

**MOHAWK VALLEY REHABILITATION CORPORATION**

**REVOLVING LOAN FUND PLAN**

**PART I.**

**REVISED AND APPROVED ON  
June 15, 2010**

**PART II.**

**REVISED AND APPROVED ON  
August 19, 2009**

## **FOREWORD**

**The Mohawk Valley Rehabilitation Corporation (MORECO) revolving loan fund (RLF) was created through the efforts of the Mohawk Valley Economic Development District, Inc. (MVEDD).**

**MORECO was formally established on September 14, 1978 under Section 402 of the Not-for-Profit Corporation Law of the State of New York.**

**Its by-laws were most recently amended by action of the Board of Directors of MVEDD in April, 1991.**

**The MORECO Certificate of Incorporation, MORECO by-laws, Memorandum of Agreement between MORECO and MVEDD, annual MORECO audits and the MORECO RLF Plan are available for public review at the office of MVEDD, 26 West Main Street, PO Box 69, Mohawk, NY 13407-0069.**

**For taxation purposes, MORECO has been designated a 501 (c) (4) corporation under the Internal Revenue Code.**

## **Part I: THE REVOLVING LOAN FUND STRATEGY**

(Rev. approved by MVEDD BOD 6/7/10 and MORECO BOD 6/15/10)

### **A. OVERVIEW OF REGIONAL ECONOMICS**

#### **1. ECONOMIC CHARACTERISTICS**

##### **Physical Geography Profile**

- Geographically, the Mohawk Valley region is part of central New York State, surrounded by the Adirondack Mountains and the Tug Hill Plateau on the north, the Finger Lakes region on the west, the Allegheny Plateau on the south and the Hudson River Valley and Catskill Mountains to the east.
- The heaviest population centers lie along the Mohawk River and are within strategic distance of Montreal and Quebec, Canada to the north, Boston to the east, New York City to the south and Buffalo/Erie/Cleveland to the west.
- The topography of the area is a beautiful mixture of gently rolling hills, river valleys and low mountains. Rough mountainous terrain can be found in the Adirondack areas to the north in Oneida, Herkimer and Fulton County and the Catskills influence in southern Schoharie. Valley characteristics across the region are found along the rivers and streams which feed the Mohawk River. The elevations range anywhere from 500 feet to 2000 feet in the Adirondacks.
- Historically, availability of water led most settlers to locate their communities along the running waters, particularly during the 19<sup>th</sup> century when canals reached their heyday. The valley areas and rolling hills lent themselves to small family farms which thrived amidst the very fertile soils. In much of the Mohawk Valley, there remain rich stands of mixed softwood and hardwood. Particularly in the northern mountains, these resources have led to a strong wood industry and, with plentiful lakes, a tremendous recreational asset.
- The area's climate can be described as typical humid continental. Four somewhat distinct seasons present a variety of weather. Annual rainfall lies in the 40 to 60 inch range. Growing season is roughly May 1 to September 1, perhaps less in higher mountainous elevation. Average daily temperatures range from the high 20's in January/February to lower 80's in July and August.
- Other than sand and gravel mining operations, there are no other appreciable mineral supplies which provide a basis for industrial refining.

## Infrastructure Profile

- **The District, both in its urban and rural areas, is well-served by an electric grid provided by two major producers, New York State Electric and Gas, Niagara Mohawk Power Corporation and several communities are supplied by lower cost, hydropower through either rural cooperative or a large statewide municipal cooperative association. Regulated by both the Power Authority of New York and Public Service Commission, these suppliers provide ample opportunity for expansion into any unserved areas. Both utilities staff and state officials have periodically worked together to extend electric energy, with state assistance, to any economic development projects.**
- **The two major suppliers of wire communications within the region are Verizon and Citizens' Communications. There are a number of independent, small systems in certain geographic areas. The infrastructure for wire communications has been challenged with the advent of Internet access. Companies across the region have been hard pressed to make considerable upgrades to meet the demands of so many Internet connections.**
- **In most of the villages and all the cities, water and sewer services are provided through state regulated systems. The State of New York's Department of Environmental Conservation has jurisdiction over the operating requirements of wastewater treatment systems; the Department of Health oversees water systems. There is considerable economic development assistance available through revolving loan funds at lower than commercial lending rates for the upgrade of both systems. One of the largest challenges for communities is the periodic replacement of the distribution/collection systems in light of the age of many communities' pipes. This continues to be a priority for many of our communities, although the costs borne by system users may be prohibitive. However, there is generally excellent capacity for providing both services in the case of economic expansion.**
- **A great strength of the region lies in its excellent primary highway system. Major state routes dissect the region and enhance the location of large industrial and distribution facilities. East-west highways include the New York State Thruway (Interstate 90, toll, with 8 interchanges) and Interstate 88, Routes 5, 5S, and 20. The north-south connections are provided by Routes 8, 10, 12, 28 and 30. New York State has kept pace in terms of upgrading these major arteries through regular appropriations as well as special bond acts passed periodically within the last 20 years. Local highways are generally graded well above other states' highways in the Northeast and Middle Atlantic regions.**

- Although rail transportation has declined considerably in the past decade with regard to track miles, it still has a significant presence in the region. Major rail service, both passenger and freight, is provided along the length of the Mohawk River. A number of shorter spurs off this main east-west track shoot north and south into the heart of the District. A special rail line, the Adirondack Railway extends north from Utica into the Adirondacks, and despite the costs of rehabilitating this once defunct line, it stands as a regional priority for its tourism and recreation potential. Many of the now abandoned spurs across the district are currently converted to hiking, biking or snowmobiling trail assets. The most recent success story is the Fonda-Johnstown-Gloversville run.
- Only two airport facilities have minimum 3000 foot, paved runways and lighting for night flying—these are the runway at the former Griffiss Air Force Base (recently designated as the Oneida County Airport) and the former county airfield/terminal in the Town of Whitestown. Neither of the two main facilities is served by commercial airline providers. There are a number of small private airports which have reliever status, but have facilities only for small private aircraft. A significant limiting factor for business development is the travel necessary to reach regular domestic flights from national carriers. Travelers must commute no more than one hour to the east (Albany) or west (Syracuse).

### Clusters

Today, the Mohawk Valley is known for a variety of work clusters. The MVEDD has observed current available data and grouped the clusters into two groups: High Growth and Low Growth

#### **High Growth Clusters**

**Financial/Banking Services  
Health Services/Medical Equipment  
Warehousing/Distribution  
Business Services/Computer Technology  
Tourism/Entertainment  
Wood/Wood Processing  
Metals/Materials Processing**

#### **Low Growth Clusters**

**Government/Education  
Construction  
Retail Services  
Electronics/Home Products  
Plastics/Toys  
Textiles/Clothing  
Agribusiness**

## 2. DEVELOPMENT OF ADJUSTMENT STRATEGY

The economic adjustment strategy was developed in-house and derives from two sources: (1) District's Annual CEDS Process and (2) Partners in Economic Development.

### Partners in Economic Development

In many of its activities, the District cooperates with and coordinates tasks with a wide variety of private and public agencies involved in community and economic development. In all cases we monitor the activities of each agency and in certain projects are direct partners with the agency.

