SFRC

South Florida Regional Council

ECONOMIC DEVELOPMENT ADMINISTRATION

CONSOLIDATED REVOLVING LOAN FUND PLAN

APPROVED BY EDA - APRIL 2016

TABLE OF CONTENTS

Section 1: Revolving Loan Fund Strategy

Name of Organization: South Florida Regional Council (SFRC)

List of Counties Comprising the Lending Territory: Monroe, Miami-Dade, and Broward Counties

Executive Summary of South Florida's Comprehensive Economic Development Strategy

The South Florida Region had a population of 4.3 million in 2009, larger than 24 states. The Region is projected to add about 67 new residents each day through 2035, which will lead to an increase of more than 0.6 million people. International migration is the most significant source of population growth in the Region, accounting for more than seven of every ten new residents in the last decade. In 2008, the foreign-born population in the Region was 41% of the total, up from 33% in 1990 and 26% in 1980.

The ethnic and racial composition of South Florida's population continues to grow more diverse. Nearly half (45%) of the Region's population today is Hispanic or Latino. This ethnic group, which can be of any race, continues to grow more diverse with large communities from various Central and South American nations; even as the Cuban community, the largest Hispanic group in the Region, continues to grow. The Black population, which in South Florida includes not only African Americans but also large communities from the Caribbean and Latin America, represented 21% of the overall population in 2008.

With a total personal income of $162 billion in 2007, South Florida's contribution to the State of Florida's economy of $699 billion (23%) was roughly equal to its share of the state's population. The regional share in national personal income was about 1.4%. South Florida's per capita personal income in 2007 ($38,632) was slightly higher than the State of Florida ($38,417) and the national average ($38,615).

The growing and highly diverse population is an asset for the Region's competitiveness in the global economy. It provides a multi-ethnic, multi-lingual workforce and culturally diverse environment for businesses. This continuing growth will require the Region's local governments to make major investments in infrastructure, to both maintain and expand existing services for both existing and new residents. The Region's highest infrastructure priorities are transportation/transit, water, wastewater, education, affordable housing, and investments that will increase resiliency to sea level rise. Challenges identified include lower incomes, higher poverty rates, a shortage of affordable housing and a relatively lower level of educational attainment – these will require significant effort to ensure sustained growth of the Region's economy and the creation of quality jobs.

A more diversified economic structure – a more favorable sectoral and geographic distribution of economic activity – needs to be achieved to raise the quality of economic growth. The need to accelerate South Florida's economic diversification is crucial for the Region's stability, prosperity, and global competitiveness. An industry cluster development strategy can help accelerate the diversification of the regional economy through a targeted focus on high-wage, high value-added economic growth.

For the current planning period (2012-2017), the South Florida Region has concluded that the key strategy to achieve and sustain a more diversified economy is to enhance the Region's workforce. In order to develop South Florida's "workforce of the future" – a skilled labor force that is well educated and facile in the workplace – educational institutions and workforce development groups must work more closely with each other, employers and industry leaders to develop the curriculum and training programs needed to create a workforce that can meet the Region's economic diversification and growth goals. A targeted industry partnership needs to be formed among the industries, public sector partners such as economic development agencies and workforce development groups, and educational institutions. Key correlated strategies will address the availability of workforce housing and the transportation infrastructure required to efficiently integrate the regional job market.

The Comprehensive Economic Development Strategy (CEDS) Committee identified the following three goals for 2012-2017:

- Lead the State and the nation in global competitiveness as an international center for trade, business, investment, talent, innovation, tourism, and the arts.
- Expand South Florida's intermodal transportation system so that it enhances the region's economic growth and prosperity.
- Preserve and enhance the Region's natural environment and quality of life.

