SOUTHERN OREGON REGIONAL ECONOMIC DEVELOPMENT DISTRICT

ECONOMIC DEVELOPMENT ADMINISTRATION REVOLVING LOAN FUND PLAN

2025

For Southern Oregon Regional Economic Development, Inc. (SOREDI)
Revolving Loan Funds funded with EDA Grant #77-90-7621

ADOPTED 06/10/2025

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INTRODUCTION

This Revolving Loan Fund Plan has been developed by Southern Oregon Regional Economic Development, Inc. (SOREDI) to replace and update the existing RLF plan for EDA grant 77-90-7621. These previously approved grant and loan policies, standards, targets, criteria and procedures are hereby revised and amended to be consistent with the new RLF Plan. This revision does not change the basic scope of the existing grants or loans but brings the plan under which they operate up to date and current with EDA requirements and the area's Comprehensive Economic Development Strategy (CEDS).

Part I of this Plan outlines the RLF Strategy. This section explains the economic adjustment program and its strategies and policies. It also states portfolio standards, targets and criteria of the RLF.

Part II of the Plan covers the RLF operational procedures. This section sets forth the organization and the procedures for making and servicing loans. This sectional also covers how SOREDI will comply with EDA and USDA requirements for reporting and monitoring of grant and loan terms and conditions.

PART I. THE REVOLVING LOAN FUND STRATEGY

A. ECONOMIC ADJUSTMENT PROGRAM OVERVIEW

1. Economic Adjustment Overview

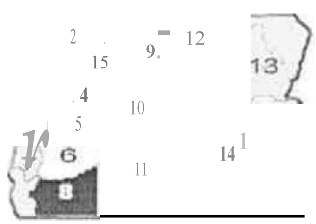
On August 11, 2020 Southern Oregon Regional Economic Development, Inc. (SOREDI) was awarded a $560,000 CARES Act RLF to assist businesses with accessing capital who were impacted by the COVID-19 pandemic. The monies in the RLF continue to be deployed post-pandemic to help businesses who still lack access to traditional capital.

The Southern Oregon Regional Economic Development, Inc. (SOREDI) Comprehensive Economic Development Strategy document details the economic situation and distress in each of the counties. A brief discussion is provided below.

Region

The Southern Oregon region is made up of the Oregon counties of Jackson and Josephine. Located in Southern Oregon along the Rogue River corridor and bordering California, Jackson County at 2,802 square miles (1.79 million acres) with an estimated population of 221,331 and Josephine County at 1,642 square miles (1.05 million acres) with an estimated population of 88,276. Together, these counties cover over 4,444 square miles, with an average of 65 people per square mile in Jackson County and 46 people per square mile in Josephine County with a total estimated population of 309,607 people. [1]

SOREDI's Service Area is represented in the maps below as: Jackson and Josephine Counties - Zone 8



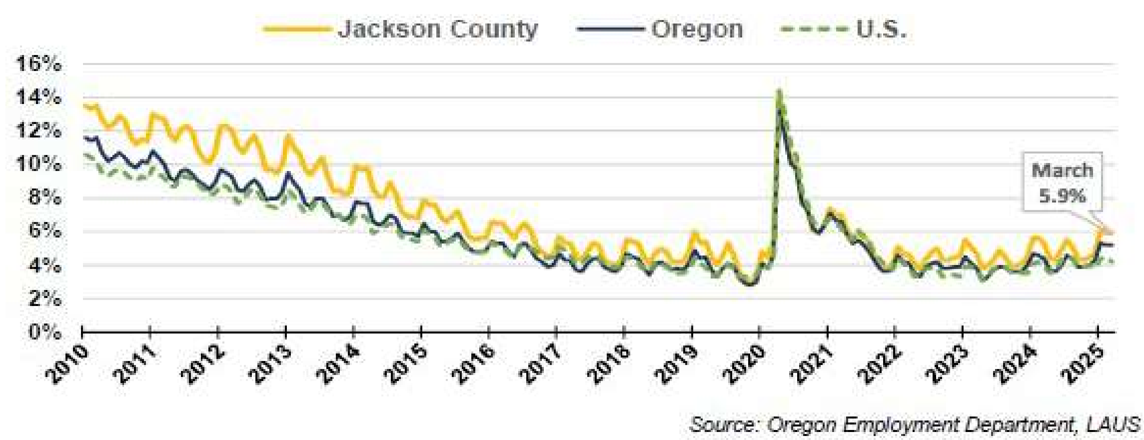
State of Oregon Employment Department's April 2025 Labor Market Overview for Jackson and Josephine Counties reports:

- Total non-farm employment declined by 80 jobs over the year in Jackson County to 89,150. The private education and health services sector experienced the greatest employment gains with 560 jobs. Leisure and hospitality saw the greatest employment losses with 340 jobs.
- Since March 2024, industries adding jobs in Jackson County were private education and health services (+560); retail trade (+230); and other services

[1] United States Census Bureau

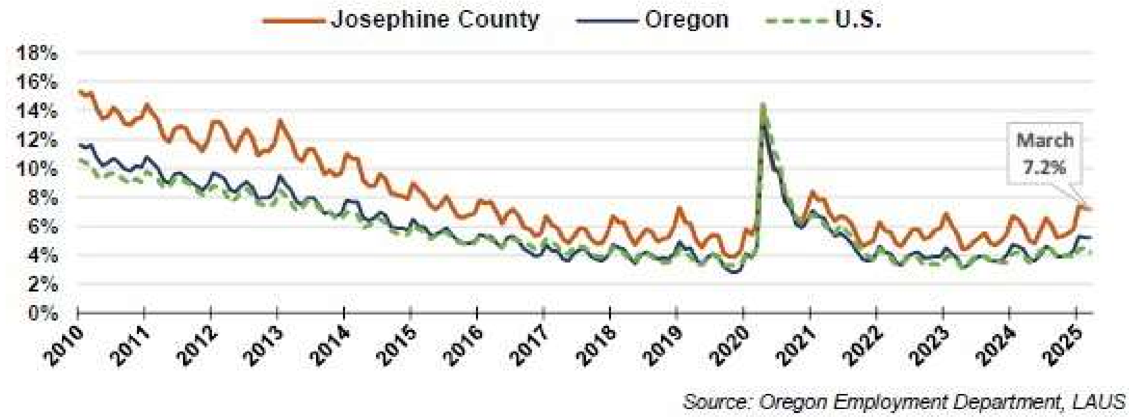
(+110). Industries with over-the-year losses included leisure and hospitality (-340); financial activities (-110); professional and business services (-30); and construction (-30). Government lost 300 jobs since March 2024, with losses in local government (-340) and federal government (-10) somewhat offset by a gain in state government (+50).

- Total nonfarm employment declined by 100 jobs over the year in Josephine County to 26,800. The leisure and hospitality sectors experienced the greatest employment gains with 190 jobs. Manufacturing saw the greatest employment losses with 110 jobs.
- Industries adding jobs since March 2024 included leisure and hospitality (+190); other services (+70); and transportation, warehousing, and utilities (+60). Industries losing jobs over the year were manufacturing (-110); retail trade (-100); financial activities (-90); professional and business services (- 60); wholesale trade (-40); and construction (-20). [2]