Chamber of Commerce—Herkimer County, Greater Utica, Rome Area, Montgomery County, Otsego County, Fulton County Area and Schoharie County

The Genesis Group

Fulton County Economic Development Corporation

Montgomery County Department of Economic Opportunity and Development

Mohawk Valley EDGE

Otsego County Economic Development

Herkimer-Oneida County Comprehensive Planning Program

Fulton County Planning Department

Otsego County Planning Department

Montgomery County Planning Department

Schoharie County Planning and Development

Industrial Development Agencies—Herkimer County, Fulton County, Montgomery County, Schoharie County, Otsego County and Cities of Rome, Utica and Amsterdam

Cooperative Extension Associations (Fulton/Montgomery, Oneida, Herkimer, Schoharie/Otsego)

Workforce Investment Boards (3)

New York State Business Council

New York State Economic Development Council

National Association of Development Organizations

New York State Departments—Economic Development, Transportation, Agriculture and Markets, Health and Environmental Conservation

New York State Commission on Rural Resources

New York State Association of Towns

New York State Association of Counties

New York State Conference of Mayors

Oneida Indian Nation

Local Government Education Committee

Mohawk Valley Leatherstocking Agriculture Region

Supervisory BOCES Districts (6)

Two-year Colleges—Fulton/Montgomery, Herkimer and Mohawk Valley (public)

Four-year Colleges—Hamilton, Hartwick and Utica (private)

Cobleskill, Oneonta and Institute of Technology (public)

### **3. STRENGTHS, OPPORTUNITIES, WEAKNESS, THREATS**

**EDA has requested an analysis of the strengths/opportunities and the weaknesses/threats to the economic system of the Mohawk Valley. In reporting on these issues, it can become a very dangerous practice to characterize an area based on a list of generalizations. Each statement is a complex issue unto itself and must be viewed within the context of not only the region, but also nation and global economic community. Those of us in economic development need to be attentive to continuing to develop on our strengths while tackling and taming some of our weaknesses. In short the lists below could just as easily be grouped as general characteristics or influences. They are not mutually exclusive issues, even though we may try to categorize them into two categories.**

#### **Strengths and Opportunities**

**A large number of new immigrants, particularly from South Asia, the Russian republics and Eastern Europe states have made their way to the Mohawk Valley workforce; they are trainable and eager to work.**

**The general work ethic of the Mohawk Valley is stronger comparative to other regions of America.**

**We have a low crime rate compared to many communities across America; there is a community spirit that lends itself to community watch groups.**

**Our farms have some of the most fertile soils in the nation.**

**We have a plentiful, quality supply of water.**

**The Mohawk River and its tributaries offer immense opportunity for tourism/recreational related activities.**

**Our communities are provided with water and wastewater systems, natural gas and electricity where, in other area of the country, these services would need to be built new and/or extended.**

**Our road system is extensive, generally considered above average; the care and maintenance is superior to many states.**

**We possess some of the most varied and beautiful scenery found anywhere in the nation, providing us with the raw materials for tremendous outdoor recreational opportunity.**

**There is plenty of open space for residential and/or industrial development.**

**The Mohawk Valley is centrally located in the center of the Northeastern United States and the lower Ontario/Quebec metropolitan areas.**

**Our consumer goods cost of living is below the national average for most of the commonly surveyed goods and services.**

**The physical plants of our local schools and colleges are extensive and, over the past ten years, have undergone tremendous rebuilding/retooling.**

**Although ground minerals are scarce, our sources of hardwood and softwood are considerable and the quality rivals areas of the nation.**

**The revamping of our workforce programs, involving recruitment and training, has occurred recently and led to one-stop shopping under the Workforce Development initiative.**

**New York State government has considerable cut regulations which prevented business from looking favorably upon locating in our state just ten years ago.**

**New York State has cut taxes more than any other state in the nation in that time period; examples are workers' compensation rates, gross receipts taxes and both personal and corporate income taxes.**

**The State has instituted several innovative business assistance programs such as Industrial Access, Power for Jobs, Empire Zones, etc.**

**The region has succeeded in diversifying its industry base so as to protect it from further recessionary cycles.**

**The region's citizenry has experienced somewhat of a rebirth in optimism, an improved opinion of the area.**

**A number of groups have focused their efforts on the development of tourism/recreation to take advantage of the natural attractions this region possesses.**



## Weaknesses and Threats

**International competition as well as lower-cost labor in offshore factories has continued to decimate the garment/leather industry.**

**While agriculture is subsidized significantly in Europe and Canada, our farmers are not; free trade has resulted in challenges for domestic meats, greenhouse and dairy products.**

**Unfairness of the federal milk price support system and failure to adopt the Northeast Dairy Compact has led to extreme distress for the small family farm.**

**A Native-American land claim threatens upheaval within thousands of acres of existing homes, farms and factories in our largest county.**

**High-energy costs and dependence on fossil fuels (natural gas, electric, propane, gasoline, fuel and heating oil) raises production and transportation costs. Our cool spring/fall and cold winter climate is a disadvantage in comparison to the Sun Belt.**

**Considerably less than 30 percent of the adult population possesses any 2- or 4-year or advanced college degrees; this affects negatively recruitment of high-pay firms demanding high technology, high-skilled workers.**

**There is a dearth of cultural opportunities which compete with those of larger urban areas.**

**Many overlapping, sometimes uncooperative and even conflicting levels of government administration make industrial/business development difficult.**

**Generally higher business and individual tax rates with heavy dependency on regressive property tax are not attractive here as in many southern and western states.**

**Failure to address for many years the existence and clean up of old industrial sites has left us with some eyesores which would, if cleaned, provide ready, serviced development potential. We also lack modern, ready-to-occupy industrial space.**

**Existing telecommunications infrastructure is inadequate to handle high demands of increasing technology.**

**A more conservative banking community makes start-up and venture capital funding more difficult.**

**There is savage competition both intra- and inter-state for attracting new firms to the area; we realize that our abilities are limited in influencing corporate decisions in the global marketplace.**

**For many years, there has been a negative dollar flow between federal government and New York State; this has sapped our state's redevelopment resources.**

**Increasing bureaucratic inertia to change and waste with each and every higher level of government is a frustration to those involved in economic development.**

**We are seriously handicapped by the flight of youth, especially our brightest and best, to other regions in America.**

**Public education continues to receive low grades for making links with the private business community in adapting course work to the requirements of a changing workplace.**

#### **4. DISTRICT GOALS**

**The Mohawk Valley Economic Development District (MVEDD) has established a general list of goals which guide the overall work program and capital project priorities of its operation. These goals reflect the importance of our region's diversity. Our region's development is based on the interdependence and interaction between its urban centers and large rural area.**

**Since the District's creation in the 1960's, a number of the original goals have been added, some deleted and others amended. The District goals below are not listed in any particular priority order.**

- 1. To develop flexible financing methods and mechanisms to stimulate job creation and/or retention in the private sector;**
- 2. To assist in and encourage the development of new and expanded market opportunities for the private sector which will enhance their cash flows and, in turn, stabilize their business operations and increase job opportunities;**
- 3. To promote the viability, growth and retention of small businesses with special attention to the following: niche manufacturing and alternative energy generation;**
- 4. To facilitate those situations which will enhance job-generating opportunities for the disenfranchised segments of our economy and encourage our youth to spend their lifetime in the communities where they were raised;**
- 5. To develop partnerships with labor agencies and public/private institutions of higher education in order to expand and enhance our most valuable resource, a well-trained labor force;**
- 6. To encourage the improvement of the District's intermodal transportation system;**
- 7. To develop new industrial parks and sites in the District;**
- 8. To encourage intergovernmental cooperation in the reduction and abatement of air, water and land pollution and to facilitate the redevelopment of brownfields;**
- 9. To promote agriculture and related businesses thereby reversing the decline of this economic sector in the District;**
- 10. To further utilize the District's natural resources and its historic and cultural attributes to stimulate tourism, industrial and business development;**

- 11. To encourage intergovernmental cooperation, with particular emphasis on sharing services and consolidating local service providers; to develop regional solutions in regard to plans and strategies;**
- 12. To stimulate expansion of the manufacturing and service industry sectors, with particular emphasis on the diversification of the local economy, as a means of providing long term stability in private sector employment;**
- 13. To develop, upgrade and expand modern, serviced infrastructure, including water, sewer, natural gas, electric and wireless communications acceptable to state regulatory requirements, and which will allow the District to capitalize on job generating opportunities;**
- 14. To encourage expansion of the supply of affordable and adequate housing in the District; and**
- 15. To assist, encourage and promote the redevelopment and reuse of the former Griffiss Air Force Base.**

## **5. WORK PROGRAM**

**Over a wide variety of economic criteria, as established by the Census Bureau and Department of Labor statistics, the Mohawk Valley region has been recognized as an area with substantial economic distress, characterized by both declining population and continued stagnation of its more traditional industries, both manufacturing and agriculture. In its forty-plus year history, the Mohawk Valley Economic Development District (the District) has been a catalyst for economic development. Still there is much to be done in terms of serving a considerable number of unemployed and underemployed residents. In addition, our region (as part of 49 upstate counties, if considered against all states) would rank 51<sup>st</sup> in attracting young educated, workers according to a recent Federal Reserve study.**

**The District was created and has adapted over its history to coordinate and cooperate with each of its counties' economic development and planning structure in an array of activities. Mohawk Valley Economic Development District has emerged with three major responsibilities: Serving as a conduit for the development of Economic Development Administration (EDA) infrastructure projects; providing alternative, flexible financing for the development of small businesses; and assisting local governments in making the administration of services more effective and efficient. The latter responsibility emerges as local governments are approaching a crisis in raising revenues made necessary by state mandates and a state government whose spending continues to outpace the cost of living and whose public debt burden is among the highest in the nation.**

**For summary purposes, the work program of the District can best be addressed by reviewing its goals and providing specific examples of projects in which the District is involved:**

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The District offers flexible financing methods and mechanisms to businesses which need funding for real estate, equipment or working capital to either retain jobs or create new ones. The District operates two affiliated corporations Mohawk Valley Rehabilitation Corporation (MORECO) and Mohawk Valley Certified Development Corporation (MVCDC), which offer business financing under very favorable terms to existing businesses. We market these economic development resources at a variety of functions and also use each county's economic development system effectively for referrals. The District will pursue decertification of its SBA 504 program and work with the New York Business Development Corporation on a unique partnership in marketing the 504 program regionally.