Business Development Objectives

The goal of the SFRC ("The Recipient") EDA Revolving Loan Fund ("The RLF") Program is to support economic activities, which result in the creation or retention of jobs, additional wealth, higher wages, and a better quality of life in the region. Presented in no particular order, these business development objectives include, but are not limited to:

1. Small business development, including the start-up or expansion of locally owned businesses to encourage entrepreneurship and innovation;
2. Development of businesses owned and operated by minorities, women, and members of other disadvantaged groups;
3. Assist in the completion and/or successful operation of qualified projects; and
4. Provide financing to businesses for which credit is not otherwise available.

   Some project examples that support these objectives are as follows:

   a. Retention of existing commercial, manufacturing, agriculture and service industries jobs;
   b. Re-development of blighted land and vacant facilities for productive use;

c. Modernization and rehabilitation of existing industrial or manufacturing facilities;
d. Support for the use of new technologies and growth industries;
e. Support for public and private projects that promote economic development and job creation/retention;
f. Projects that enhance local and regional economic development;
g. Rehabilitation of older structures;
h. Construction of new facilities that accommodate industry;
i. Projects that encourage and support satellite industries necessary for major industry location or expansion; and
j. Projects that provide quality employment in order to increase per capita income.

RLF Financing Strategy

The RLF will provide financing for the following business purposes:

1. Machinery and equipment purchases,
2. Inventory purchases,
3. Working capital needs,
4. Land and building purchases/renovations,
5. Leasehold improvements.

The RLF will offer loans that range from $25,000 to $500,000. The maximum amount to be loaned to one borrower is $500,000 (i.e., $500,000 in EDA funds may not be combined with $250,000 in other loan program funds to achieve a $750,000 loan amount for a single borrower).

13 CFR 307.15: EDA Interest Rate Regulation

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

(2) Exception. Should the prime interest rate listed in the Wall Street Journal exceed fourteen (14) percent, the minimum RLF interest rate is not required to be raised above ten (10) percent if doing so compromises the ability of the RLF Recipient to implement its financing strategy.

A loan origination fee of up to 2% of the loan amount will be charged at closing for RLF loans. This fee will be included in total program income.

No pre-payment penalty will be charged on RLF loans that are paid in full prior to the maturity date.

A minimum equity contribution by the business owner in the amount of 10% of the total project cost must be provided by the borrower. The preferable contribution is in the form of cash; however, other assets of the business/business owner may be acceptable.

Sufficient collateral will be required and determined on a loan-by-loan basis. The RLF will subordinate to a senior lien holder, if necessary. No unsecured loans will be made with the exception of loans made to local governments.

The business owners will be required to fully personally guarantee each loan and to provide a life insurance policy assignment in an amount no less than the loan amount.

The RLF will provide the following loan terms:

1. Maximum 5-year amortization on working capital loans,
2. Maximum 10-year amortization on non-real estate fixed asset loans (i.e., machinery, equipment, furniture, fixtures),
3. Maximum 20-year amortization on real estate loans with case-by-case consideration given to increasing to a 30-year amortization,
4. Up to 12-month interest only on loans with a construction draw period that automatically convert to permanent payments. Consideration as to an interest-only period prior to automatic conversion to permanent payments may be given in other cases not involving a construction period.

13 CFR 307.17: Use of Capital/Ineligible Loans

(1) General RLF Capital shall be used for the purpose of making RLF loans that are consistent with an RLF Plan or such other purposes approved by EDA. To ensure that RLF funds are used as intended, each loan agreement must clearly state the purpose of each loan.

(2) Restrictions on use of RLF Capital. RLF Capital shall not be used to:

a. Acquire an equity position in a private business;
b. Subsidize interest payments on an existing RLF loan;
c. Provide for borrowers' required equity contributions under other Federal Agencies' loan programs;
d. Enable borrowers to acquire an interest in a business either through the purchase of stock or through the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient justification may include acquiring a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The potential economic benefits must be clearly consistent with the strategic objectives of the RLF;

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

f. *Refinance existing debt, unless:*

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

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

g. *Fund Not-for-profit organizations*

As required in 13 CFR 307.15: Accounting principles. (1) RLFs shall operate in accordance with generally accepted accounting principles ("GAAP") as in effect from time to time in the United States and the provisions outlined in OMB Circular A–133 and the Compliance Supplement, as applicable. (2) In accordance with GAAP, a loan loss reserve may be recorded in the RLF Recipient's financial statements to show the fair market value of an RLF's loan portfolio, provided this loan loss reserve is non-funded and represents non-cash entries.