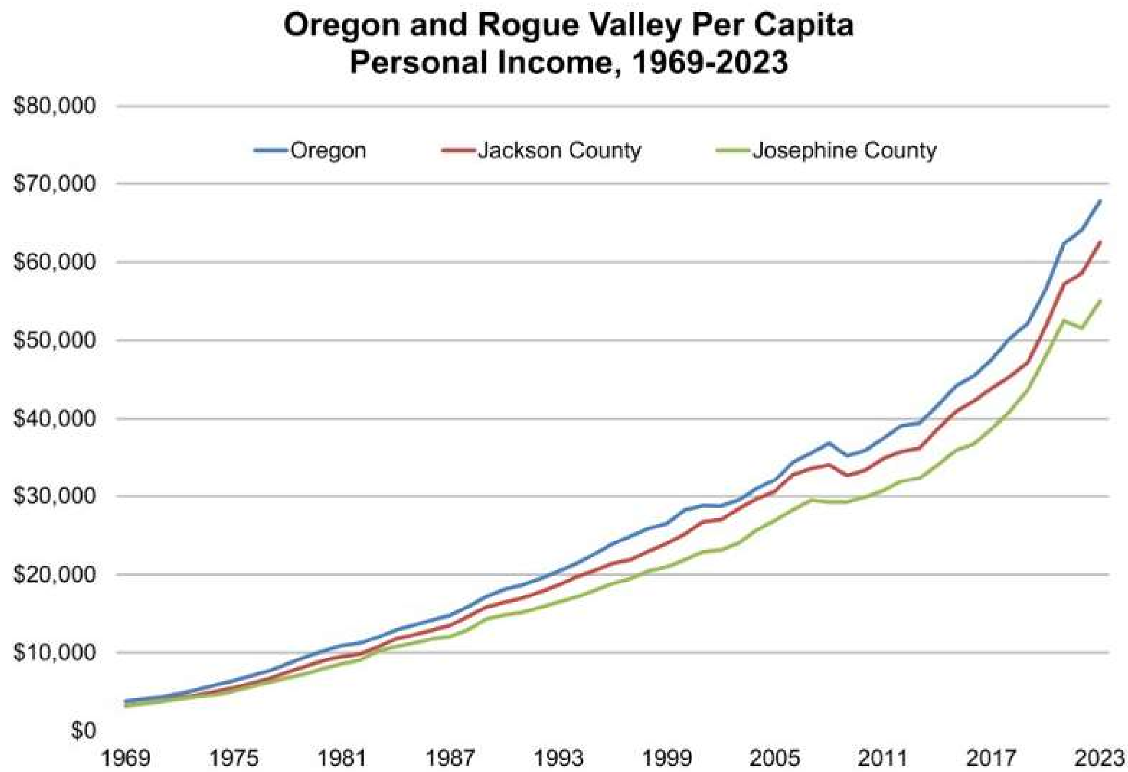
- Jackson County Unemployment Rate (not seasonally adjusted) at 5.9% as of March, 2025.
- Jackson County Unemployment rate (not seasonally adjusted) in March 2024 was 5.3%, Unemployment rate (not seasonally adjusted) has ranged from 4.3% to 6.1% over the year.

[2] Oregon Employment Department, LAUS



- Josephine County Unemployment Rate (not seasonally adjusted) at 7.2% as of March, 2025.
- Josephine County Unemployment rate (not seasonally adjusted) in March 2024 was 6.0%, Unemployment rate (not seasonally adjusted) has ranged from 4.8% to 7.4% over the year

The 2024 Annual Average Wage for Jackson County was $57,866 and the Josephine County 2024 Annual Average Wage was $49,109 compared to Oregon's statewide annual average wage of $71,318. This is a gain for both counties from the year 2014, up from $38,013 and $32,846 respectively.



Source: Oregon Employment Department and Bureau of Economic Analysis

- In 2023, Jackson County's Per Capita Personal Income (PCPI) was $62,541 which was an increase of 6.8% from 2022 and was the 819th highest PCPI among 3,114 U.S. counties, up from 899th highest in 2022.
- Jackson County's PCPI was 92% of statewide and 90% of the U.S. average per capita personal income.
- Josephine County's 2023 PCPI was $55,038, and up 6.7% over the year, ranking 1,448th highest PCPI among U.S counties.
- Josephine County's PCPI was 81% of the state average and 79% of the U.S. PCPI figure in 2023. [3]

2. Development of Economic Adjustment Strategy

In response to the economic distress of the District, SOREDI has been developing adjustment strategies through the Comprehensive Economic Development Strategy (CEDS) process. SOREDI includes its RLF program in its preparation of the Comprehensive Economic Development Strategy documents for the District. The CEDS initiatives for 2025 to 2030 include:

- Business Development- Ensure thoughtful, sustainable, and equitable economic growth by strategically promoting the region as a destination for business expansion and relocation.

[3] Oregon Employment Department and Bureau of Economic Analysis

- Innovation and Entrepreneurship- Leverage regional assets to strengthen the innovation and entrepreneurship ecosystem in Southern Oregon.
- Talent- Invest in ecosystem that attracts, equips, and retains a strong pipeline of talent to meet the long-term needs of current and future employers.
- Tourism- Support the organizations and places that strengthen the tourism and experiential environment in Southern Oregon.
- Placemaking- Nurture an environment that preserves Southern Oregon's quality of life for residents, businesses, and visitors.

3. Implementation Programs and Activities

SOREDI assists all the counties and cities in the District in their efforts to accomplish their economic development strategies. Through the CEDS process SOREDI establishes regional initiatives and visions. For 2025 to 2030, these strategies include (see attached addendum for complete CEDS document):

INITIATIVE 1. BUSINESS DEVELOPMENT

Ensure thoughtful, sustainable, and equitable economic growth by strategically promoting the region as a destination for business creation, expansion, and relocation. The Rogue Valley is fortunate that a large group of partner organizations can help assist regional business development. This work encompasses traded and local sector businesses across the region connecting startups and established businesses with the appropriate resources needed to thrive. However, because of the unique nature and structure of the Rogue Valley economy we face unique challenges to economic development. Consequently, a collaborative regional economic development strategy is required to ensure economic development success and investment throughout the region. In addition to the major economic centers of Ashland, Medford, and Grants Pass, the region is home to a number of successful businesses in smaller and rural communities in the region. It is essential that the region's economic development practitioners understand the unique needs of all the communities in Josephine and Jackson Counties, so each community is positioned to achieve their economic development goals. The following framework outlines the strategies and actions that will need to occur to meet the business development priorities for the Rogue Valley.

INITIATIVE 2. INNOVATION & ENTREPRENEURSHIP

Leverage regional assets to strengthen the innovation and entrepreneurship ecosystem in Southern Oregon. Southern Oregon is uniquely positioned to catalyze a rural innovation economy by focusing on its natural strengths: advanced manufacturing, clean technology, value-added agriculture, and the outdoor and recreation industries. By building out the region's capacity to support innovation-led, traded-sector businesses (those that export goods and services beyond the local market), regional partners and local Entrepreneur Service Organizations (ESOs) will help fuel economic diversification and upward mobility for the region's workforce. The Southern Oregon Innovation Hub

(SOIH), launched with support from Business Oregon, embodies this vision. It fosters a thriving entrepreneurial ecosystem. For example, periods of disruption often spark innovation, which is what Southern Oregon has experienced through wildfires and the global pandemic. By connecting entrepreneurs with mentors, markets, and capital, the SOIH along with regional partnering agencies will lead the region toward a more resilient, dynamic, and export-ready economy.

INITIATIVE 3. TALENT
Invest in the ecosystem that attracts, equips, and retains a strong pipeline of talent to meet the long-term needs of current and future employers. Without a skilled and equipped workforce, businesses cannot succeed. Furthermore, access to a skilled workforce consistently ranks at the top of site-selection factors. Therefore, it is critical to invest in the systems that strengthen the regional workforce. Additionally, there is a compelling need for expanded engineering programs in the Rogue Valley if the region wants to expand high tech and advanced manufacturing, including aviation and aerospace. With the region's highest employment sector being healthcare, continued workforce development for healthcare employees is also crucial for retaining talent. The following framework outlines strategies that support workforce development, leverage the outstanding educational facilities in the region and enhance collaboration between the public sector and private sector.

INITIATIVE 4. TOURISM
Support the organizations and places that strengthen the tourism and experiential environment in Southern Oregon. Tourism is a key economic driver in the Southern Oregon region, from renowned arts and cultural events, such as the Oregon Shakespeare Festival (OSF) and the Britt Arts & Music Festival, to world-class outdoor recreation and high-quality sporting facilities. Southern Oregon is a gateway to Crater Lake National Park, the Oregon redwoods in the Rogue River–Siskiyou National Forest, and Oregon Caves National Monument and Preserve. Traditionally, the most popular tourism season is during the summer months, however, this has been affected by wildfires in recent years. Expanding activities in the shoulder and off-season months, and increasing promotion of these opportunities, will be critical to developing the Rogue Valley's tourism industry. Expanding the tourism season will also create greater resiliency in the local sector economy. In addition to strengthening recreational opportunities, the CEDS also outlines strategies for reaching new markets, including local and international, and expanding culinary and agritourism in the region. Furthermore, by boosting tourism and visitor attraction, these investments also enhance the community's appeal for existing and future residents.