The District tries to assist economic development agencies in expanding market opportunities for our region's businesses. Staff participates in periodic economic forums to support the region's business growth. Through our participation in a network of community and economic development agencies, we will review and recommend new ways of marketing the region's benefits to potential new employers. We will further develop a new relationship with a collaborative partner, the Genesis Group, and a variety of their initiatives.

The District facilitates opportunities for unemployed or underemployed citizens, especially minorities and new immigrants, for employment. We will do this by continuing to assist expanding businesses which seek these very hardworking individuals. Staff continues to serve in several projects which help to develop the one-stop mechanism of taking a worker from training directly into the workplace particularly our participation in Workforce Investment Board (WIB) activities. We will continue to be part of agency update/outreach meetings which are held regularly.

The District will work in partnership with educational institutions to improve the necessary skills for our workforce as the requirements of employment have changed over the years. The District will pursue continued lowering of barriers between the private sector businesses and the public school system in encouraging more direct contact. For community colleges, this translates into further efforts to institute incubator activities, specific worker training in all sectors—manufacturing, agriculture and tourism, and increased usage of college facilities for community/local government involvement. The District will cultivate educational/internship activities between the business sector and our colleges/high schools.

The District will continue to monitor and affect the improvement of the District's intermodal transportation system. Specifically, we will monitor and participate wherever possible in several corridor development groups which have been created in at least four of our member counties. We also monitor and participate in efforts to use our excellent transportation network and rework improvements with community and economic development needs in mind. Particular projects include improvements at various Thruway interchanges and industrial access along Routes 5, 5S, 7, 30, 30A and 67.

**The District will further develop the region's industrial and business park sites. Specific projects include development of Glen/Canalview Business Park and further expansion of Florida Business Park, the completion of electric/gas supply at Route 5S South Business Park, further build-out along Fulton County Airport/Fulton-Montgomery Community College/FMH BOCES corridor, Otsego County and Schoharie County business park needs and in Oneida County with Utica's Gateway Project and development activities in West and South Rome.**

**The District will promote projects which further reduce pollution of land, water and air and thereby enhance our quality of life and natural beauty. Staff will continue to work with local governments on cleanup issues of abandoned industrial buildings. In addition, we will endorse projects and assist in finding funding for hazardous waste sites which can be reused for business purposes. We will continue to work with our municipalities as the changes in New York State law with respect to long-term reuse of brownfields become more defined. We will assist wherever possible as communities look to expand the capacity of their wastewater systems and extend collection into unserved areas.**

**The District will participate with other agencies in projects which help reverse the decline of the agriculture sector, a major but troubled part of our regional economy. We will continue to search for agricultural production-based projects which could access our loan programs to help redirect farm production in more diverse directions. We will seek to continue the activities of the Mohawk Valley Leatherstocking Agricultural Region Committee. The existence of a regional voice for agribusiness must be available to concentrate and encourage our resources toward reinvigorating this sector of our economy. We will monitor federal/state development of alternate, renewable fuels as a way to reduce our foreign dependence upon oil.**

**The District will build further on our underutilized natural and historic attributes which stimulate tourism. We will continue to support and monitor the Scenic Byways project and the packaging of our canal heritage through the activities of local governments. The District will encourage our region's tourism agencies to consider developing daily, theme-based travel itineraries for visitors to our six-county region.**

**The District will focus on economic planning and strategies which emphasize sharing government services and reduction of the high cost of government. We will offer group-training sessions to many newly elected local government leaders through our continued presence on the Local Government Education Committee. These sessions will include efforts to assist small, rural townships in accessing government grant sources. We will observe and offer suggestions when asked at several shared service and consolidation issues involving creation of larger water and sewer districts serving rural areas, countywide assessment, and redefining local government job tasks in an effort to increase efficiency and effectiveness and reduce costs. Utilizing existing municipal groups, we will offer fee-based consulting services for the purpose of completing inter-municipal studies.**

**The District will encourage the diversification of our local economy through our various programs so to reverse a historic dependence on manufacturing and agriculture sector. Our consideration of a wide variety of businesses within our loan programs attests to our efforts to accomplish this goal.**

**The District will cooperate with local governments in upgrading water, sewer, natural gas and electricity systems so to further attract job-generating opportunities. Our project list and our work with local government leaders through the year involve either technical and/or potential EDA assistance in preparing serviced sites for protecting our current employment or offering new opportunities for expansion/relocation. The District will seek opportunities to assist local governments and businesses in updating land-based and wireless communications.**

**The District will upgrade the existing stock of Mohawk Valley housing. We endorse housing rehabilitation plans submitted to federal and state agencies for the benefit of a number of our towns, villages and cities.**

**The District will redevelop and reuse the former Griffiss Air Force Base as a cornerstone of our strategic CEDS. In this cooperation with the Mohawk Valley EDGE, we will continue to use our Title IX revolving loan fund to define business expansion at the Griffiss facility.**

## **6. ADMINISTRATION OF ADJUSTMENT PROGRAM**

**The Mohawk Valley Economic Development District is uniquely positioned as a regional body to be responsible for the oversight of the economic adjustment program. Through its annual CEDS process, and the frequent interaction with a host of community and economic development organizations, the adjustment program is constantly changing.**

**Agency/organizational roles in the implementation of the business strategy will be examined as part of the section immediately following.**

### **B. CONCENTRATION ON BUSINESS ASSISTANCE**

#### **1. SPECIFIC OBJECTIVES**

**The creation of additional sources of flexible financing will increase the capacity of firms with employment of less than 200 to acquire much needed capital. Capital may be used for real estate acquisition or renovation, fixed assets or working capital.**

**Establishment of a RLF leverages private capital. A truly regional fund also enhances total cooperation in the banking/financial community.**

**Readiness of new industrial/manufacturing sites will spur firms which may be in aging complexes to remain in the area. The new space would enable growth and encourage efficient planning of a new physical plant.**

**Encouraging the business sector to consider expansion of production into items utilizing the same raw materials serves to diversify the economic base of the region. Through their normal business channels, firms may be able to answer another industry's product need by making minor adjustments in their production processes.**

**Coordination of training providers will allow the area's unutilized or underutilized work force (i.e. the dislocated) to take part in economic expansion. The development of in-house training programs for cross training could well lead to creation of additional employment slots.**

**Assisting the private sector in marketing the region's attributes as well as its goods and services should be an objective. Through formation of strategic industry groups, perhaps local educational institutions can cooperate in the study of market data, new technologies, exporting opportunities, workforce training, etc.**

**The District and other economic development practitioners should make every effort to involve impacted local government officials from the ground floor in the implementation of any business strategies. Successful economic development efforts must be team-oriented and built on a firm foundation of government cooperation.**

## **2. TARGETED BUSINESSES**

**It is essential that the business strategy not limit any sole proprietorship, partnership or corporation from applying for economic development assistance.**

**There are several industry segments presently picking up momentum as the nation embarks upon a period of some encouraging economic news.**

**The region's successful industrial & business parks should serve as a centerpiece of future regional development. Please note that the region's high growth clusters will attract attention of significant economic development assistance. This situation does not preclude MORECO assistance to more mature, low growth clusters.**

**The region possesses a number of high technology and telecommunications firms which offer the possibility of back office operations. The same can be said for the banking/financial and accounting industry.**

**The health care industry has provided a large number of service jobs. The industry presents some interesting challenges in the development of biomedical equipment and instruments.**

**Our area's tourism potential has been mentioned previously. The economic development community should not rule out the potential of these jobs to provide permanent employment for the dislocated.**

**Some other industries offer some encouraging signs of rejuvenation: sports and leisure, home furnishings and wood, agri-business, and plastic and metal-based firms.**

### **3. TYPES OF ASSISTANCE**

The types of assistance available to businesses are as varied as the goods and services produced by existing or potential firms in the region. Programs used by the business community to create and retain jobs are developed oftentimes in a community effort orchestrated by the economic development practitioners.

