting fees. Loan applicants will pay for the financial review and credit analysis and legal fees directly attributable to the processing and closing of the loan.
2. Members of the Loan Review Committee will donate their time.

XI. Recapitalization Strategy

The impact of the OVRDC loan programs is directly related to its level of total capitalization. All Recaptured loan funds and at least 50% of any interest payments on the loans will be return to OVRDC's loan funds as future capitalization. Potential sources for additional future capitalization include, but are not limited to:

1. Area foundations, corporation and individuals.
2. State and federal grant funds (e.g. ARC, CDBG)
3. Use of special provisions to generate early refinancing of sound ventures.

There is no specific timeframe for the potential availability of these other funds.

XII. Other Requirements

Compliance with applicable federal and state authorities and requirements will be required for all borrower commitments and/or loan closing documents:

1. Compliance with the following legislative requirements:
 - a) Environmental concerns;
 - i) The Clean Air Act, as amended;
 - ii) The Endangered Species Act of 1973;
 - iii) The Federal Water Pollution Control Act, as amended;
 - iv) The Historical and Archaeological Data Preservation Act, as amended;
 - v) The National Environmental Policy of 1969, as amended;
 - vi) The National Historic Preservation Act of 1966;
 - vii) The Safe Drinking Water Act;
 - viii) The Wild and Scenic Rivers Act;
 - ix) The Flood Disaster Protection Act of 1973; and
 - x) "The National Flood Insurance Program and Requirements Regarding Flood Hazards" (13 CFR 209.15).
 - b) Construction concerns;
 - i) Davis-Bacon Act, as amended, with labor standards and prevailing wage schedules;
 - ii) Regulations concerning "Land Use Near Federal Airfield";
 - iii) "Certification as to Waste Treatment" (13 CFR 309.1);
 - c) Civil rights concerns;

- i) “Nondiscrimination on the Grounds of Sex” (13 CRF Part 311, Subpart D); and
 - ii) “Civil Rights and Title VI of the Civil Rights Act of 1964” (13 CRF Subtitle A, Part 8).
- d) Disability concerns;
 - i) Access for the handicapped – all loan projects involving construction of new facilities will provide for elderly or handicapped accessibility;
 - ii) “Americans With Disabilities Act” (ADA), 1990.
- 2. Description of employment practices and other civil rights information (E.E.O. certifications) will be a part of all loan applications.
- 3. Current and projected employment date will be requested in all loan applications.
- 4. A certification prohibiting the use of loaned funds for the relocation of borrowers will be a part of all loan applications.
- 5. A certification indicating that the borrower or any individual related to borrower is not a member OVRDC or the Loan Review Committee.
- 6. Drug-free workplace requirement.
- 7. Borrower’s certification in form and content as attached hereto as Exhibit “5”.
- 8. Credit bureau authorization from borrower and all guarantors.
- 9. The Ohio Historic Preservation Office will be contacted by the Loan Administrators prior to approval of any project with a potential effect on historic and/or archaeological resources.
- 10. A preliminary project review by the Loan Administrators will identify any potential area a noncompliance with the aforementioned requirements.
- 11. Upon loan approval, the Loan Administrators will request the assistance of the local government’s labor compliance officer to assure compliance with labor standards and prevailing wage schedules during construction of projects.