INITIATIVE 5. PLACEMAKING
Nurture an environment that preserves Southern Oregon's quality of life for residents, businesses, and visitors. Placemaking is defined as "the process of making quality places."(5) Creating quality places is an essential component of

building dynamic and vibrant communities, where people want to live. Although placemaking is typically associated with the physical or built environment, placemaking will also encompass the qualitative components that create a welcoming community. Communities that can cultivate, retain, and attract talent have a significant advantage in the competitive landscape of economic development. Therefore, it is critical for the Rogue Valley to prioritize these investments. In addition to nurturing placemaking for the benefit of residents and visitors, the region also needs to be attentive to the needs of businesses. The following recommendations tie together the strategies that strengthen the region's competitiveness across all five CEDS initiatives.

4. Strategic Adjustment Goals for the RLF

SOREDI has operated revolving loan funds since 1994, with over $22.8 million total lent since loan program inception. Primary funding has been received through the United States Economic Development Administration and the United States Department of Agriculture Rural Development with matching funding from regional investment boards, state grants, counties and others. A detailed list is provided below. All Revolving Loan Funds were designed to assist small businesses with job creating projects. Once the initial grant/loan and match funds were lent, the revolved funds from repayments and earnings typically will then become available to assist other businesses located within the District. An attempt is continually made to target revolved funds to businesses that will create or retain jobs.

Table 4. Existing Revolving Loan Funds

Source	Date Est.	Federal Funds	Matching Funding
EDA CARES Act	2020	$560,000 EDA Grant	N/A

Through the creation of the RLF program, SOREDI established specific goals and objectives for the Revolving Loan Funds:

- Attract new jobs and investment in Jackson and Josephine Counties.
- Diversify the economic base of the area by financing projects that result in more year-round and higher wage employment opportunities, in manufacturing, market-based services, and traded sector firms.
- Support the creation and expansion of rural business enterprises that provide employment for people from families with incomes below the poverty line.
- Improve the entrepreneurial climate by stimulating more private sector lending in surrounding communities.
- Strengthen surrounding communities in the area by supporting projects that address critical community needs.

5. Organizational Structure – Adjustment Strategy

SOREDI is responsible for the management of the Revolving Loan Funds. The Board of Directors of SOREDI, through its Loan Advisory Committee and staff, maintain and implement the strategy and the RLF program. The board evaluates the results of the program and amends this RLF Administrative Plan as necessary in order that the plan is consistent with the CEDS as the CEDS may be updated from time to time. SOREDI will certify to EDA and other agencies as required that the plan is consistent with the district's strategy.

6. Area Resources

In addition to funding partners such as USDA and EDA, there are a number of resources that SOREDI utilizes when assisting businesses through this RLF.

The Small Business Development Center (SBDC) at Southern Oregon University serves Jackson County & Rogue Community College serves Josephine County, providing technical assistance to local businesses. They also provide many loan leads for the program. The Small Business Development Center at the colleges provides assistance to small businesses in the region by offering counseling and training including assistance with business plans and financial projections. Many of the small businesses that request loans from the SOREDI loan program have received services from the SBDC.

Rogue Workforce Partnership (RWP) is a non-profit organization that serves as the federal and state authorized Local Workforce Development Board for Jackson and Josephine Counties. RWP specializes in education and workforce development to help provide more highly skilled, dependable, innovative, and talented workforce built through business-led community partnership

Illinois Valley Community Development Organization (IVCDO) is a partner nonprofit organization in our area focusing on serving the needs of residents, businesses, and organizations in rural Josephine County such as Cave Junction, Kerby, Selma, O'Brien, Takilma, and surrounding communities in the Illinois River Valley. IVCDO has a revolving loan fund that offers microloans to small businesses in the Illinois Valley and Joesphine County.

Additional funding resources for businesses are available through Oregon Business Development Department programs, commercial banks, credit unions and CDFI's.

B. Business Development Strategy

1. Objectives

The business development strategic objectives as part of the overall development strategy addressed by this plan are:

- Increase the capacity of existing local firms, especially those that sell outside of the area, thereby bringing dollars into the local economy.
- Prevent the loss of jobs by the closure or relocation of local businesses out of the region.

- Assist commercial business expansion that will provide opportunities to dislocated workers or provide opportunities for growth and enhancement of commercial business districts.
- Encourage the development of firms that add value to local resources, such as agricultural products and wood products.
- Attract businesses that will provide additional capital and jobs to the area.
- Encourage the development of higher skill, higher wage jobs.
- Assist small businesses to incorporate new technologies.
- Assist small businesses to develop new markets.
- Diversify the types of industries to minimize the effect of downturns in certain sectors.

2. Target Business Characteristics

Targeted businesses include all legal and legitimate for-profit businesses within the two-county District facing financial challenges that do not allow them access to traditional bank financing. These businesses should be poised to create jobs through growth and/or expansion. Primary emphasis is on existing or new industries that pay above-average salaries on a year-round basis.

3. Business Needs

SOREDI has continually engaged in ongoing efforts to identify assistance needed by businesses and identify means to meet those needs. The types of assistance SOREDI has identified as being needed by businesses and potential entrepreneurs include:

- Financing and access to capital, especially working capital.
- Financing the acquisition of additional space.
- Gap financing that provides funds needed to span gaps between equity and other sources of funding.
- Financing tenant improvements.
- Connecting resources for technical and management assistance.
- Connecting workforce development and training opportunities.

4. Other Programs and Activities

SOREDI's primary role with the RLF is to provide financing and access to capital to businesses unable to access financing through traditional loans from federally insured financial institutions. This is done in concert with other programs that are available to businesses in the area and in coordination with SOREDI's other activities. SOREDI has significant knowledge and experience in packaging multiple sources of public and private financing needed to make a job-creating project a reality. The RLF is a critical part of this effort. SOREDI continually strengthens and make even more effective the network through which key financial institutions will refer otherwise credit-worthy small businesses which are unable to receive adequate financing through private lending programs. SOREDI works directly with other public programs such as SBA lenders and Oregon business finance programs and with local banks.

In addition to direct assistance, businesses are referred to other sources of assistance such as Southern Oregon University Small Business Development Center, Rogue Community College Small Business Development Center, business mentors and mentorship programs, and Rogue Workforce Partnership (RWP) for management and technical assistance and customized training.

C. Financing Strategy

1. Financing Needs and Opportunities

Financially challenged businesses can exist at any stage of development. The most common are start-up businesses and businesses less than three years old. Other established businesses may require help in making a transition due to growth or expansion. Other formerly bankable businesses may be in an industry that is experiencing a downturn. Gap financing is another growing opportunity fueled by the banking industries' conservative collateral policies. Most small businesses are unable to provide the necessary resources to finance this gap. Without help, many small business retention and/or growth projects would go unrealized, and the economies of the region would be negatively impacted.

2. Current Availability of Financing

Commercial banks and other federally insured financial institutions are providing part of the required financing for businesses. All too often for the businesses that are growing or starting up, the terms are restrictive and not all of the needed financing is available through banks. Limited private financing is available through finance companies, angel investment groups and private lenders.

Some assistance is available through state and federal programs, but these programs also have limitations which preclude funding to otherwise eligible borrowers. SOREDI has partnered with the Business Oregon OBDF program for a couple of potential projects.

Local financing resources include the Illinois Valley Community Development Organization (IVCDO) which has a microloan program with a maximum loan amount of $25,000, Craft3 Community Lending and Business Oregon.

SOREDI has multiple funds available to both counties. Business financing needs can be met using a single fund or a combination of funds. The combining of different funds for single projects depends on the nature of the project and the county where business is done by the project's applicant.

3. Financing Niche

The SOREDI's RLF has the ability to provide a flexible and accessible source of financing which is not otherwise available from traditional lending sources. It is most accessible and useful to growing businesses that are creating or retaining jobs. SOREDI RLF loans do not compete with banks. SOREDI's financing niche has two important components:

a) Providing gap financing for businesses that are able to obtain only partial financing through banks, private investors or other sources.
b) Providing financing for businesses that are unable to obtain traditional financing.
c) Debt refinancing provided the restructured debt schedule will allow the ultimate recipient to operate successfully.