The following list of services is not in any priority order:

- Creation of industrial park space**
- Capital improvement of water, sewer or utility infrastructure**
- Special transportation improvements**
- Revolving loan funds**
- Business recruitment**
- Marketing**
- Export/import assistance**
- Business permit, unemployment, workers' compensation assistance**
- Workforce training, special skills training**
- Recruitment of workforce especially the dislocated population**
- Local government coordination and assistance**
- Start-up, entrepreneurial assistance**
- Patent/copyright**
- Foreign trade, economic development zones**
- Utility rate reduction**
- Strategic industry group services**
- Tax credits and exemptions**

### **4. SERVICE DELIVERY**

The organizations offering a variety of business assistance programs are some of the same entities that worked with the District in establishing an adjustment strategy. They are listed above in this document.

In addition to this list, several other agencies are an integral part of the service delivery team:

- Several state departments**
- County offices of employment and training**
- Organized labor**
- Small Business Development Centers**
- SCORE**
- Private utility companies**



## **C. FINANCING STRATEGY**

### **1. NEEDS AND OPPORTUNITIES**

**MORECO will seek to maximize its lending volume without compromising quality. The revolving loan fund will provide "lender of last resort" financing. Loans will be disbursed for the purchase of fixed assets, real estate expansion and/or renovation, and working capital for start-up, retention and expansion operations.**

**In many cases, MORECO will fill the gap between a business' financial need and the limit of financing available from conventional banking sources.**

**Past experience dictates that the demand for business financing continues to grow exponentially and that demand exceeds the capabilities of conventional loan sources to meet it. Through its years of operation, MORECO has experienced growth in the size of the average loan as well as the amount of funding requested.**

**To obtain maximum efficiency and continue to meet its operating responsibilities, MORECO will endeavor to match sources and uses of funds.**

### **2. CURRENT STATE OF FINANCING**

**The banking community in the Mohawk Valley region has consistently demonstrated a conservative approach in its lending practices toward small and medium-sized businesses.**

**Commercial lenders tend to over-collateralize their loans. Especially for service-based industries who request working capital loans, this is accurate. Conventional lines of credit advanced as a percentage of inventory and receivables are not adequate for this growing business sector as the majority of sales are on a cash basis and inventory is virtually non-existent.**

**The banking community tends to avoid start-up ventures because of the lack of history or proof of financial/managerial success.**

**Banks are hard-pressed to participate in business turnaround projects. Because of the lender's view of firms in struggling manufacturing enterprises, the commercial lenders tend to be less flexible. MORECO has, on the other hand, the flexibility to analyze a company's plans to re-energize its operations either through increasing efficiency, expanding markets or production lines, replacing equipment and more.**

**In today's business operations, any costs which can be cut to enhance competition are important. MORECO's interest rates are generally lower than those rates offered by commercial institutions. MORECO rates are thus attractive to small and medium sized businesses as a complementary source of financing to the banks.**

### **3. FINANCING CHARACTERISTICS**

**The applicant may be a sole proprietorship, partnership or a bonafide registered United States Corporation which has been denied adequate financing through normal lending channels on reasonable terms. An applicant may also be a public body such as a municipality or industrial development agency. A borrower will only be eligible for RLF financing when credit is not otherwise available on terms and conditions which would permit completion and/or the successful operation or accomplishment of the project activities to be financed.**

**An applicant must possess good character and reputation. He or she must be a citizen of the United States or a candidate for citizenship.**

**Loans made under the MORECO revolving loan fund will be used to finance the following:**

**Land costs including engineering, legal fees, grading, testing, site mapping and related costs associated with acquisition and preparation of land;**

**Building costs including real estate, engineering, architectural, legal fees and related costs associated with the acquisition, construction and rehabilitation of a building;**

**Machinery and equipment costs including delivery, installation, engineering, architectural, legal fees, insurance and related costs associated with acquisition and installation of machinery;**

**Other costs contributing directly to the value of project fixed assets, such as sales and use taxes, interest on interim financing, etc.;**

**Contingency reserves;**

**Infrastructure improvements and all tasks associated with completing those improvements;**

**Working capital loans for the start-up of new businesses or the venture efforts of existing businesses into corollary operations.**

**Every effort should be made to create the most flexible, yet responsible terms, for payback of principal and interest. See Section D below for more specific detail of the standard terms and any deviations created for the purpose of flexibility.**

### **4. REGIONAL IMPACT**

**The revolving loan fund is expected to have the following impacts on the region's adjustment objectives within five years:**

**Result in job creation or retention, with special emphasis on those individuals who are dislocated in the short-term or the long-term unemployed;**

**Assemble land for industrial, commercial or other business purposes;**

**Redevelop abandoned properties;**

**Diversify the area's economy, foster cluster development and economic stability;**

**Intensify efforts to renovate and make efficient older industrial buildings;**

**Stimulate and leverage private investment;**

**Enhance the availability of working capital for small and medium sized firms which are prime job producers;**

**Spur efforts by smaller firms to forge ahead in developing new, improved products;**

**Encourage export development;**

**Create more opportunity for minority and women-owned enterprises; and**

**Otherwise favorably affect any of the District's goals.**

#### **D. FINANCING POLICIES**

##### **1. REQUIREMENTS, TERMS AND RESTRICTIONS**

###### **a. REQUIREMENTS/RESTRICTIONS**

**MORECO will require that all loans be made on a joint participation basis with private and public sources. As a lender of last resort, it will not extend any loans otherwise available from private/public lenders on terms that would allow completion of a project.**

**It shall not be the role of MORECO to fund speculative activities. Assistance will be withdrawn if the activity receiving funding is moved from its eligible area. Loans will not be granted that have as their result a relocation of jobs from one labor market to another. MORECO loans will not be made for the purpose of higher interest investment.**

**MORECO will generally not fund service-type food and beverage establishments. This restriction can be relaxed if there is significant job development potential or considerable area tourism impact.**

**MORECO will generally provide assistance to industrial, agri-business and manufacturing enterprises. However, the following policy regarding retail and service-type industries will be in effect: a minimum of ten (10) full-time, permanent jobs must be created or retained or the project will have a significant impact upon the economic conditions in the community where it is located. A service oriented, retail business must also have been in existence at least one year prior to loan application.**

**MORECO capital cannot be used to purchase or finance equity in private businesses, subsidize interest payments of existing loans, or refinance other loans.**

**A minimum ten (10) percent equity participation by the owner(s) is required.**

**MORECO's participation as a percentage of a total loan package will not generally exceed thirty (30) percent. If there are special job creating considerations, MORECO can participate up to a maximum of fifty (50) percent.**

#### **b. STANDARD TERMS/DEVIATION**

**The standard terms for repayment will be five to ten years with fixed monthly payments beginning one month after the date of the promissory note. Provisions in some cases will be made to accelerate payment if the borrower's situation indicates the ability to do so. Prepayment will be accepted in part or as a lump sum at any time during the term of the loan. No penalty will be assessed in the event of prepayment.**

**On the other hand, MORECO will implement special financing techniques for those borrowers who indicate a need. Moratoria on principal and/or interest may be granted. Balloon payments and other such financing variations may be arranged. One of the reasons for this might be to help alleviate the financial burden for a company in the start-up phase when working capital is not available.**

**MORECO will not extend loan guarantees.**

**Deviation may occur from the standard monthly payments. For example, quarterly payments or seasonal increases in payback could be considered to accommodate the cash flow of a particular company.**

#### **c. INTEREST**

**MORECO interest rates will be based on the current bank prime rate less up to 400 basis points. At no time will the loan interest rate be less than four percent and more than the maximum interest rate allowed under New York State law.**