RLF Financing Policies

13 CFR 307.10: Pre-Loan Requirements

(1) RLF Recipients must adopt procedures to review the impacts of prospective loan proposals on the physical environment. The Plan must provide for compliance with applicable environmental laws and other regulations, including but not limited to parts 302 and 314 of this chapter. The RLF Recipient must also adopt procedures to comply, and ensure that potential borrowers comply, with applicable environmental laws and regulations.

(2) RLF Recipients must ensure that prospective borrowers, consultants or contractors are aware of and comply with the Federal statutory and regulatory requirements that apply to activities carried out with RLF loans. RLF loan agreements shall include applicable Federal requirements to ensure compliance and RLF Recipients must adopt procedures to diligently correct instances of non-compliance, including loan call stipulations.

(3) All RLF loan documents and procedures must protect and hold the Federal government harmless from and against all liabilities that the Federal government may incur as a result

of providing an RLF Grant to assist directly or indirectly in site preparation or construction, as well as the direct or indirect renovation or repair of any facility or site. These protections apply to the extent that the Federal government may become potentially liable as a result of ground water, surface, soil or other natural or man-made conditions on the property caused by operations of the RLF Recipient or any of its borrowers, predecessors or successors.

13 CFR 307.15: Required Loan Documentation

Prior to the disbursement of any EDA funds, the RLF Recipient shall certify that standard RLF loan documents reasonably necessary or advisable for lending are in place and that these documents have been reviewed by its legal counsel for adequacy and compliance with the terms and conditions of the Grant and applicable State and local law. The standard loan documents must include, at a minimum, the following:

- *(i) Loan application;*
- *(ii) Loan agreement;*
- *(iii) Board of Directors' meeting minutes approving the RLF loan;*
- *(iv) Promissory note;*
- *(v) Security agreement(s);*
- *(vi) Deed of trust or mortgage (as applicable);*
- *(vii) Agreement of prior lien holder (as applicable); and*
- *(viii) Signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. EDA will accept alternate documentation only if such documentation is allowed in the RLF Recipient's EDA-approved RLF Plan.* For the RLF, this documentation includes: (1) Detailed memorandum to the loan file detailing the RLF Loan Staff's communication with the declining bank; (2) Commitment letter from the bank providing a certain level of financing for a project (in situations where the prospective borrower is applying for funds from the RLF above the amount committed by the bank); (3) Email communication from the declining bank.

RLF Portfolio Standards

13 CFR 307.15: Leveraging Requirements

Private leveraging. (1) RLF loans must leverage private investment of at least two dollars for every one dollar of such RLF loans. This leveraging requirement applies to the RLF portfolio as a whole rather than to individual loans and is effective for the duration of the RLF's operation. To be classified as leveraged, private investment must be made within twelve (12) months prior to approval of an RLF loan, as part of the same business development Project, and may include: (i) Capital invested by the borrower or others; (ii) Financing from private *entities; or (iii) any Federal loan. (2) Private investments shall not include accrued equity in a borrower's assets.*

The total RLF portfolio balance shall never exceed 50% of the total balances for loans made for working capital purposes.

Through the use of the EDA Semi-annual Report, the RLF staff will measure the standards of the program by reviewing the following:

1. Number of jobs created/retained against amount loaned (Must be at least 1 job for every $20,000 loaned for the total RLF portfolio),
2. Private leveraging requirements,
3. Adherence to the 80% capital utilization rate,
4. Diversification of the types of businesses assisted by measuring industrial/commercial vs. service businesses and business expansion/retention vs. business start-up.