SOREDI does not typically provide 100% financing of projects. SOREDI utilizes lending criteria that allows for more business risk by allowing lending to start-up businesses, businesses that have been in business for less than three years and loaning to businesses that do not meet standard accepted underwriting percentages and ratios.

Financing may be provided for machinery and equipment, leasehold improvements, land & buildings, and working capital needs.

For loans without a lending partner, SOREDI focuses on clients for whom credit is not otherwise available and provides terms and conditions that permit the completion or successful operation of the activity to be financed. SOREDI uses its RLF to fill the financing gap left by commercial banks and other traditional financing sources to help businesses grow, expand and create jobs in the region.

D. Financing Policies

1. Eligible Lending Area
SOREDI's Service Area is represented in Jackson and Josephine Counties.

2. Allowable Borrowers
All legal and legitimate for-profit businesses. Allowable sectors include retail, commercial and industrial.

3. Allowable Lending Activities
Eligible use of loan proceeds are limited to working capital, real estate acquisition, business acquisition (in compliance with 13 CFR § 307.17 (C)(4)), equipment financing, and refinancing debt (in compliance with 13 CFR § 307.17 (C)(6)). The capital need must be used to support a project in SOREDI's service area. Prohibited uses include, but are not limited to, activities that are federally illegal regardless of legality in Oregon, loan proceeds distributed back to a current owner, payment of past-due taxes, or non-business purpose loans.

4. Loan Size Policy
The Loan Advisory Committee may determine the loan size minimum and maximums on individual loans, in accordance with any specific policies of the funding source agency for each separate RLF.

General Guidelines:

Minimum: $20,000.00
Maximum: $250,000.00

These guidelines are to help staff determine ideal loan size and do not limit staff from recommending a loan that is outside these guidelines.

5. **Interest Rate Policy**
Interest rates will be set by the Loan Advisory Committee based on recommendations from staff that are based on cash flow analysis and risk. Loans from an RLF will always adhere to interest rate requirements, policies and restrictions of the funding source agency providing funds for the RLF. Interest rates will generally be fixed for the term of the loan. Rates may vary based on collateral and risk factors.

Minimum Interest Rate: The interest rate will always equal or exceed the minimum interest rate required by the funding source agency. For EDA funded loans, the rate charged normally ranges from four (4) points above the prime rate with a floor as low as 6.0% (as reported by the Wall Street Journal at the time of the Loan Advisory Committee meeting) or the maximum interest rate allowed under state law. However, should the interest rate listed in the WSJ exceed fourteen percent, the minimum interest rate will not be required to raise above ten percent if it would compromise the ability of the RLF recipient to implement its financing strategy.

Maximum Interest Rate: The interest rate will always be less than the maximum interest rate allowed by State law or the maximum interest rate allowed by the funding source agency.

Default Interest Rate: Upon default, including failure to pay upon final maturity, the interest rate on this loan agreement may increase by up to five (5) percentage points per annum based upon a year of 365 days. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable State and federal laws and applicable regulations of the funding source agencies of SOREDI's revolving loan funds, including, but not limited to Economic Development Administration (EDA).

6. **Standard Repayment Terms Policy**
The term of the loans will not exceed the useful life of the assets being financed. The ability of the borrower to repay will also be taken into consideration. When possible, shortest terms possible without detracting from the initial and ongoing success of the borrower rather than longer terms will be set to recycle funds faster to make more loans and to reduce the risk to the RLF. Loan repayment terms that include balloon payments are allowed. The Loan Advisory Committee may grant deferral of principal payments when necessary for the success of the project. During principal deferral period, the borrower must continue to make payments of the interest due on a monthly basis on the scheduled payment due date of their loan; unless otherwise

decided by the Loan Advisory Committee. Loan terms will be equal or be less than the number of years allowed by the funding source agency or 20 years.

The following are loan terms guidelines:

Equipment Loans:	Up to 10 years or the useful life of collateral equipment, whichever is the fewer number of years.
Real Estate Loans:	Up to 20 years.
Working Capital Loans:	Up to 5 years.

7. Fees

The following fees will be charged to the loan clients. Any of these fees may be waived at the discretion of the Loan Advisory Committee. None of these fees will exceed the allowable fee of the organization providing the specific funds for each individual loan for each specific fee type.

- A loan application (loan packaging) fee of up to $200 may be collected with all loan applications that are accepted by SOREDI. This includes: incomplete applications, applications without required documentation, applications that are ultimately denied, applications withdrawn by applicant, applications for ineligible loan projects or uses, and successful applications.
- A loan fee not to exceed 1.5% of the loan amount may be charged.
- All third-party fees associated with each individual loan, such as title insurance, appraisals, credit reports and filing fees, etc.
- All fees associated with collection of past due loans or loans in default.
- All fees associated with other financing obtained through sources outside of SOREDI.
- No prepayment penalty fee will be charged.
- A late fee of 5% of the monthly payment or $25.00 whichever is greater will be charged if payment is not received within 15 days of due date.

8. Equity & Collateral Policy

The Loan Advisory Committee has flexibility in requirements for new equity or cash infusions in a particular project. The Loan Advisory Committee will consider the financial strength of the borrower, other collateral, strength of guarantors, and other important and pertaining factors when varying from standard guidelines. This new equity can be in capital (or lien free assets) added to the project from the borrower or investor sources.

All RLF loans will be fully collateralized. The RLF will secure each loan to the maximum extent possible in the judgment of the Loan Advisory Committee. Security interests will be taken in available assets, both business and personal. In addition, SOREDI will obtain personal and corporate guaranties from owners with 20% or larger interest. Other items that may be required if applicable include assignments of leases and insurance policies including hazard, flood, key man or other life policies naming SOREDI as loss payee. Such collateral and other security may be subordinate to existing liens of record and/or liens securing other loans involved in the project. The amount and type of collateral will be negotiated between SOREDI and the borrower. Generally, if a borrower has multiple loans with SOREDI from separate funds sources, the loans will be cross collateralized.

Combined Loan to Value Ratio (CLTV) requirements will be determined on an individual loan basis depending on the strength of the financial position of the borrower and the project. The gap financing this program provides often requires that SOREDI lend a higher dollar amount or at a higher loan to value percentage than ideal on physical assets to allow borrowers to have adequate cash to meet SOREDI working capital requirements. RLF loans will most often be in a subordinate lien position, therefore sufficient cash flow for debt service is considered to be of greater importance than set "loan to value" ratios.

Optimum goals for maximum Combined Loan to Value percentages are as follows:

Real Estate	90%
Equipment, furniture and fixtures	80%
Leasehold improvements*	60%

*(*term limited to less than period of lease*)

Methods of valuation of assets used for collateral will be objective. Real estate will be valued by an approved licensed appraiser or by the county assessor's office. If a lead lender obtains an appraisal, SOREDI may accept valuation from such appraisal rather than requiring another. Other asset types will be valued by methods that adequately show market value by use of objectively obtained market comparisons, appraisals by qualified and approved persons, by SOREDI staff valuation, and other recognized and standard valuation techniques common in commercial lending. The valuation will take into consideration book value discounted according to useful life and condition. In all cases, valuation will need to show due diligence and objective evidence in addition to values provided by the borrower. Documentation of collateral values will be required in the loan file.

Working capital (current) assets will not be considered as collateral for long-term debt.

9. Moratoria

All loans will begin repayment no later than 6-months after the date of the loan contract. Moratoria is determined by the period of time determined necessary to successfully complete the project at the sole discretion of SOREDI.

10. Start-ups

Same guidelines apply for start-ups as established businesses with the exception of a greater reliance placed on cash flow projections.

11. Working Capital

Working Capital loans are allowed.

12. Credit Otherwise not Available

When originating loans from the RLF without a lending partner, an indication provided by the borrower of another lender's inability or unwillingness to extend credit will be required. When originating loans in partnership with another lender, the other lender's credit memo must indicate the need for SOREDI's loan from the RLF in order to complete the transaction.