**In most instances, MORECO loans will be made at prime lending rate. In special cases, lesser rates will be considered for loans in which the impact on job creation and retention is considerable. In addition, it is possible that MORECO would use incentive provisions which would gear the interest rate to the borrower's success in creating the projected number of jobs and/or compliance with other national policy objectives such as energy conservation or employment of targeted population groups.**

#### **d. FEES**

**A service charge of \$200.00 is due and payable upon submission of a MORECO application.**

**A commitment fee of 0.5% of the loan amount is due and payable at time of commitment.**

**A closing fee of 0.5% of the loan amount is due and payable at time of closing.**

**All out-of-pocket expenses incurred in preparation of loan papers or arising from any complications including, but not limited to, legal and mortgage fees will be paid for by the borrower at the closing of the loan or at the time incurred, if after the closing.**

#### **e. OTHER FINANCING TECHNIQUES**

**MORECO will consider subordinating to existing liens of record and other loans involved in the project. MORECO will not subordinate positions in which it assumes an inordinate amount of risk.**

**In order to encourage financial participation in direct fixed loan projects by other lenders and investors, a MORECO loan may be repayable after other loans made in connection with the project have been repaid in full. The lien position of MORECO may be subordinate and made inferior to lien or liens securing other loans in connection with the project.**

**MORECO will consider restructure or modification of RLF loans when business performance circumstances warrant it. Good faith must be demonstrated by the borrower.**

## **2. COLLATERAL AND OTHER ASSURANCES**

**Collateral requirements on a borrower's loan may be any number but not limited to the following:**

**Liens on inventories, receivables, fixed assets and/or other available assets of the company;**

**Mortgages;**

**Assignments of patents and/or licenses;**

**Life insurance on key persons involved closely with the company operation;**

**Personal guarantees from principal(s) owning twenty (20%) percent or more of a given business;**

**MORECO's listing as a loss payee/mortgagee on any insurance covering MORECO's collateral;**

**Any such other additional security as the MORECO RLF determines is necessary to support its exposure.**

### 3. LOAN MINIMUM/MAXIMUM

The minimum amount of RLF funds which can be loaned to a single borrower will be \$10,000.

The maximum amount of RLF funds which can be loaned to a single borrower will be \$200,000.

All terms and conditions stated above will be established by the MORECO loan board and in compliance with EDA standards.

### E. PORTFOLIO STANDARDS AND TARGETS

#### 1. ANTICIPATED PERCENTAGE OF INVESTMENT

Criteria for the type of activities to be financed must be flexible since MORECO seeks to reverse the effects of long-term deterioration.

Industrial/Manufacturing	50%
AgriBusiness/Distribution/Service Professional	40%
Commercial/Retail	10%

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Retention	25%
Expansion	65%
Start-Up	10%

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Traditional	90%
New Technology	10%

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Small Business	95%
Large Companies	5%

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Local Ownership	90%
Outside Ownership	10%

#### 2. FIXED ASSET:WORKING CAPITAL

It is anticipated that twenty-five (25%) percent of the revolving loan fund portfolio will be targeted toward working capital loans with the other half of the portfolio designated for fixed asset loans.

### **3. PRIVATE INVESTMENT LEVERAGING**

**MORECO will require that all loans be made on a joint participation basis. The MORECO portfolio will leverage a minimum ratio of two private dollars to one MORECO dollar. In addition, should there be other loan partners, specifically public/governmental investment, leverage will be a minimum of three total public/private dollars to one MORECO dollar.**

### **4. COST PER JOB**

**MORECO will generally not consider projects where the per job ratio exceeds \$15,000. It is expected that the cost of each job in terms of funding a project would be approximately \$10,000.**

### **F. LOAN SELECTION CRITERIA**

**As mentioned above in Section E (Portfolio Standards and Targets), the number and types of jobs created and/or preserved will be the major factor in determining an applicant's eligibility. Higher priority will be given to projects requiring a lower cost per job ratio.**

**Higher priority will be given to projects creating or preserving a greater number of jobs.**

**Priority will be designated to those occupations which target the short and long-term unemployed as well as underemployed. One of the barometers for this criteria would be the unemployment rate in the job market area.**

**MORECO will accord high priority to borrowers whose projected work force can meet or exceed the job market area's current minority labor force percentages. MORECO will encourage and coordinate appropriate job training or placement programs which are available to assist employable individuals through private or public service agencies.**

**Projects which would enable the District, through its support, to address the following objectives will receive special consideration:**

- Combating equipment/process obsolescence or the retooling of existing industry;**
- Creating new job opportunities or stimulating new innovative employment tasks such as niche manufacturing, alternative energy and information technology.**
- Diversifying an economy which has been dependent upon military and government employment;**
- Stabilizing service sector businesses which have contributed steady growth to our local economy;**

- **Strengthening and enhancing financial assistance to the small and medium-sized businesses which create the great majority of new positions;**
- **Assisting those firms which have linkages with the area's existing economy;**
- **Developing minority and women owned enterprises;**
- **Stressing the growth potential of prospective borrowers;**
- **Enhancing the generation/growth of tax revenues;**
- **Abating pollution by addressing company improvements which help firms meet environmental standards;**
- **Ensuring business financial needs are met when there is a local condition or development need to address;**
- **Expanding exports;**
- **Encouraging financial packages which are linked with other funding sources such as Rural Development, HUD, EDA, SBA Empire State Development, NYBDC, and local IDA's/Economic Development Agencies.**
- **Enabling a project to move ahead based on the project's readiness.**

## **G. PERFORMANCE ASSESSMENT PROCESS**

### **1. RLF PLAN MODIFICATION**

**Proposed changes to the revolving loan fund plan will be received by both the Chief Operating Officer of the District and Executive VP/CEO of MORECO.**

**Any changes to the plan may be recommended by the general public, potential or existing borrowers, staff, CEDS committee members, District or MORECO directors or members.**

**Upon the receipt of suggested change(s), the COO will submit information to the CEDS committee for review, study and possible referral to the MVEDD Board of Directors. The Committee will consider any amendment to the plan in accordance with all the terms and conditions of the grant as well as the goals and objectives of the District through its CEDS.**

**If it is the recommendation of the CEDS committee to adopt the amendment(s), the Board of Directors will be entitled to consider the change(s) by formal vote in compliance with the District's bylaws.**



## **2. RLF PERFORMANCE**

**The Executive VP/CEO of MORECO will report to both the MVEDD and MORECO Board of Directors and membership at each and every meeting on the status of any loan applications. The Directors may provide information or any other MORECO data deemed**

**All MORECO data, reports, audits and the like are available for review by District members.**

**The District may also provide any appropriate information to the public via various press releases, District newsletters or electronic communication.**

**The contents of the RLF plan, its operation, procedures or any reports thereof may be the subject of discussion at any meetings of the CEDS committee, any CEDS outreach sessions, Executive Committee forums or general meetings of the membership.**

**Refer below to Part II-E, for information contained in any reports on MORECO procedures, operations, audits, etc.**

**PART II. REVOLVING LOAN FUND OPERATIONAL PROCEDURES**  
(Rev. approved by MVEDD BOD 6/3/09 and MORECO BOD 8/19/09)

**A. ORGANIZATIONAL STRUCTURE**

**1. OVERVIEW**

The Mohawk Valley Economic Development District, Inc. is a private, non-profit corporation established in November 1966. In 1978, the District was granted a Title IX grant in the amount of \$720,000 to establish a regional revolving loan fund. This economic assistance adjustment grant was to be used for industrial land acquisition and a building rehabilitation fund. The fund was later recapitalized by EDA in the amount of \$500,000 with a local match of \$166,667. In 1990, the District received another \$300,000 with a local match of \$300,000.

In 1995, the District received approval for another Title IX grant in the amount of \$1,304,310. Of this total, Oneida and Herkimer County would share in a contribution of \$326,077 in a ratio of 4 to 1. The purpose of this recapitalization was to adjust to massive layoffs by the Air Force at Griffiss Air Force Base.

In order to administer these revolving loan funds, the District established the Mohawk Valley Rehabilitation Corporation. The entity is a type C corporation under Section 201 of the Not-for Profit Corporation law with all the general powers enumerated under Section 1411 of the same law. All of MORECO's powers are outlined in the Certificate of Incorporation attached in the appendix. As well, the organization has authority to make loans, including private sector loans, pursuant to Section 402 of the Not-for-Profit law and its own statement of purposes.