Section II: Operational Procedures

Organizational Structure and Administrative Elements

A. The administrative support for the RLF will be provided by SFRC's Loan Program Staff. These administrative duties include:
   1. Assembling information on applicants for presentation to approving committee/board;
   2. Administering individual loans and RLF portfolio;
   3. Servicing individual loans and RLF portfolio;
   4. Recording individual loan payments;
   5. Requesting and receiving loan file maintenance information such as insurance documents, tax statements and financial information;
   6. Conducting annual site visits;
   7. Working with SFRC's legal counsel on loan closings and collection activity;
   8. Maintaining Legal and Correspondence loan files;
   9. Marketing of the RLF Program;
   10. Preparing (along with assistance from Finance Staff) and submitting the EDA Semi-annual reports;
   11. Providing technical assistance to potential and existing borrowers for application preparation and referring to outside partner/resources for business plan and income/expense projection preparation.

B. The RLF will be governed by a 7 to 9 member Revolving Loan Fund Committee ("RLF Committee)" which is appointed by SFRC's Board of Directors. The RLF Committee is empowered by the SFRC Board of Directors to authorize RLF loans. Approved loans are not subject to additional ratification by the SFRC Board of Directors.

Criteria and make-up of the RLF Committee consists of the following:

1. A voting member of the SFRC Board of Directors;
2. The SFRC Executive Director;

The remaining members of the RLF Committee, appointed by the SFRC Board of Directors, will include at least one representative from each of the following categories until 7 or 9 members are attained:

3. An individual currently employed in banking or finance;
4. A business owner;
5. A community-based representative; and
6. An economic development professional
7. An at-large member. This member may be chosen from the previously enumerated categories or from a category not previously mentioned.

All members of the RLF Committee must be residents of the SFRC region of Monroe, Miami-Dade, or Broward counties.

C. Loan servicing responsibilities as approved by SFRC's Board of Directors is as follows:

    1. Loan servicing includes the granting of partial releases of collateral, subordinations of lien positions, releases of personal liability may be approved by the Executive Director with input provided by the Loan Program Manager;
    2. Loan treatment including the placement of loans on non-accrual status, restructuring loans, re-amortization of loans and granting of deferrals or extensions of time for payment of installments may be approved by the Executive Director with input provided by the Loan Program Manager;
    3. Any loan servicing or loan treatment action resulting in new funds being disbursed or a significant increase in SFRC's exposure must be approved through the RLF Committee;
    4. Loan collection actions including initiating foreclosure activity, repossession activity, initiating suit, whether for deficiency or to recover directly on the note may be approved by the Loan Program Manager along with the direct involvement of SFRC's legal counsel; and
    5. Charge-offs of defaulted loans must be authorized and approved by the RLF Committee and SFRC's Board of Directors regardless of amount.

D. Standard Loan Application Procedures

1. RLF Staff holds a pre-application conference with potential applicant to discuss economic benefits of a project, determines any unknown problem or conflicts, informs applicants of general application and project requirements and makes a preliminary determination of project feasibility and eligibility. If the project is determined to not be eligible for RLF Funds, the potential applicant is so informed. If eligible, the RLF Staff reviews the RLF guidelines with the potential borrower as they pertain to the potential loan request and presents an application package for completion by the potential borrower.

2. The following is a list of items required to be attached to the completed RLF application:

    a. Three years personal and business tax returns;
    b. Business plan including Three years financial projections;
    c. Most recent appraisal for land/real estate, if applicable;
    d. Invoices or detailed list of business asset valuation, if applicable;
    e. Personal Financial Statement;
    f. Proof of equity injection;
    g. Commitment letter from participating lender, if applicable;
    h. Signed environmental questionnaire;
    i. Letter of denial from bank, if available, or contact information of bank staff for RLF staff to discuss denial;
    j. Executed credit consent form by borrower

3. Credit reports are required of all loan applicants. A credit consent form is requested of the applicant granting permission for SFRC to obtain the credit report. These executed forms are to be maintained for approved loans and denied loans. Credit will be only one factor weighed by the loan committee in making decisions regarding loan applications. While there is no minimum credit score to receive funding through the RLF Program, it is one of the initial tools used in evaluating a request. Borrowers must show a positive and established credit history.