E. PORTFOLIO STANDARDS AND TARGETS

The RLF has standards and targets for the funds within its portfolio. Achieving these targets and maintaining these standards helps insure optimum leverage of its finite funds and enhances the economies throughout the region by requiring realistic, yet aggressive job creation ratios. The Loan Advisory Committee may recommend loans that do not reach or maintain these standards and targets. SOREDI policy does not limit or restrict loans being approved that are outside the standards and targets in the areas listed below. SOREDI will, however, ultimately try to obtain each of these percentages and staff will present information and percentages regarding each area in each individual loan proposal.

SOREDI will not approve a loan that does not meet the policies of the EDA.
The RLF has the following standards and targets for its portfolio as referenced below:

1. Target Percentages

The targeted percentage of RLF investments are as follows: Land use (i.e. industrial, commercial, service commercial, etc.) loans are targeted at 25%, business status (start-up, expansion, retention) at 35%, and fixed asset and working capital loans at 40%.

2. Private Sector Leverage

Loans from the RLF that utilize EDA RLF funding target the leverage of private investment from private lenders such as banks and private investment from borrower or others will be at least two dollars private for every one dollar in RLF financing.

3. Job Per Cost Target

The RLF will target higher skill, higher wage jobs. The creation of these types of jobs often requires larger capital investment. SOREDI will continue to create as many jobs as possible, but will favor projects with fewer higher paying jobs over projects with more but lower paying jobs.

The target for all loans from the EDA RLF is at least 1 job for every $30,000 loaned, or less. A lower cost per job is preferable, but consideration will also be given to quality of jobs created or saved. The cost per job dollar amount has been increased for this RLF Plan due to increased cost of doing business, increases in commercial real estate and construction costs and increases in the monies needed for purchasing businesses and for business startups. (The SOREDI cost per job target was $20,000 at initial RLF Plan was approved in 1994).

F. RLF LOAN SELECTION CRITERIA

All SOREDI RLFs have an open solicitation for applications. Each has eligibility criteria that must be met before determining other aspects of credit worthiness as outlined in the RLF workplan.

In order to meet RLF goals, in most cases, the primary loan selection criteria will focus on the following:

1. Number of permanent jobs created or saved
2. Cost per job (a lower cost per job is better)
3. Private leveraging (more involvement of private monies is better)
4. Community impact
5. Job quality (higher skill, higher paying)
6. Increased tax assessments (not primary, but preferred)
7. Utilize existing workforce or retrain existing workforce to employ local individuals (not primary, but preferred)

1. Eligible Applicants

To be eligible an applicant must be:

a. Applicants must be for-profit enterprises which meet the definition and size standards of the Small Business Administration (SBA) for small businesses organized for the conduct of business that are located in the communities of Jackson and Josephine Counties.
b. Applicants must demonstrate that conventional private sector financing is not available for their proposed project elsewhere.
c. A general or special purpose unit of local government, or a public or private non-profit organization, only if the project meets the needs of a specific and committed for-profit business where job creation and leveraging goals are met. (For example, the purchase of fixed assets by such an organization to be leased to a specific small business.)
d. Applicants must show a reasonable assurance of repayment of loans. Among other things, this will be judged by standards of character, capacity, collateral, conditions and capital.
e. Applicants may not have delinquent federal, state or local government debts or liens or judgments filed against them or their property.
f. Applicants must be U.S. citizens or have legal permanent residency.

2. Eligible Projects

Eligible projects may be for expansion, start-up or retention of a business that will meet the goals of the RLF program. Loans may be for fixed assets or working capital. Loans must be for community development projects, the establishment of new businesses, expansion of existing businesses, creation of employment opportunities, or saving existing jobs. Loans may include, but are not limited to:

a. Eligible fixed asset loans may include:

- Land purchase costs, including engineering, legal, grading, testing, site mapping and related costs associated with acquisition and preparation of land.
- Machinery and equipment costs including delivery, installation, engineering, and associated related costs.
- Infrastructure costs.
- Debt consolidation and/or refinancing of loans, if new loan will produce favorable business environment and retain or create jobs.
- Business acquisitions (Must meet funding source agency requirements)
- Pollution control and abatement
- Transportation services
- Hotels, motels, tourist homes, bed & breakfast establishments, conventions and other tourist and recreational facilities, except as prohibited by funding source agency
- Educational institutions

b. Eligible working capital loans may include:

- Inventory purchases
- Accounts receivable financing
- Operating expenses
- Other non-capitalized assets
- Debt consolidation and/or refinancing of loans, if new loan will produce favorable business environment and retain or create jobs.

3. Ineligible Loan Activities and Purposes

Ineligible loan activities and purposes include the following:

- Loans outside the designated eligible area of Jackson and Josephine Counties in Oregon.
- Assistance in excess of what is need to accomplish the purpose of the borrower's project
- A loan to an ultimate recipient which has an application pending, or a loan outstanding, with another Intermediary involving an RLF revolving fund, if the total RLF loans would exceed $500,000
- All traditional agricultural production concerns.
- Non-profit organizations, unless the project meets the needs of a specific and committed for-profit business where job creation and leveraging goals are met.
- Lending and investment institutions and insurance companies; Insurance agents or agencies are eligible if standard criteria are met.
- Golf courses, racetracks, convention centers or gambling facilities

- Any project that is in violation of a Federal, State, or local environmental protection law or regulation or an enforceable land use restriction unless the assistance given will result in curing or removing the violation.
- A loan to a borrower, which has an application pending with or a loan outstanding from another funding source whose regulations and policies exclude the borrower from obtaining loan funds available from SOREDI.
- Loans for the purpose of investing in accounts, securities or any other investment not related to job creation/retention.
- Speculative activities such as land banking and construction of speculative buildings that do not have specific job creating tenants committed.
- Loans for the purpose of acquiring an equity position in a private business.
- Loans to subsidize interest payments on an existing RLF loan;
- Projects that would adversely (without mitigation) impact flood plains, wetlands, significant historic or archeological properties, drinking water resources, or nonrenewable natural resources.
- Personal debt payment, consolidation or refinancing, if not associated with business.
- Loans which would provide borrowers' required equity contributions under other Federal Agencies' loan programs.
- Loans that would create a conflict of interest as defined in this RLF plan. Note: If a funding source agency has a Conflict-of-Interest policy that is more restrictive than the above policy, SOREDI would adhere to the Conflict-of-Interest policy of the funding agency.
- Any activities deemed federally illegal at time of application.

G. PERFORMANCE ASSESSMENT PROCESS

The performance of the RLF portfolio will be monitored on a continuous basis by the Loan Manager. Reports will be provided quarterly to the Board of Directors. SOREDI will review the performance and report on the RLF on a frequency determined by the EDS. The RLF Plan will be amended, as appropriate, to conform to changes in economic conditions and the Comprehensive Economic Development Strategy. Additionally, the RLF plan is an EDA requirement and is updated in accordance with EDA standards every five years. Procedures and policies for Plan modifications of funding source agencies will be followed as relevant and required. Reporting guidelines, procedures and policies of other funding sources agencies will be followed as relevant and required.

PART II
REVOLVING LOAN FUND OPERATIONAL PROCEDURES

A. ORGANIZATION STRUCTURE

1. Critical Operational Functions:

SOREDI will maintain an office open for business during regular business hours for the purpose of administering the revolving loan fund. Currently the office is located at 100 E Main Street, Suite A, Medford, Oregon 97501 and the telephone number is: 541-773-8946. Records of all loans shall be kept at the office as well as the administrative rules, procedures and other records. Professional staff services are provided at the office providing business assistance and referral for prospective borrowers and borrowers from the RLF. All loan processing, documentation, monitoring, analysis, compliance and all other required professional and record keeping functions of the RLF are handled in this office.

The staff positions of SOREDI that work with the RLF consist of the Executive Director, Business Development Loan Manager, and Operations Manager. The Business Development Loan Manager is responsible for:

- Marketing the RLF (identifying and developing appropriate financing opportunities)
- Providing business assistance and advisory services to prospective and actual borrowers including referrals to SOU and RCC SBDC.
- Environmental reviews
- Loan processing (reviewing applications, conducting credit analysis, preparing loan write-ups and recommendations)
- Loan closings
- Loan servicing (administering loan collections, handling defaulted loans and foreclosures)
- Organizational administration (financial record keeping, ensuring compliance with EDA requirements).