MORECO is certified as a non-profit, tax-free entity under Section 501 (c) (4) of the Internal Revenue Code.

**2. GENERAL BOARD COMPOSITION**

The Board of Directors of MORECO serves as the rlf administrative body. The Board is comprised of ten members, well-recognized as community leaders and selected by the District membership. These individuals are selected because of their experience in local government or business. They represent a cross-section of experience from industrial, commercial, financial, real estate and labor sectors. A list of current members is provided in the appendix and includes information on their employment and/or expertise.

Each of the 6 member counties of the District will be allotted at least one MORECO director position.

Every effort is made to ensure members of the Board are selected from public and private sectors and are representative of women and minority groups.

**The Board of Directors serves for rotating three year terms expiring on January 31.**

**Four positions        2009, 2012, 2015**

**Three positions      2010, 2013, 2016**

**Three positions      2011, 2014, 2017**

**A quorum of six members is necessary to carry on the business of the corporation.**

**The MORECO Board of Directors has as its duties and responsibilities the following:**

- Reviewing all loan packages and receiving staff recommendations on those packages;**
- Setting formal loan conditions for approved packages;**
- Evaluating requests for loan modifications (terms and conditions);**
- Determining loan foreclosure actions;**
- Recommending any changes in the RLF plan which would then be voted on by the District Directors, and**
- Executing those decisions for the MORECO corporation that would normally be delegate to a finance committee.**

**The MORECO Board of Directors oversees the administration of the revolving loan funds. Day to day operations are handled by the District's Chief Financial Officer, who serves as the Executive Vice-President & CEO of MORECO and sits on the MORECO Board of Directors. The employees of the District provide staff support to MORECO. Staff roles are further refined in the following sections B-E, specific job descriptions are attached in the appendix.**

**All employees and directors of the District, including those sub-corporations for which it provides services, will avoid any situations which call into question conflicts of interest. Since many or all of the region's local governments are required to adhere to their own codes of ethics, it shall be the District's intent to abide by the conditions presented in those codes.**

## **B. LOAN PROCESSING PROCEDURES**

**In accordance with its adjustment strategy, MORECO is utilized as a lender of last resort. Loans are made to firms which do not have the ability to secure conventional financing for their projects. As such, MORECO is a high-risk lender and usually will be in a subordinated lien position behind other lenders. This type of loan program has required MVEDD staff to become skilled in early detection of problem loans and in negotiation of solutions. The result is hopefully to minimize potential losses and write-offs.**

The loan review process begins with an inquiry phase. The District's Chief Operating Officer and Chief Financial Officer are involved at this stage in receiving initial contact and responding to the potential applicant. Normally, if a project is determined to meet minimum requirements (i.e., MORECO's eligibility area, lack of funding from commercial sources, etc.) a general explanation of the program is provided to the potential applicant.

The applicant is encouraged to pursue either a meeting at place of business or in the District offices. In depth discussions are conducted to determine if the project meets eligibility criteria. If so, an invitation is extended to complete the application. If staff determines the project is ineligible or more adequately handled through other economic development channels, applicant is directed to appropriate agency(s) whether they be public or private sources.

## **1. STANDARD APPLICATION REQUIREMENTS**

A checklist of required information is provided to the applicant:

- General description of the business including references to past, present and future operations;
- Business form, i.e. corporation, partnership, sole proprietor including state where established/incorporated and the year;
- Certificate of incorporation, partnership agreement or DBA certificate;
- General description of proposed project including jobs to be retained or created;
- Use of MORECO funds, i.e. total project cost and total financing;
- Signed year-end company statements for the last three years;
- Signed interim company statements for the last ninety days;
- Schedule of all installment debts and notes of the company, including date, original balance, current balance, monthly payments and collateral;
- Projection and cash flows (monthly for the first year and quarterlies for the second and third years);
- Collateral described (prior liens explained);
- Appraisal on real estate, estimates on work being performed/assets being purchased;
- List of all machinery and equipment owned/to be purchased as part of the project including cost;

- List of equipment presently leased/to be leased including terms (monthly payments, length, etc.);
- Resume(s) of management;
- Names, addresses of all firms which may be regarded as parent companies, subsidiaries, affiliates including concerns in which applicant or any principles hold an interest greater than 5 percent;
- Business references including at least two of the following: financial institutions, current customers, current vendors; information must include company name, contact person, address and telephone number;
- Owners of company;
- Officers of company;
- Signed personal financial statements (90 day) of all individuals owning twenty percent or more of the business;
- Social Security number, date of birth and home address of all persons owning twenty percent or more of the business;
- Participation agreements from other financial sources involved in project.

See appendix for cover letter and loan application.

## **2. CREDIT REPORTS**

Credit checks are performed on all individuals owning twenty percent or more of the business and/or the related businesses themselves. MORECO is currently a member of the CBC Innovis Specialized Services and Dunn & Bradstreet.

## **3. ENVIRONMENTAL ASSESSMENTS**

Applicant is required to fill out a short environmental assessment form. See appendix for short environmental assessment form.

## **4. LITIGATION CLEARANCE**

Applicant is also required to submit proof of litigation clearance that applicant is not involved in any bankruptcy proceedings. In addition, any existing criminal convictions must be made available.

Applicant must be in compliance with all federal labor and equal employment opportunity laws. See appendix for litigation certification.

## **5. EMPLOYMENT PROJECTIONS**

**Applicant must provide a breakdown of total firm employment. This must include current workforce, general position categories and average base salary. A projection of potential for job creation may be presented. The name and contact of any labor organization representing the workforce must be given. See attached employment plan.**

## **6. LOAN SECURITY**

**All MORECO loans are secured. As part of the loan application, applicant may offer as collateral: liens on inventories, receivables, fixed or other available assets of the company; mortgages; assignment of patents and/or licenses; such other additional security as MORECO determines necessary to support its exposure.**

**Additional assurances may be considered such as: life insurance on business principals; personal guarantees from principals owning 20 percent or more of a business; or listing MORECO as a loss payee/mortgagee on any insurance covering MORECO's collateral.**

## **7. EQUITY**

**The applicant is expected to contribute at least ten percent of the total project cost.**

## **8. MORECO STAFF REVIEW**

**The aforementioned items 1-7 are compiled and reviewed by the chief financial officer and administrative director of the District.**

**Analysis will include both written and verbal comments on the following evaluation criteria:**

- a. Unavailability of funding through regular commercial banking sources;**
- b. Management experience, education and overall capability of principals;**
- c. Owner (s)' net worth, current ratio of assets to liabilities, existing debt and any delinquencies, accounts payable and taxes;**
- d. Cash flows as an indicator of ability to repay debt;**
- e. Availability of collateral, i.e. all necessary searches are performed to determine prior lienholders;**
- f. Company's production, marketing capabilities, labor management relations are evaluated;**
- g. Project impact on job retention or creation must be a key component of the loan review; Are jobs full-time? Can positions be considered as primary wage employment? Is applicant fully headquartered in the MORECO service area or could impact fall outside the service area?**

- h. General appraisal of the elements of the loan application especially any environmental benefits to the MORECO service area.**

Formal staff comments are printed and compiled by the chief financial officer and administrative director of the District. Completed packets are submitted well in advance of a loan board review.

## **10. LOAN BOARD REVIEW**

It is customary that the loan board meet with staff and applicant (or representative thereof) after a sufficient review time has elapsed. Any further questions on the submitted application packet are posed to the applicant at the meeting or staff follow-up. The loan board may recommend denial or approval or postpone a decision for receipt of further information.

In the case of an approval, future meetings may be scheduled with the District staff.

The administrative director is entrusted to maintain minutes of all MORECO review sessions and, with the assistance of the administrative assistant, formally communicates the outcome of the review to the applicant.

## **C. LOAN CLOSING/DISBURSEMENT PROCEDURES**

Pending a favorable determination in the loan application, the executive vice-president of MORECO will advise applicant of approval, compile a checklist of items required and, with the assistance of the administrative director and assistant, prepare a commitment letter. The commitment letter shall offer approval for sixty (60) days from its date of transmittal. At that time it would become null and void unless extended by MORECO.

### **1. GENERAL CLOSING REQUIREMENTS**

A copy of a sample commitment letter may be found in the appendix.