4. Market valuations must be obtained in order to properly value collateral. Appraisals are the preferred method for valuing real estate collateral. On a case-by-case basis, tax valuations may be used if approved by the RLF Committee. Invoices may be used for machinery, equipment, furniture and fixtures valuation.

5. An environmental questionnaire is included in the loan application package, and must be properly completed prior to the loan being considered for funding.

6. Loan write-up – The RLF loan write-up consists of the following information:

a. Credit memorandum providing details of loan request including borrowing entity, business location, business/borrower history, owners/guarantors, loan terms, collateral description, funding source, personal credit/financial history of business owners/guarantors;
b. Credit review providing more detail as to the financial details of the loan request – sources and uses, Debt Service Coverage calculations, collateral valuation;
c. Business plan including business owner resumes and income/expense and cash flow projections;
d. Historical income/expenses for existing businesses
e. Verification of collateral – invoices, appraisal, etc.;
f. Credit report of owners/guarantors
g. Personal Financial Statement of owners/guarantors

7. Procedures for Loan Approvals – The potential borrower's loan package is summarized through the use of the RLF Loan Write-up and presented to the RLF Committee for approval. Upon approval, the borrower is notified of the approval through the issuance of a Commitment Letter executed by SFRC and the borrower. Through this letter and through other communication, the borrower is asked to present all necessary documentation for the loan closing. Minutes of all approving bodies are maintained in the Legal loan files of the corresponding loans.

   If a loan is denied, the borrower is notified verbally and also is provided a letter of denial with full explanation of the reasons for denial.

E. Loan closing and disbursement procedures

1. All loans are closed through SFRC's legal counsel. Upon approval and execution of the Commitment Letter, RLF Staff submits an attorney instruction letter to legal counsel along with a copy of the executed commitment letter and any necessary documentation required for closing (i.e., warranty deed, insurance documentation, etc.). The closing is coordinated among RLF staff, legal counsel and the borrower.
2. Loan closing documentation – the following is a checklist of items necessary for loan closing:
   A. Promissory note;
   B. Personal guarantees of owners/guarantors;
   C. Deed of trust;
   D. Title insurance;
   E. Life insurance assignment;
   F. UCC Financing Statements on machinery, equipment, furniture, fixtures, inventory;
   G. Commitment letter;
   H. Loan agreement;
   I. Security agreement;

J. Any other documentation deemed pertinent by legal counsel.

3. All funds are disbursed through SFRC's legal counsel even in events where funds are being held (i.e., construction financing).
4. RLF Staff is responsible for entering and booking new loan information into the RLF loan tracking system and maintaining the Legal and Correspondence Loan Files.
5. The required documentation for a Loan Legal File after closing includes:
   A. Loan agreement;
   B. Commitment letter;
   C. Promissory note;
   D. Personal guaranty;
   E. Security agreement;
   F. Deed of trust;
   G. RLF application including business plan documents;
   H. Copies of private lender loan documents;
   I. Copies of property and liability insurance;
   J. Copies of life insurance and assignment;
   K. Amortization schedule;
   L. UCC Financing Statements;
   M. Credit report;
   N. Full RLF Committee Loan write-up used in approval presentation;
   O. Copy of minutes from approving bodies;
   P. Any other closing documents from SFRC's legal counsel from loan closing.
6. RLF loan correspondence files will also be kept separate from the Loan Legal Files and will contain ongoing loan documents such as site visit forms, annual insurance declaration pages, annual financial statements and any other correspondence that is not required in the Loan Legal File.

F. Loan servicing procedures
   1. Loan payments are submitted via mail or hand delivered to the SFRC receptionist at which time the payments are logged denoting delivery.
   2. SFRC Finance Staff receives the payments from the receptionist for entry into the RLF payment log and deposit processing.
   3. RLF staff receives the payment log and enters payment into the RLF loan tracking system for each individual loan.
   4. The RLF Staff will make annual site visits to each borrower to verify that the borrower is in compliance with all terms of the loan.