On occasion SOREDI contracts through an RFP process for Loan Specialist services to assist in underwriting loans. A third-party auditor will have access to and work with the RLF and its files.

2. Subrecipients or contracted service providers

SOREDI does not subcontract administration of the RLF.

3. Loan Administration Board

a. Board of Directors

The Board of Directors of SOREDI (Board) is the governing body of the regional revolving loan fund program. The Board solely has the power to administer the program and is duly empowered to receive and disburse funds, provide and contract for services, and otherwise administer a loan program. Rules, duties and authority are thereby established and delegated by the Board. The SOREDI Loan Advisory Committee has been delegated authority by the Board to make loan policy and make all major loan decisions. Changes and other delegations may be made as deemed necessary.

In addition, the Board of Directors shall appoint two (2) At Large board members. Members will serve revolving two (2) year terms. A member with a term that has expired, or will expire, may be nominated and re-appointed to an additional term(s). Members may serve a maximum of ten (10) consecutive years. Approval to serve one (1) or more additional two (2) year terms, or portions thereof, may be granted by the Board of Directors.

b. Executive Committee

Executive Committee: The Executive Committee shall consist of the following members who, to the extent permitted by the Oregon Nonprofit Corporation Act, shall have and exercise the authority of the Board of Directors in the management of the corporation:

Ex officio members:

- Immediate Past President
- President
- Vice President
- Secretary/Treasurer
- Executive Director

The Executive Committee has the authority to oversee and manage the business of the District, within the priorities, policies and bylaws established by the Board of Directors and are accountable to the Board of Directors for its actions at regular meetings of the District.

The Executive Committee reviews recommendations of the Loan Advisory Committee and makes final decision on lending policies.
The principal activities of the SOREDI Board, with respect to the Revolving Loan Fund, are as follows:

1. Accepts and applies for Revolving Loan Fund grants.
2. Reviews, amends and adopts Revolving Loan Fund Management Plan.
3. Appoints and/or replaces members of Loan Advisory Committee.
4. Approves RLF working arrangements with third parties, specifically commercial banks, business assistance consultants, attorneys and auditors.

c. Loan Advisory Committee:

The Loan Advisory Committee has been delegated authority by the Board to make recommendations on loan decisions including loan approvals and subsequent loan modifications and foreclosures.

The primary activities of the Loan Advisory Committee are as follows:

1. Makes recommendations on final applications for loans.
2. Makes recommendations whether to call delinquent loans to board of directors.
3. Makes recommendations whether to liquidate assets held as collateral to the board of directors.
4. Reports to SOREDI Board, summarizing fund activities based on reports from staff.

Loan Advisory Committee Structure:
The Loan Advisory Committee shall consist of the following members who, to the extent permitted by the Oregon Nonprofit Corporation Act, shall have and exercise the authority of the Board of Directors in the management of the loan program(s):

1. Ex officio members:
   - Executive Director

2. In addition, the Board of Directors shall appoint at least four (4), but no more than six (6) At Large committee members. Members will serve revolving two (2) year terms. A member with a term that has expired, or will expire, may be nominated and re- appointed to an additional term(s). Members may serve a maximum of ten (10) consecutive years. Approval to serve one (1) or more additional two (2) year terms, or portions thereof, may be granted by the Board of Directors.

At the first meeting of the Loan Advisory Committee after the Annual meeting at which they are appointed, they shall elect from amongst themselves, a chair. A quorum of the Loan Advisory Committee shall consist of a majority of the appointed members.

4. Conflicts of Interest

Southern Oregon Regional Economic Development, Inc. (SOREDI) is a non-profit economic development agency whose Board members, Loan Advisory Committee members and professional staff are chosen to provide public benefit. These persons have a duty to conduct the affairs of the District in a manner consistent with the mission of the District and not to advance their personal interests. This conflict-of-interest policy is intended to permit the District and its Board members, Loan Advisory Committee members, and professional staff to identify, evaluate and address any real, potential or apparent conflict of interest that might, in fact or in appearance, call into question their duty to put the interests of the District ahead of their personal interests.

Covered Persons: This policy applies to the District's Board members, Loan Advisory Committee members, and professional staff. Each Covered Person shall be required to acknowledge that they have read and are in compliance with this policy.

Covered Transactions: This policy applies to transactions between the District and a Covered Person, or between the District and another party with which the Covered

Person has a significant relationship. A Covered Person is considered to have a significant relationship with another party if:

a) The other party is a family member, including a spouse (or domestic partner or significant other), parent, sibling, child, stepchild, grandparent, and grandchild. This does not include distant relatives, such as cousins, unless the distant relative lives in the same household as the person.
b) The other party is an entity in which the Covered Person has a material financial interest; or
c) The Covered Person is an officer, director, trustee, partner, consultant or employee of the other party.

A Covered Transaction also includes any other transaction in which there may be an actual or perceived conflict of interest, including any transaction in which the interests of the Covered Person may be seen as competing or at odds with the interests of the District.

Disclosure, Refrain from Influence and Recusal: When a Covered Person becomes aware of a Covered Transaction, the individual has a duty to take the following actions:

a) Immediately disclose the existence and circumstances of such Covered Transaction to the District's Chair or Executive Director.
b) Refrain from using their personal influence to encourage the District to enter into the Covered Transaction; and
c) Physically excuse themselves from any discussions regarding the Covered Transaction except to answer questions, including Board discussions and decisions on the subject.

Standard for Approval of Covered Transactions: The District may enter into a Covered Transaction where

a) such Transaction does not constitute an act of self-dealing and
b) the Board determines, acting without the participation or influence of the Covered Person and based on comparable market data, that such transaction is fair and reasonable to the District. The Board shall document the basis for this determination in the minutes of the meeting at which the Covered Transaction is considered, and shall consult with the District's legal advisor as necessary to ensure that the Transaction does not constitute an act of self-dealing.

Lending Activities: SOREDI maintains a conflict-of-interest policy that mirrors that of 13 CFR 302.17. Ultimate recipients (all borrowers including, co-makers or guarantors) must, along with their principal officers, including their immediate family, hold no legal or financial Interest or influence SOREDI or the Loan Committee. Also, the Board of Directors, including immediate family, must hold no legal of financial interest or influence in the ultimate recipients. In the event that the representatives from the financial of business community on the Loan Committee have a separate financial interest (excluding regular checking and savings accounts) in a loan applicant, such member will not participate in those loan deliberations. 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 years from the date that the board member last served on the RLF's board of directors.

5. Standards of Conduct

See SOREDI Employee handbook 03/2021 Attached.

B. LOAN PROCESSING PROCEDURES

SOREDI is an equal opportunity lender and treats all applicants equally and fairly. Each applicant will be subject to the following procedures and requirements.

1. Standard Loan Application Requirements

All applicants for loans from the RLF shall be required to fill out a standard RLF application form and supply the additional items as indicated in the application.

Standard application materials include:

- Application for financial assistance.
- Financing proposal and business plan.
- Business plan with pro forma assumptions for minimum of 2-years.
- Two-years' financial history (Income Statement, Balance Sheets, and Cash Flow).
- Year-To-Date financial statements, current within 90-days.
- Two-years' business tax returns (if available).
- Authorization for credit check.
- Personal financial statements and two-years' personal tax returns for all principals.
- Personal resume of all principals.
- Description of all outstanding debt.
- List of proposed collateral.
- Borrower must explicitly determine and demonstrate in the loan documentation for each RLF loan that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed.

Staff or Loan Committee may require additional information. Appraisal reports will be included in applications at the expense of the applicant, when applicable.

The Loan Manager will work with applicants and other lenders involved in the project to finalize the application package. Eligible applications will be forwarded to the loan committee for consideration.

2. Credit and Financial Analysis

Once a completed loan application package has been received, the Business Development Loan Manager will spread financial information, obtain credit report, and begin preparing a credit memo. Metrics such as the Debt Service Coverage Ratio (DSCR), Current Ratio, Debt to Tangible Net Worth, Working Capital, etc., are used to assess creditworthiness. Standard equity requirements of 10% for real estate and 20% for equipment apply. Detailed sources and uses tables with verification are obtained from a variety of sources that may include personal financial statements, tax returns, bank statements (if deemed appropriate), financial statements or other sources that provide evidence of equity.