#### **a. GENERAL TERMS**

Items will include the date MORECO approved the loan, the amount of the loan, the payee's name and address, the payor's name and address, the term of the loan, information on the interest rate and the commencement date of monthly payments.

#### **b. COLLATERAL**

The commitment letter will require the listing of collateral to be used for this loan.

**c. GUARANTORS**

**The individuals (if any) who will be personal guarantors will be listed.**

**d. NON-COMPLIANCE**

**An acknowledgment will be signed that non-compliance with any MORECO requirements may result in the call, termination or accelerated payments.**

**e. CONTINGENT FINANCING**

**All documents indicating proof of contingent financing will be provided.**

**f. COMMITMENT FEE**

**A commitment fee is due before closing.**

**g. CLOSING FEE**

**A closing fee is due at time of closing.**

**h. OTHER EXPENSES**

**All legal, mortgage and other personal expenses are due at time of closing.**

**i. INSURANCE**

**Insurance binders naming MORECO as additional insured on any assets being taken as collateral will be provided.**

**j. FINANCIAL STATEMENTS**

**Annual financial statements must be provided.**

**k. CHANGE IN FINANCIAL CONDITION**

**The commitment letter will state that MORECO reserves the right to call, terminate or accelerate payments if there is a significant change in the financial condition of the company or any of its principals.**

**l. WAIVER OF EDA LIABILITY**

**The commitment letter will explain the origin of Economic Development Administration funds and further absolve the EDA from any obligations arising from the issuance of MORECO transactions.**



### **m. FEDERAL/STATE COMPLIANCE**

All MORECO loans and agreements must be in compliance with all federal and state statutes and regulations. MORECO will reserve the right to recall, terminate or accelerate repayment on any loans found not to be in compliance.

Please refer to the appendix for clearance on several of the following federal requirements: environmental reviews, flood insurance, equal employment opportunity, disabled rights, historic preservation, Davis-Bacon standards, etc.

### **n. OTHER CERTIFICATIONS**

Please refer to the appendix for clearance on several of the following requirements:

- All application information must be true and complete;
- Applicant must grant access to records with regard to anti-discrimination compliance with federal and state standards;
- Any facility(s) is not located on any list of hazardous environmental sites;
- Applicant must agree to EDA's non-relocation requirements;
- It must be indicated that there exist no reasonable availability of conventional sources of financing;
- Applicant must grant the authority to collect personal information pursuant to the Privacy Act of 1974;
- Applicant must authorize the disclosure of all information in the application to any participatory financial institution;
- Applicant must waive any and all claims against MVEDD for purposes of management and technical assistance.

## **2. LOAN CLOSING DOCUMENTATION**

The following is a checklist of documents which will be collected at closing and maintained in MVEDD files. Please refer to the appendix for samples of several of the standard documents.

Documents will be maintained by the District's chief financial officer and administrative director and will be available for review by the MORECO loan board:

- Signed letter of commitment;
- Resolution of the MORECO loan board granting the loan;
- Complete loan application which includes certifications and agreements;

- Copy of the amortization schedule;
- Promissory note;
- Personal and corporate guarantees;
- Security agreements;
- UCC's if applicable;
- Statement of purpose;
- Borrowing resolution by borrower(s) or corporate board;
- Proof of motor vehicle liens if applicable;
- Mortgages of any personal or corporate premises if applicable;
- Life insurance assignments if applicable;
- Equality agreements with all affiliated or partner lenders;
- Insurance binders on personal and/or business property naming MORECO as loss payee;  
and
- Copies of personal and corporate credit checks.

### **3. LOAN DISBURSEMENT REQUIREMENTS**

In a majority of loan projects, a check will be drawn in the total amount committed by MORECO to the borrower. This will be provided to the borrower at closing. Checks are required to be endorsed by any two of three of the following MORECO officers: president, treasurer and executive vice-president.

In the nature of MORECO's role as a lender of last resort, every effort is made to be as flexible as possible in the disbursement procedures. Although there is no hard and fast rule, draw downs may be made in piecemeal fashion or in one lump sum.

#### **a. REAL ESTATE/CONSTRUCTION**

For real estate/construction costs, MORECO requires that a certificate of occupancy be submitted for file. The certificate may or may not be a pre-requisite for release of all or part of the loan proceeds. Lien waivers are required from all construction contractors.

## **b. WORKING CAPITAL**

For loans involving working capital, MORECO requires proof that costs of production exist which warrant the agency's participation. Invoices or the like may or may not be a pre-requisite for release of all or part of the loan proceeds. The executive vice-president would have exclusive right to determine whether to release funds. A MORECO loan board determination could be issued.

## **c. EQUIPMENT/FIXED ASSETS**

For loans involving equipment/fixed asset costs, the MORECO requires a copy of invoice be submitted for file. The invoice may or may not be a pre-requisite for release of all or part of the loan proceeds. The MORECO may also reserve the right to transmit payment directly to the equipment vendor.

## **D. LOAN SERVICING PROCEDURES**

### **1. LOAN PAYMENT AND COLLECTION PROCEDURES**

Approximately thirty (30) days before the loan payment is due, a notice of payment due is sent to the borrower (see Appendix). Borrower is allowed to pay without penalty up to 10 days after due date. At that time, a five (5) percent late charge is assessed on the total amount due. Statements are broken down by interest, principal, past due and late charges.

All statements are prepared by the District's chief financial officer and administrative assistant. Please note sample of the statements in the appendix.

Deposits are prepared and made within one week of receipt by administrative assistant. The MORECO loan payments are deposited in a federally insured money market fund. This approach is established at the recommendation of staff and approved by the MORECO Board of Directors.

At any time, no more than \$5000 is to be maintained in a MORECO checking account. If payments must be made in excess of \$5000, monies will be transferred from money market accounts to the checking account.

### **2. LOAN MONITORING PROCEDURES**

Each loan will be monitored on a frequent basis. Techniques are as follows:

#### **a. ANNUAL FINANCIALS**

Each borrower will be required to submit annual financials to MORECO. This will help MORECO to detect financial problems and assist in finding solutions before any damage becomes irreversible. The expertise of MORECO staff and its directors may be utilized for advice in solving these problems. Additionally, MORECO may access and recommend private management services.

#### **b. SITE VISITS**

Annual site visits may be conducted by staff. General operating stability of the firm is assessed. The borrower is encouraged to discuss any concerns or questions affecting the operation of the firm.

#### **c. PROOF OF INSURANCE**

Proof must be provided that a general hazard insurance policy is in force.

#### **d. UCC'S**

District staff will ensure that UCC's are refiled in a timely manner.

#### **e. EMPLOYMENT DATA**

District staff will request average hourly wages information and a breakdown of full- and part-time employment. Staff will then assess whether the projections of the loan application are valid or not.

#### **f. FEDERAL/STATE COMPLIANCE**

During site visits, staff will determine whether a firm is in compliance with all federal/state regulations.

### **3. LATE PAYMENT (UP TO 90 DAYS)**

Delinquent notices will be sent monthly where applicable. In the event that MORECO determines it is necessary or desirable to take actions to protect its interest, MORECO may assess a five (5) percent late charge on each payment over ten (10) days late.

The District chief financial officer and administrative director will prepare an accounting statement of those active loans which are in arrears.

MORECO's executive vice-president would make contact by phone to seek prompt remittance of late payment (up to 90 days past due).

### **4. LATE PAYMENT (MORE THAN 90 DAYS)**

Delinquent notices will continue to be sent out monthly.

After 90 days, MORECO'S executive vice-president would formulate a written note of obligation to the borrower. At the discretion of the executive vice-president, included in the letter may be a requirement for a meeting either at the MORECO offices or at the borrower's place of business.