13 CFR 300.3: Interested Party Definition

Interested Party means any officer, employee or member of the Board of Directors or other governing board of the Recipient, including any other parties that advise, approve, recommend or otherwise participate in the business decisions of the Recipient, such as agents, advisors, consultants, attorneys, accountants or shareholders. An Interested Party also includes the

Interested Party's Immediate Family and other persons directly connected to the Interested Party by law or through a business arrangement.

13 CFR 302.17: EDA Conflicts of Interest

It is EDA's and the Department's policy to maintain the highest standards of conduct to prevent conflicts of interest in connection with the award of Investment Assistance or its use for reimbursement or payment of costs (e.g., procurement of goods or services) by or to the Recipient. A conflict of interest generally exists when an Interested Party participates in a matter that has a direct and predictable effect on the Interested Party's personal or financial interests. A conflict may also exist where there is an appearance that an Interested Party's objectivity in performing his or her responsibilities under the Project is impaired. For example, an appearance of impairment of objectivity may result from an organizational conflict where, because of other activities or relationships with other persons or entities, an Interested Party is unable to render impartial assistance, services or advice to the Recipient, a participant in the Project or to the Federal government. Additionally, a conflict of interest may result from non-financial gain to an Interested Party, such as benefit to reputation or prestige in a professional field. (b) Prohibition on direct or indirect financial or personal benefits. (1) An Interested Party shall not receive any direct or indirect financial or personal benefits in connection with the award of Investment Assistance or its use for payment or reimbursement of costs by or to the Recipient.(2) An Interested Party shall also not, directly or indirectly, solicit or accept any gift, gratuity, favor, entertainment or other benefit having monetary value, for himself or herself or for another person or entity, from any person or organization which has obtained or seeks to obtain Investment Assistance from EDA.(3) Costs incurred in violation of any conflicts of interest rules contained in this chapter or in violation of any assurances by the Recipient may be denied reimbursement.(4) See § 315.15 of this chapter for special conflicts of interest rules for Trade Adjustment Assistance Investments.(c) Special rules for Revolving Loan Fund ("RLF") Grants. In addition to the rules set forth in this section:(1) An Interested Party of a Recipient of an RLF Grant shall not receive, directly or indirectly, any personal or financial benefits resulting from the disbursement of RLF loans;(2) A Recipient of an RLF Grant shall also not lend RLF funds to an Interested Party; and(3) Former board members of a Recipient of an RLF Grant and members of his or her Immediate Family shall not receive a loan from such RLF for a period of two (2) years from the date that the board member last served on the RLF's Board of Directors.

RLF Income

13 CFR 307.12: RLF Income Regulations

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

(l) Such RLF Income and the administrative costs are incurred in the same six-month (6) Reporting Period;

(2) RLF Income that is not used for administrative costs during the six-month (6) Reporting Period is made available for lending activities;

(3) RLF Income shall not be withdrawn from the RLF Capital base in a subsequent Reporting Period for any purpose other than lending without the prior written consent of EDA; and

(4) The RLF Recipient completes an RLF Income and Expense Statement (the " Income and Expense Statement") as required under §307.14(c).

(b) Compliance guidance. When charging costs against RLF Income, RLF Recipients must comply with applicable federal cost principles and audit requirements as found in:

(l) 2 CFR part 225 (OMB Circular A–87 for State, local , and Indian tribal governments), 2 CFR part 230 (OMB Circular A-122 for non-profit organizations other than institutions of higher education, hospitals or organizations named in OMB Circular A-122 as not subject to such Circular), and 2 CFR part 220 (OMB Circular A-21for educational institutions); and

(2) OMB Circular A–1 33 for Single Audit Act requirements for States, local governments, and non-profit organizations and the Compliance Supplement, as appropriate.