In addition to financial analysis, staff completes a due diligence review of collateral such as lien searches (title reports, UCC, DMV, etc.), real estate appraisals, environmental reviews with questionnaires and phase 1 ESA reports (if applicable), and Special Flood Hazard Area searches (if applicable).

Additional systems such as Vertical IQ are used to do industry research and benchmark financial performance of applicants against peer group data. After in-depth analysis of historical and projected financial information has been completed, a full narrative is assembled and by the Business Development Loan Manager, which is then presented to the Loan Advisory Committee for credit decisioning.

Credit reports will be obtained on applicants. Other evidence of credit worthiness documented (i.e., indication from participating bank that they have a good credit report in file or that they have good credit record with the bank or documentation of making loan payments as agreed) may be considered if an applicant has no credit references or limited credit references or negative reporting on their credit report.

As previously mentioned, the borrower must explicitly determine and demonstrate for each RLF loan that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. SOREDI focuses on clients for whom credit is not otherwise available. SOREDI uses its RLF to fill the financing gap, left by commercial banks and other traditional financing sources; to help businesses grow, expand and create jobs in the region.

3. Environmental Reviews

SOREDI has developed and implemented an environmental review process in accordance with the intent of the National Environmental Policy Act of 1969, as amended (P.L. 91-190), as implemented by the "Regulations" of the President's Council on Environmental Quality (40CFR Parts 1500-1508) as listed in Section d. paragraph 10 of the Economic Development Administration Revolving Loan Fund Grants, Standard Terms and Conditions. This review process includes the following requirements:

- All borrowers will complete an environmental questionnaire if the loan will involve acquiring interest in real property.
- All real property to be taken as collateral will have an environmental site inspection or environmental site report performed by SOREDI staff. If site inspection, site report and/or environmental questionnaire indicate the potential for environmental issues that need to be resolved, SOREDI staff will contact a qualified person, agency or business to further inspect the real property to identify specific environmental issues and provide options to

resolve identified environmental issues. If further due diligence is required a Phase 1 ESA report will be ordered at the applicants expense. SOREDI will not loan to applicants with unresolved environmental issues related to collateral real property.

- Special Flood Hazard Area searches (if applicable).
- The Loan Advisory Committee will disapprove any loan project, which would adversely (without mitigation) impact flood plains, wetlands, significant historic or archaeological properties, drinking water resources, or nonrenewable natural resources.
- SOREDI will meet all requirements relating to historical buildings from its funding source agencies, state and federal regulations. SOREDI staff will list appropriate issues, requirements and resolutions of any issues relating to historical building requirements in its Loan Proposal to the Loan Advisory Committee. Meeting all historical building requirements will be a condition to obtain loan funding.
- A certificate & Indemnification Regarding Hazardous Substances in included for execution in each real estate transaction closing.

SOREDI staff will review the environmental questionnaires to ensure compliance with the above requirements and order phase 1 ESA report 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 unresolved site contamination issues if deemed necessary. Loan applicant shall be responsible for working with the appropriate state environment agency office to resolve any outstanding issues before any loan can be approved for the affected site.

4. Prevailing Wage Reviews

While not common due to the availability of funds through the RLFs and the decision to accept funding being at the option of the borrower, the following compliance steps would be required if utilizing EDA-RLF funding for a construction project:

a. Contract Clauses and Wage Determinations:
The recipient will ensure that all contracts, including those with sub-recipients, include the required Davis-Bacon contract clauses and applicable wage determinations. This information will be readily available to contractors and subcontractors, ensuring they are aware of their obligations.

b. Guidance and Training:
The recipient will provide guidance to contractors and subcontractors regarding the application of wage determinations, including the proper classification of workers and the applicable prevailing wage rates. This guidance will help prevent errors and ensure compliance with the law.

c. Certified Payroll Records:
Contractors will be required to submit certified payroll records weekly, documenting the hours worked and wages paid to each covered employee. These records will be reviewed by the Recipient to ensure compliance with prevailing wage requirements.

d. Monitoring and Oversight:
   The Recipient will conduct regular monitoring and oversight of projects to ensure compliance. This may include on-site visits, reviews of payroll records, and worker interviews.
e. Enforcement:
   If violations are detected, the Recipient will coordinate with the federal funding agency and potentially forward cases to the Wage and Hour Division (WHD) for further action, such as debarment.
f. Record Keeping:
   contractors are required to maintain records of all covered laborers and mechanics including their names, addresses, classifications, wage rates, hours worked, and deductions. These records must be preserved for at least three years after the completion of the project.

5. Loan Write-up

A Credit Memo (SOREDI terminology for loan write-up) consists of the following items, this information is used to determine the primary, secondary and tertiary sources of repayment and allow SOREDI to determine the probability of default and loss given default for any loans originated.

a. **Overview –** The company's history, product, capacity and management. A discussion and analysis demonstrating the need for RLF funds and how the RLF is not replacing private lending sources and job creation. To support the need for an RLF loan, bank support letters will serve as secondary support for the analysis.
b. **Principals –** Background and experience of owners
c. **Market –** A discussion of the business's market and competitive environment.
d. **Financing -** Uses and sources of project financing and collateral.
e. **Credit Summary or Financial Analysis –** An analysis of the business and personal financial condition, credit reports, and repayment ability.
f. **Environmental Issues –** Information about any environmental impact and/or required mitigation.
g. **Summary –**Strengths and weaknesses of the proposed loan.
h. **Recommendation –** Staff recommendation to the Loan Advisory Board including proposed terms and conditions. Each staff recommendation will utilize prudent lending practices.
i. Other topics that may be discussed in a loan proposal are collateral, jobs, SOREDI and funding source agency criteria, strengths and weaknesses of application.

6. Procedures for Loan Decision

A loan decision can only be made when a quorum of the Loan Advisory Committee is present. After reviewing the loan proposal, the Loan Advisory Committee will make a decision by majority vote. The minutes of the meeting will be kept in the permanent file.

If final approval is received from the Loan Advisory Committee, the decision will be communicated to the applicant as soon as it is practical by SOREDI staff.

a. Approvals

Approvals of loan applications are granted when so recommended by the Loan Advisory Committee by majority vote. Applicants will be notified in the form of a loan commitment letter specifying the terms, structure and conditions of the loan and time period of the commitment. Other forms of notification, such as electronic may be used on individual loans and will be recorded in the client's loan file by staff. Each loan approved will utilize prudent lending practices.

b. Denials

Denials of loan applications are made when so voted by the Loan Advisory Committee. Applicants will be notified in the form of a denial letter, which specifies the reasons for denial and may include available recourses. Other forms of notification, such as electronic may be used on individual loans, and will be recorded in the applicant's loan file by SOREDI staff.

Loan applications that are withdrawn by the applicant are considered a denied loan and a denial letter will be provided to the applicant stating the reason for denial is "Withdrawn by applicant."

"No decision" will be ruled when there is a tie vote. If there is a "No decision" and following discussion cannot result in breaking the tie vote, then applicant and staff will be instructed to re-visit loan application and to re-present application at a future Loan Advisory Committee meeting. A denial letter will be provided to the applicant, if the applicant does not re-present the application within 30 days of the "No decision" vote, unless applicant is continuing to work with SOREDI staff towards re-presenting their loan application.

c. Procedure to Appeal Loan Decision

An applicant may appeal the Loan Decision by stating their intent to appeal the loan decision in writing within 45 days of the date on the loan decision letter. This written statement must list new additional relevant information. The appeal will be presented to the Loan Advisory Committee at the next regularly scheduled Loan Advisory Committee meeting. SOREDI staff may assist the applicant in preparing a written statement of intent to appeal. SOREDI staff will prepare and submit a staff report and recommendation based on new additional relevant information. A loan decision on this appeal will be made by vote of the Loan Advisory Committee. The applicant will be informed of this decision in a written letter. The loan decision by the Loan Advisory Committee is final without any other appeal options available through SOREDI.

