

**COLUMBIA RIVER GORGE NATIONAL SCENIC AREA
OREGON INVESTMENT BOARD**

*******Wednesday, December 15, 2021*******

****** 3:00 P.M. ******

Remote Only Via Zoom:

<https://us06web.zoom.us/j/84486729206?pwd=SWl3NWJscmluZkVpb3JJQ0liQit3Zz09>

Or call 669 900 6833 using Meeting ID: 844 8672 9206 and Passcode: 226747

<u>Topic</u>	<u>Time</u>	<u>Item</u>
Call to Order, Introductions	5 minutes	Information
Minutes <i>October 27, 2021</i>	5 minutes	Approval
Financials	5 minutes	Approval
Loan Modification Requests <i>Defiance Brewing Company dba Sedition Brewing Company Good Medicine Enterprises, LLC</i>	30 minutes	Information
<i>Executive Session per ORS 192.660 (f) (Exempt Documents) Regular Session Reconvened</i>		
Loan Action	5 minutes	Approval
Funded Loan Updates	5 minutes	Information
<i>Executive Session per ORS 192.660 (f) (Exempt Documents) Regular Session Reconvened</i>		
Draft RLF Plan for USDA funds	10 minutes	Approval
Other New Business, Good of the Order		
Adjourn		

The meeting location is accessible to persons with disabilities. If you have a disability that requires any special materials, services or assistance please contact MCEDD at (541) 296-2266 at least 48 hours before the meeting so arrangements for appropriate accommodations can be made.

Executive Session Protocol Oregon Investment Board

After discussion agenda items are presented in open session by OIB staff, the OIB Chair will state the following: "Pursuant to ORS 192.660(f), Exempt Documents, I call the Executive session of the Oregon Investment Board to order"

OIB Chair asks all non-staff and non OIB members to leave the meeting. Staff will explain to visitors where they can wait and that they will be invited into Executive Session when their agenda item will be discussed.

For each discussion item on the agenda for Executive Session, the OIB Chair will follow the following procedural steps:

1. Invite the loan applicant (or their representative) into the Executive Session for the presentation of their loan request. OIB Chair requests a brief presentation from OIB staff on a summary of the loan proposal or other discussion item.
2. After presentation of information by staff, the OIB Chair asks if there are any questions for the loan applicant or OIB staff.
3. Following questions and discussion by the OIB, the loan applicant (and/or their representative) is asked to leave Executive Session with instruction that they will be invited into the Open session when Executive Session is adjourned.
4. OIB Chair asks OIB members if there is any discussion related to loan request that needs to take place before inviting the next loan applicant or other persons in to Executive Session for the next discussion item.
5. Additional discussion between the OIB members takes place then Steps 1-5 are repeated for each following discussion item for Executive Session.

At the end of discussion, the OIB chair will close the Executive Session. The OIB moves back to open session. At this point, the OIB Chair can ask for a motion of the decision items in open session. Open session is when the OIB can make decisions on agenda items.

**COLUMBIA RIVER GORGE NATIONAL SCENIC
AREAOREGON INVESTMENT BOARD**

Wednesday, October 27, 2021
via Zoom

ATTENDANCE

OIB Members: Craig Bowder (Chair), Doug Roof (Vice-chair), Gil Kelley, Jill Amery, Kirk Wright

Staff: Jessica Metta (Executive Director), Ami Beaver (Assistant Project Manager), Jill Brandt (Administrative Assistant), Dana Woods (Finance Manager)

Guests: Rodger Nichols (Gorge Commission)

CALL TO ORDER/ INTRODUCTIONS

Craig Bowder called the meeting to order at 3:00 pm. A quorum was present.

MINUTES

Doug Roof pointed out that Dana Woods was not listed in the attendance in last month's minutes. Dana was present and gave the financial report. The correction is noted.

Gil Kelley motioned to approve the minutes from the September 22, 2021, meeting with the correction to add Dana Woods to the attendance. Kirk Wright seconded the motion. All voted in favor, and the motion passed.