Priority of Payment on Defaulted Loans

13 CFR 307.12: Payment Priority

(c) Priority of payments on defaulted RLF loans. When an RLF Recipient receives proceeds o n a defaulted RLF loan that is not subject to liquidation pursuant to §307.20, such proceeds shall be applied in the following order of priority:

(l) First, towards any costs of collection;

(2) Second, toward s outstanding penalties and fees;

(3) Third, towards any accrued interest to the extent due and payable; and

(4) Fourth, towards any outstanding principal balance.

Environmental Considerations

13 CFR 307.10: Environmental: *The following supersedes Part I.O. of the Standard Terms and Conditions:*

Recipient agrees to and shall place the following into the RLF plan:

The Recipient with the assistance of appropriate staff, shall assess the significance of all environmental impacts of activities to be financed in compliance with the National Environmental Policy Act of 1969 and other Federal environmental mandates, as per the Assurances (SF 424D as revised) executed with the Economic Development Administration. No activity shall be financed which would result in a significant adverse environmental impact unless the impact is to be mitigated to the point of insignificance. When necessary to ensure compliance, any required mitigation shall be made part of the loan conditions.

No project shall be approved which would result in the alteration of or have an adverse impact on any wetland or jurisdictional water without prior consultation with the US Army Corps of Engineers, and, if applicable, obtaining a section 404 permit and completing applicable mitigation requirements set forth in the section 404 permit.

No project shall be approved which would result in potential loss of federally protected species or their critical habitat. The determination regarding potential loss of federally protected species will be made by reviewing the list of federally protected species in the county of the project (available at the US Fish and Wildlife Service website) and comparing the preferred habitat of each species with the existing habitat(s) at the project site. If any potential to affect habitat of federally protected species exists, consultation shall be initiated with the US Fish and Wildlife Service (FWS). Determination for critical habitat shall be made by viewing the Critical Habitat Mapper at the FWS website. If any potential habitat or critical habitat exists on the proposed project site, no activity shall be financed without prior concurrence from FWS and completion of any and all mitigation recommended by FWS.

Generally, no project shall be approved which would result in new above-ground development in a 100-year flood plain. This determination will be made by reviewing FEMA Flood Insurance Rate Maps. If a detailed, written analysis of alternatives performed by the Recipient clearly demonstrates that no practicable alternative to above-ground development in the 100-year floodplain exists, the project may proceed. Flood insurance is required for federally-assisted construction or acquisition in flood-prone areas for all insurable structures.

The State Historic Preservation Officer (SHPO) shall be notified of each loan proposal that involves new construction or expansion and asked to submit comments on the effect of the proposed activity on historic and archaeological resources. The Recipient shall work with SHPO and EDA in cases where SHPO has recommended actions or has been determined an adverse impact. No construction activity shall be initiated or financed prior to concurrence from the SHPO and completion of any and all mitigation recommended by SHPO.

Recipients must comply with the provisions of the Clean Air Act (42 U.S.C. § 7401 et seq.), Clean Water Act (42 U.S.C. § 1251 et seq.) and Executive Order 11738, and shall not use a facility on the Environmental Protection Agency's (EPA) List of Violating Facilities (this list is incorporated into the Excluded Parties List System located at https://www.sam.gov/portal/public/SAM/) in performing any Award that is nonexempt under 2 C.F.R. § 1532, and shall notify the Federal Project Officer in writing if it intends to use a facility that is on EPA's List of Violating Facilities or knows that the facility has been recommended to be placed on the List.

All loan applicants shall be requested to provide information indicating whether or not there was hazardous materials such as EPA-listed (see 40 CFR 300) hazardous substances, leaking underground storage tanks, asbestos, polychlorinated biphenyls (PCB), or other hazardous materials on site that have been improperly handled and have the potential of endangering public health. If deemed necessary, loan applicants may be required to perform or provide evidence of a Phase I site assessment to identify possible sources of contamination, a Phase II site assessment to test soil and/or groundwater samples, and a Phase III site remediation involving mitigation of applicable contaminants. In cases where there are unresolved site contamination issues, the Recipient shall work with the loan applicant and the appropriate state environmental agency to resolve these outstanding issues.