C. LOAN CLOSING AND DISBURSEMENT PROCEDURES

1. Loan Closing Documents

Required on all loans will be the Loan Agreement, Security Agreement, Promissory Note (or Note), Borrowing Resolution and Personal Guarantee(s). For loans secured with real estate, a Trust Deed will be required. For loans using other collateral, a UCC filing will be required along with lien searches both before and after filing showing SOREDI as lien holder in the desired position approved by the Loan Advisory Committee. For licensed vehicles, a title showing SOREDI as a security interest holder or lien holder will be required. Insurance policies covering collateral will be obtained by borrower with SOREDI listed appropriately as additional insured, loss payee or other designations or assignments with documentation of insurance provided to SOREDI prior to or at loan closing. A copy of the board meeting minutes approving the RLF loan will be kept.

2. Loan Agreement Provisions

Loan agreements will indicate that the RLF funds are used in accordance with EDA requirements in addition to ensuring that borrowers, consultants or contractors are aware and comply with federal statutory and regulatory requirements that apply to activities carried out with RLF loans. All EDA RLF loans will also include stipulations for instances of non-compliance.

If a loan includes construction or renovations, the loan agreement will also include language that protects and holds the federal government harmless from and against all liabilities that the federal government 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. It would also indicate the requirements for drawing loan funds for working capital, construction, or other disbursement procedures that are necessary to protect RLF assets.

3. Loan Disbursements

Prior to disbursement of RLF loan proceeds, the borrower must provide evidence that the purpose for which the loan was made is what the proceeds are being used for. In the case of purchase of physical assets; invoices, orders or delivery documentation will be acceptable types of evidence. For tenant improvement loans, invoices or work orders or statements of work completed will be provided and completion of work verified prior to disbursement. Disbursement prior to work being completed must be approved by Executive Director. With a loan for construction when a SOREDI loan is for permanent replacement financing; a construction lender will provide evidence that the project is complete, and all terms and conditions of the construction loan are satisfied prior to any SOREDI loan fund disbursements. SOREDI will obtain title insurance ensuring that there are no construction liens on the property. The size of, and disbursement schedule for, working capital loans will be determined by SOREDI based on schedules provided by the borrower prior to loan closing.

D. LOAN SERVICING PROCEDURES

1. Loan Repayment

Borrowers will make loan payments directly to SOREDI at our principal office. All payments are logged in and marked with the date of receipt, along with any other checks received that day, by the employee handling the mail. Each payment by cash or check is given to the Loan Manager or other appropriate SOREDI staff to deposit into the bank account for the RLF.

- The Loan Manager or their designee posts loan payment in Portfol Loan program.
- Records payment distribution as listed on Portfol account on loan slip or check stub.
- Prepares deposits for bank accordingly.

Each loan will be individually and separately maintained in the SOREDI loan portfolio software and loan payments will be recorded for each loan. This record will be referred to as the "Payment Record Ledger". The payment will be posted to the borrower's Payment Record Ledger showing the date and amount of the payment along with the breakdown of principal and interest and the new balance. Each loan client will be invoiced for each payment due.

Each month SOREDI accounting records are reconciled with SOREDI Loan portfolio records to verify that the ledger posting account and amount and the deposit account and amount are correct. This reconciliation is done by accounting staff and verified by Loan Manager.

2. Loan Monitoring

A tickler system is used to remind loan staff of insurance expiration dates, financial statements due or other requirements that have regular or expiring terms. Annual site visits, UCC renewals and compliance requirements are examples of tickled items. Additional reporting to SOREDI by the borrower may be requested on a loan-by-loan basis.

3. Loan Files

Each loan file must contain all of the documentation on that loan or provide reference as to where the required documentation is stored. Included in each file are all documents relevant to the loan including all of the following as they apply to the loan:

- Application and any other documents submitted with application, including a business plan
- Private and/or traditional lender loan commitment
- Written form of denial (letter, email or other correspondence) from a bank or other traditional lender indicating that credit is not otherwise available on terms and conditions that permit the completion of the project.
- Loan proposal
- Minutes from the loan board meeting approving the loan and minutes from meetings taking significant action related to the loan

- Loan Agreement
- Security Agreement
- Promissory Note (or Note)
- Trust Deed(s)
- UCC filings and searches
- Insurance certificates
- Financial statements, job reports, correspondence, servicing/site visit notes and any other documentation regarding the loan.

The loan files are kept in a fireproof filing cabinet when not being used by SOREDI staff. Closed loan files and related documents and computer records and all other related records must be maintained over the term of the approved loan and for a three-year period from the final date of the loan or according to the requirements of funding source agencies, whichever is the longest period of time.

Denied or withdrawn loan applications and supporting documentation and SOREDI created documents and forms associated with a denied or withdrawn loan will be retained for a period of one (1) year after the date of denial or withdrawal loan or according to the requirements of funding source agencies, whichever is the longest period of time.

4. Job Creation
Each applicant reports its projected job creation and or retention metrics and reports them to SOREDI at application. Upon annual review with borrow, job creation figures are updated to the system of record.

5. Defaulted Loans
Borrower's Payment Record Ledgers for each loan are checked on a regular monthly basis to find any late payments. Late penalties are disclosed on the promissory note. A loan that has a monthly loan payment that is late less than 30 days is considered delinquent. Loans of greater than 31 days, but are still considered collectable, are defaulted. Best efforts are made to resume payment in either scenario. SOREDI considers a cost benefit analysis on a case-by-case basis for all defaulted loans with regard to the collectability and ability to liquidate collateral. Depending on collateral, security, and guarantee supporting any particular loan SOREDI determines the best course of action, which some cases may require patient collection efforts to decrease the legal costs to SOREDI.

Staff will make a recommendation to the Loan Advisory Committee on actions to be taken, such as repossession of collateral, foreclosure, etc. The Loan Advisory Committee makes decisions on such actions. Staff will ensure that all documentation is in order and will contact an attorney if necessary. Notification will be sent to all guarantors indicating their liability. Other lenders will be notified.

When monies are received by SOREDI on defaulted RLF loans, these proceeds shall be applied in the following order of priority for EDA funded loans:

a. First, towards any cost of collections.
b. Second, towards any outstanding penalties and fees.
c. Third, towards any accrued interest to the extent due and payable.
d. Fourth, towards any outstanding principal balance.

SOREDI staff may recommend terms to the SOREDI Loan Advisory Committee for restructuring a loan that is delinquent, in default or has the potential for delinquency in order to increase the likelihood of repayment of the loan. The SOREDI Loan Advisory Committee shall have the authority to authorize all restructures.

6. Write-off Procedures

If a loan or portion of a loan remaining after liquidation of collateral is determined to be uncollectable, it will be written off. The direct write off method of accounting is used. However, collection efforts will continue after the loan is written off until it is determined by the Loan Advisory Committee that such efforts are no longer cost effective.

E. Marketing of the RLF

For details on how the RLF is marketed, see the Organizational Structure section above with detail under the duties of the Business Development Loan Manager. Marketing materials are available in print and on the SOREDI website and are updated every few years, or more frequently as needed. Borrower's can apply by contacting the Business Development Loan Manager but may get all materials ahead of time from the website.

F. ADMINISTRATIVE PROCEDURES

1. New RLFs

SOREDI does not currently plan to include additional RLFs that would utilize EDA funding. Any changes would be initiated by a request made to the EDA.

2. Accounting

SOREDI shall employ recommended generally accepted accounting principles (GAAP) and accounting procedures to record and report all financial transactions. The accounting system will follow grantor guidelines and use a double entry system. Quarterly financial reports shall be provided to the Board of Directors. Each RLF fund is accounted for separately, including separate bank accounts so that repayments and interest income are clearly identifiable and auditable. Income and expense line items are accounted for separately from principal repayments and loans made.

3. Administrative Costs

The source for RLF administrative expenses is the RLF income. SOREDI manages the RLF to produce sufficient income to cover annual costs. All income can be used to cover administrative expenses if necessary. In the event that income is insufficient, other funds of the agency are utilized to pay for staff and administrative expenses.

4. Audits

Financial audits shall be conducted as required consistent with EDA and other funding source agencies audit requirements of all program transactions. This includes the full value of the RLF (outstanding loans and available cash) which will be shown in the Schedule of Federal Expenditures, and a written report shall be provided to the SOREDI Board of Directors. An independent, established professional auditor shall be retained to conduct the audit of agency records.

5. Records Retention

Details on the retention of records are explained in the Loan Files section of Loan Servicing Procedures above.