FINANCIALS

Dana Woods presented the financials for September. Principal Repayments for the month of September were \$12,145 with Interest Received \$7,322. Moneys available to grant/loan were \$1,374, 483. On the Balance sheet, Dana noted that the YTD income number does include the 10% adjustment for doubtful loans amount that was discussed at last month's meeting. Dana explained that she anticipates that the amount on the line item for MCEDD's admin fee will be adjusted in next month's financials to align with MCEDD's contract to match actual expenses.

Dana then presented her research on loans defaulted after last month's discussion of this topic and the Board's request for more information. She found one loan that was defaulted in 2018 that came to 3% of the loans receivable balance. The next loan that defaulted was in 2020 and was written off at just under 4% of the loans receivable balance. In 2021 there was another write-off that equaled just under 2%. Based on this history, Dana offered that a 10% allowance is more than adequate from her perspective. Doug Roof felt reassured by the information and noted Jorge Barragan had advocated for the high doubtful loan allowance to be cautious because of COVID impacts. Kirk Wright stated that he still felt uncertain as to what the correct number should be, but he was more satisfied with the 10% allowance knowing these details. Dana affirmed that it is important to know the history for a better sense of what is an appropriate amount. Dana reiterated that the rest of MCEDD's loans are rated with a 6% doubtful loan amount.

Doug Roof asked if the newly awarded USDA fund will have separate books and if MCEDD

will have a separate fee for administering them. Jessica said there will be separate books for this money, but that there is no admin available for those funds. She explained that when the grant application was written, the fee was left out intentionally to make the application more competitive. The application states that MCEDD would administer these funds under the current OIB contract fee. Craig reiterated to clarify that even though this will be a separate pool of funds, the administration will still fall under the current contract price with MCEDD. In effect, using these funds will be just another option of where to draw the funds when a loan is granted. Jessica agreed with this summation: MCEDD will continue to administer the OIB program, and once a loan is approved, the fund where the loan will be drawn from will be identified. Jessica explained that MCEDD has many loan funds, and the Loan Administration Board just approves the loan and then staff decides which funds to use. This money will be in a MCEDD account, so it will be recorded separately. Craig stated that this will then be the same as the pilot program or disaster relief program– it will be just another loan product for OIB. Craig asked if the Board would know which fund is being targeted for each loan application. Jessica responded that this new fund would take priority because it has a two-year time period for disbursement. Gil asked about the deadline for disbursement, requesting clarification that once those loans are repaid, they will stay in the fund on a revolving basis. It is just the initial disbursement that is required to happen within the two-year period.

Doug Roof motioned to accept the financials as reported. Jill Amery seconded the motion. All voted in favor, and the motion passed.

DRAFT RLF PLAN FOR USDA FUNDS

Craig Bowder introduced this topic with a general overview to update the other Board members with his understanding of the situation. The Columbia River Gorge National Scenic Area (NSA) Act was written into law in 1986. The Act included the establishment of the Gorge Commission to oversee the rules of the Act. At that time 10 million dollars was authorized to the OIB and the WIB for business and economic development in the scenic area. Of the ten million allotted by Congress, two million of the total was never appropriated. This RLF (Revolving Loan Fund) Plan under discussion today will govern the administration of the new two million. Craig went on to explain that when the OIB approves loans, the Gorge Commission looks at each one and gives the approval that it abides by the rules of the NSA. Loans that are awarded to businesses in municipal areas don't have NSA criteria, however the commission still looks at each one and gives its approval. The contention that has arisen with this award is that the USDA is a totally separate agency with its own rules for applicability. These are not the same rules under which the scenic area was enacted. Therefore, there is a gray area of which rules to follow. Do we maintain this fund in the same way as all of the OIB's other funds, or do we allow the new rules of the USDA to govern the disbursement of these funds?