No project shall be funded for actions within a Coastal Barrier System or the National Wild and Scenic Rivers system without written permission from EDA.

No project shall be funded if it will result in a disproportionally high and adverse human health or environmental effects on low income and minority populations.

Written records of the determinations and consultations described above shall be maintained in the loan file by the Recipient.

RLF Semi-Annual Reporting

13 CFR 307.14: Reporting Requirements

(a) Frequency of reports. All RLF Recipients, including those receiving Recapitalization Grants for existing RLFs, must complete and submit a semi-annual report (Form ED-209 or any successor form) in electronic format, unless EDA approves a paper submission.
(b) Report contents. RLF Recipients must certify as part of the semi-annual report to EDA that the RLF is operating in accordance with the applicable RLF Plan. RLF Recipients also must describe (and propose pursuant to §307.9) any modifications to the RLF Plan to ensure effective use of the RLF as a strategic financing tool.

(c) RLF income and Expense Statement. An RLF Recipient using either fifty (50) percent or more (or more than $100,000) of RLF Income for administrative costs in a six-month (6) Reporting Period must submit to EDA a completed Income and Expense Statement (Form ED-

2091 or any successor form) for that Reporting Period in electronic format, unless EDA approves a paper submission.

Records and Retention

13 CFR307.13: Records and Retentions Requirements

(a) Closed Loan files and related documents. The RLF Recipient shall maintain Closed Loan files and all related documents, books of account, computer data files and other records over the term of the Closed Loan and for a three-year (3) period from the date of final disposition of such Closed Loan. The date of final disposition of a Closed Loan is the date:

(1) Principal, interest, fees, penalties and all other costs associated with the Closed Loan have been paid in full; or
(2) Final settlement or discharge and cessation of collection efforts of any unpaid amounts associated with the Closed Loan have occurred.

(b) Administrative records. RLF Recipients must at all times:

(1) Maintain adequate accounting records and source documentation to substantiate the amount and percent of RLF Income expended for eligible RLF administrative costs.
(2) Retain records of administrative expenses incurred for activities and equipment relating to the operation of the RLF for three (3) years from the actual submission date of the last semi-annual report that covers the Reporting Period in which such costs were claimed.
(3) Make available for inspection retained records, including those retained for longer than the required period. The record retention periods described in this section are minimum periods and such prescription does not limit any other record retention requirement of law or agreement. In no event will EDA question claimed administrative costs that are more than three (3) years old, unless fraud is at issue.

Loan Write Off Policy

A. Borrowers whose loans become 30 days late will be contacted by RLF Staff to determine a plan of action to bring the loan payments current.
B. Once a loan reaches a status of being 90 days late, SFRC's legal counsel will be notified by RLF staff in order to write a collection letter.
C. Every effort will be made, within reason and while making sound credit decisions, to assist the borrower in bringing their loan current. These may include re-structuring, deferring late payments, etc.
D. Loans that are deemed as unrecoverable by RLF Staff and by SFRC's legal counsel will proceed through all of the necessary legal channels in an attempt to recover the

outstanding debt. These include, but are not limited to foreclosure, judgment filing, etc.

E. Once RLF staff along with input from SFRC's legal counsel deem a loan unrecoverable, the loan is presented to the RLF Committee for charge-off approval then submitted to SFRC's Board of Directors for final approval (as previously stated in this plan, SFRC's Board of Directors must approve all charge-offs regardless of amount).
F. For loans on borrowers that have filed bankruptcy, SFRC's legal counsel is notified immediately upon receipt of bankruptcy notification and all matters are handled through counsel.
G. For loans that have been charged-off and deemed uncollectable, an IRS form 1099C is prepared and sent to the borrower and filed with the IRS, with the exception of those loans for borrowers that have filed bankruptcy.

*Italicized sections are EDA regulations