

Modifications to Master Credit Policy

Before:

9. Portfolio Limits & Concentration Management

- Single Borrower/Obligor Group Limit: Exposure caps to avoid over-concentration.
- Industry/NAICS Limits: Caps on aggregate exposure to cyclical or high-risk industries.
- Collateral Type Limits: Diversify across real estate, equipment, inventory/AR, etc.
- Program & Funder Limits: Adhere to USDA IRP, EDA RLF, and other funder constraints, including minimum leveraging expectations and cost-share rules when applicable.

Note: Specific numeric limits may be set by the Board, Funding Agreement(s), and/or Program Policy.

After:

9. Portfolio Limits & Concentration Management

- Single Borrower/Obligor Group Limit: Exposure caps to avoid over-concentration.
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- Collateral Type Limits: Diversify across real estate, equipment, inventory/AR, etc.
- Program & Funder Limits: Adhere to USDA IRP, EDA RLF, and other funder constraints, including minimum leveraging expectations and cost-share rules when applicable.

Total outstanding indebtedness to any one borrower and its affiliates, across all SOREDI loan programs, shall not exceed \$250,000 unless expressly approved by the SOREDI Board of Directors. Other numeric limits may be set by the Board, Funding Agreement(s), and/or Program Policy.

Before:

2. Governance & Delegations

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- The Executive Director serves as an ex officio member.

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- Quorum & Voting Standards: A quorum consists of a majority of appointed ~~voting~~ members. Actions of the Committee require a simple majority of ~~voting~~ members present. In the event of a tie, the Executive Director shall cast the deciding vote. ~~If the Executive Director is absent or abstains, the matter will be escalated to the Executive Committee.~~

After:

2. Governance & Delegations

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- The Executive Director serves as an ex officio, non-voting member and shall not be counted for purposes of quorum.

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- Quorum & Voting Standards: A quorum consists of a majority of appointed members. Actions of the Committee require a simple majority of members present. In the event of a tie, the Executive Director shall cast the deciding vote. The Chair shall not vote except to break a tie. If the Chair is absent, the Vice Chair shall not vote except to break a tie. If neither is available, or if they abstain, the matter will be escalated to the Executive Committee in the event of a tie.

After (no “Before” because it consists entirely of an addition):

4. Eligibility & Ineligible Uses

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- Marijuana-Related Businesses: Any business engaged in, or deriving any revenue from, the cultivation, processing, distribution, sale, or transportation of marijuana or marijuana-derived products, including any ancillary or service business, regardless of legality under state or local law.

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Clarification of Aggregate Credit Limits and Loan Committee Voting

Two minor clarifying edits are proposed to the Master Credit Policy to align governance and risk controls with Board intent and existing program policies. First, the Policy will establish a cap of \$250,000 in total outstanding indebtedness to any one borrower and its affiliates across all SOREDI loan programs, unless expressly approved by the Board. This resolves a structural gap whereby program-level limits exist, but no aggregate cross-program limit is currently defined.

Second, the Policy will clarify Loan Committee voting protocol by removing the Executive Director as a tie-breaking vote and instead providing that the Chair does not vote except to break a tie (or the Vice Chair in the Chair’s absence), consistent with standard governance practice and the Executive Director’s management role. These changes are intended to provide clear guardrails and improve alignment, without altering program economics or delegated authorities.

Federal Funding Compliance Clarification – Marijuana & Marijuana Service Businesses

Although marijuana is legal under Oregon law, it remains illegal under federal law. Because SOREDI receives federal funding and administers federally capitalized loan funds, SOREDI may not lend to marijuana businesses or businesses deriving revenue from marijuana activity, including service and landlord businesses, regardless of state legality.

- EDA requires RLF recipients to operate in compliance with federal law and award conditions. EDA has never authorized marijuana or marijuana-adjacent lending. Defederalization releases the federal interest in capital but does not authorize federally prohibited uses.
- USDA expressly prohibits lending to any entity that derives income from marijuana operations, including service and ancillary businesses (e.g., landlords, equipment lessors).