**In delinquency situations, every attempt will be made by MORECO to salvage the situation. At delinquency meetings, staff will gather business information to determine if any restructuring in repayment terms is needed. Any decision on bringing payments current are placed in writing and transmitted to the borrower under signature of the executive vice-president.**

**If more drastic measures of restructuring are necessary, the executive vice-president will submit recommendations to the MORECO loan board for their consideration.**

## **5. WRITE-OFF PROCEDURES**

**If changes in terms and conditions as adopted by the loan board are not successful in influencing a resumption of payment, the executive vice-president will recommend more stringent action to the loan board.**

**The executive vice-president may direct, upon board approval, the MORECO attorney to file any appropriate judgment(s), foreclosure(s) on any mortgages, call for the disposal of collateral or demand payment(s) from personal guarantors.**

**Again, the District's mission of job retention and creation commands a different approach to loan collection from that of commercial banking institutions.**

**On a project-by-project basis, the firm in default would be evaluated at least twice annually. The executive vice-president could recommend a write-off to the loan board at any time following a firm's default status exceeding more than 180 days.**

**A certified public accountant who audits District financial records would also review any loan(s) in default and recommend to the executive vice-president that they be written off.**

**The executive vice-president would then recommend formal action by the loan board to write off certain loans, a list of which would be updated every six (6) months and submitted within each following semi-annual report.**

## **E. ADMINISTRATIVE PROCEDURES**

### **1. LOAN FILE DOCUMENTATION PROCEDURES**

**All loan file documentation shall be subject to final review by the executive vice-president. Actual copying, filing and storage of these permanent records shall be maintained by the administrative director and administrative assistant.**

**All loan documentation will be protected by metal, fireproof storage drawers.**

**A checklist of loan file information will include the following:**

- MORECO loan application**
- Official MORECO resolution of approval**
- Letter of commitment**
- Amortization schedule**
- Promissory note**
- Personal guarantee(s) (if applicable)**
- Corporate guarantee(s) (if applicable)**
- Security agreements**
- All UCC-1's**
- Statement of purpose**
- Borrowing resolution**
- DMV lien(s) (if applicable)**
- Mortgages (personal residence(s) (if applicable)**
- Mortgages (business premises) (if applicable)**
- Any insurance assignments**
- Equality agreement**
- Insurance binders (business and personal)**
- Credit checks**
- Any site visit comments**
- Any general correspondence**

**Client Data Sheet (see appendix)**

- Current number of employees**
- Average hourly wage**
- Most recent financial statement or tax return**
- Status of property taxes**
- Status of payroll taxes**
- Summary of all long-term debt**
- Description of company's current business trend**

## **2. COMPLIANCE PROCEDURES FOR EDA REPORTING**

**Procedures for complying with EDA reporting requirements will be carried out under the close scrutiny of the executive vice-president of MORECO. The executive vice-president with the assistance of the administrative director will be responsible for the maintenance and issuance of all reports and records related to the revolving loan fund.**

### **a. MONTHLY FINANCIAL STATEMENTS**

**Monthly financial statements and balance sheets reflecting the financial condition of MORECO will be prepared by the executive vice-president. A sample of each document may be found in the appendix.**

## **b. SEMI-ANNUAL FINANCIAL STATEMENTS**

**Semi-annual financial status reports will be prepared by both April 1 and October 1. A sample document may be found in the appendix.**

**The following information shall be included:**

**Recent loan activity such as number of applications received, number of MBE/WBE applications received and number of loans closed.**

**Capital utilization including any fund excess, sequestration, etc.**

**RLF income/expense report including loan's interest income, any bank or other service fees and late charges, any administrative expenses part of overall expenses, amount of staff salaries related to overall RLF administration.**

**Administrative details including any staff turnover, a summary of loan board membership and an independent audit of operations with an explanation is required.**

**RLF plan certification is required.**

## **c. SEMI-ANNUAL LOAN STATUS**

**A semi-annual loan status report will be prepared by the executive vice-president with the assistance of the administrative director. These reports will be due by April 1 and October 1. A sample document may be found in the appendix.**

**The following information shall be included:**

**Status of direct loans such as total loans made, loans fully repaid, current active loans, delinquent loans (under 90 days), in default (over 90 days), total loans written off;**

**Portfolio summary including the number of loans, dollars loaned, leveraged dollars, private sector jobs summary, dollars for fixed assets, dollars for working capital, dollars for startups, dollars for both expansion and retention of jobs, classification of industrial, commercial or service oriented loans, loans to MBE or WBE businesses, comparison of RLF portfolio to RLF plan (per job investment, private leverage/loan dollars ratio and working capital portion);**

**Portfolio status including funding sources, program income breakdown, to date administrative use of portfolio income, to date RLF use of new moneys created for reloan, RLF funds committed to loans, RLF balance available for new loans and audit information;**

**Portfolio loan list for both current and closed out loan projects including name of borrower, county, industry code, date of closing, amount of RLF loan, total project cost, total repaid to RLF, total interest paid to RLF, type of business (production, service, commercial), type of venture (start-up, expansion, retention), current and pre-loan jobs, interest rate, term of loan (in months)**

For delinquent loans, information shall be provided on balance yet unpaid, last payment and number of days not current. For loans in default, information shall be provided on balance yet unpaid, last payment and number of days not current. Corrective actions (e.g., judgment, foreclosure, any legal actions such as garnishees, collection procedures, etc.) shall be described. Every effort shall be made to assess the RLF's collateral position. This includes a summary of new loans and the actions deemed necessary to protect the fund's assets. For write-offs, the balance column shall be renamed write-off. All job information is deleted. Date repaid is changed to note a Board decision to write-off. Annual audits will be performed by an outside accounting firm. Organization-wide financial and compliance audits will be performed each year in accordance with OMB circulars, GAO standards and requirements contained in EDA's general and special terms and conditions. Financial records will be maintained in accordance with OMB guidelines, Department of Commerce regulations and in accordance with EDA's general and special terms and conditions.

MORECO records will include an accurate accounting of principal, repayments, interest, loan fees and any other proceeds generated by the RLF. Documentation shall exist as to how these funds are used. Administrative expenses paid for with interest, loan fees or other proceeds generated by the RLF will be documented. Utilizing generally accepted accounting principles, MORECO services will be based on a percentage of personnel time. A letter of certification will be provided to the appropriate federal agency. Multiple audit copies will be provided to EDA.

### **3. ADMINISTRATIVE EXPENSES**

MORECO will make an annual contribution to the Mohawk Valley Economic Development District to defray the cost of direct administrative expenses resulting from the labor of MVEDD staff. As already noted, hourly rates of MVEDD staff will be utilized to determine a rate based on percentage of time devoted to MORECO/RLF tasks.

Sources of the MORECO administrative costs will be derived from the following:

- 1) Interest earned on RLF loans
- 2) Interest earned on limited pool of unused capital (see strategy)
- 3) Application fees
- 4) Late payment penalties

At no time will the administrative costs for a given period exceed the monies received from the sources listed above.

Every effort will be made to maintain administrative expenses at less than fifty (50) percent of the total program income.



#### **4. CONTROL PROCEDURES**

**Prior to any initial loan disbursement, the executive vice-president of MORECO will certify that all loan documents are signed and in place, having been thoroughly reviewed by the MORECO attorney. The loan file checklist, which has been listed above, will ensure adequate protection for the RLF.**

**The executive vice-president will, with the assistance of the administrative director, certify that the borrower is complying with all loan requirements during annual company visitations (see loan servicing). Any changes in terms and conditions of the loan would be subject to review and action by the loan board.**

**The loan board will ensure, through the oversight activities of staff, that all RLF requirements upon MORECO and its borrowers will be in compliance with EDA standard terms and conditions. These items are listed in the RLF Standard Terms and Conditions dated March 15, 1993 and its subsequent amendments.**

**These requirements include but are not limited to:**

- 1) Eligible areas**
- 2) Non-relocation**
- 3) Civil rights**
- 4) Environment**
- 5) Earthquakes**
- 6) Flood hazards**
- 7) Davis-Bacon Act**
- 8) Contact, safety and anti-kickback standards**
- 9) Disabled accessibility**
- 10) Conflicts of interest**

**In order to critique the activities of MORECO, a portion of each District Board of Director's meeting is allotted to MORECO issues. There is no limitation as to the topic involving MORECO which may be discussed as a committee of the whole.**

**There is ample opportunity at business meetings of the MORECO loan board, for directors to recommend changes in the operations and scope of the District's RLF. All members of the loan board are active participants in the business and economic life of the region.**

**Throughout this document, references have been made to the different economic development factors and measurements which are used to quantify the region's economic health. Likewise a variety of organizations and agencies play a number of roles in influencing those health factors. The District has regular contact and cooperates with a majority of these agencies throughout each year. The District encourages specific discussions and comments as to its strategy and operation.**

**As previously noted, the District provides a full report of the RLF loan fund status and financial reports on a semi-annual basis.**