Jessica Metta explained that the larger request before the Board today is to approve the RLF plan, because no funds can be distributed until it is approved. The draft before the Board today is based on the OIB's existing RLF plan, and also incorporates USDA requirements. In the draft RLF plan, the requirement to get Gorge Commission certification has been removed. The question is whether or not Gorge Commission certification will be required, because Klickitat County has not adopted an NSA ordinance. If Gorge Commission approval is not required, Klickitat County will be eligible to access this money.

Jessica explained that MCEDD staff met this morning with USDA staff to ask these questions. Kevin Waters of Skamania EDC, who supports WIB, was also in the meeting. USDA staff thought only USDA rules applied and not the Act but wanted to pass this question up to higher levels to get clarification. USDA said it is ok to have two different RLF plans for this award, one for OR and one for WA, and therefore the OIB can go ahead with approving the Oregon RLF plan. Jessica added that the draft plan that she had shared with Kevin to review with the WIB was rejected by the WIB due to its complexity. Therefore, she is recommending having different plans, and the OIB can approve its own plan.

Craig said he was copied on a letter from the Director of the Gorge Commission that outlined the Commission's understanding of how the funding should be structured and asked Rodger Nichols of the Gorge Commission to present the Commission's stance on this topic.

Rodger Nichols said the Senators who helped get this award approved fully intended for this money to be the fulfillment of the originally promised funding from when the Act was passed in 1986. Rodger noted that this is clearly written in the letters of support that were part of the application. Rodger said section 5441.c of the NSA states that each State making grants under this section are to be certified by the Gorge Commission as being in line with the Act. Rodger then pointed out that it is written in the USDA regulations that awards must follow all applicable laws. He argued that the Gorge Commission was established as a Federal Commission and has the force of law. Rodger then explained that the Commission has never not certified a loan. It has never held up the process for either the OIB or the WIB. The Commission does not support Klickitat County's access to these funds, because the County does not adhere to the Act. They should not receive the benefits and rewards when they do not comply with the same rules and regulations as all of the other counties.

Gil Kelley asked if there is a schedule for Klickitat County to adopt an ordinance. Rodger said Klickitat County has never supported the ACT or the Commission, and the Commission feels strongly that Klickitat County should not get funding without contributing their share. Gil said he thought the question would need to be resolved legally and it is not for the OIB or the WIB to decide the applicability of the Act on the USDA funding.

Craig Bowder said because the USDA allows two separate RLFs, the issue with Klickitat County does not need to hold up the OIB's portion of the fund's distribution. The OIB discussion needs to focus on deciding whether to keep the Gorge Commission engaged to approve any loans that the OIB will authorize using these funds. Rodger said the language in the Scenic Area Act reads that "All activities each state agency undertaking grants are required to have gorge commission stamp and follow all rules." Rodger also voiced concern that a precedent decision to not submit loans to the Gorge Commission for approval could become a template for WIB to follow. He agreed that a legal decision is needed.

Jill Amery agreed with Gil that this is a legal question. Jill stated that she cannot take a position either for or against, and that the contention of counties complying with the Gorge Commission ordinance has also emerged in discussions at Wasco County in the past year.

There was Board consensus in waiting for legal guidance if the Act applies to the USDA funding

before adopting an RLF Plan. Jessica agreed to continue researching it and wait on adoption. She asked the group to talk through the rest of plan to settle questions needing guidance. On page 20, where it states that a cash match is required for the grant. Jessica explained that MCEDD will match using funds from loan clients.

Jessica pointed out changes from the current OIB plan – on page 25 the loan size policy states “Not less than \$5000.” This number was taken from language that the USDA sent and is not officially required. Does the OIB want to have a higher minimum loan size? Craig replied that this amount is a standard minimum for loans in the commercial banking world, and he is OK with it. Jill Amery wanted to know what the cost of approving a \$5000 actually is. Is it the same to administer a \$5,000 loan as it is a \$500,000 loan? She requested to see the cost comparison associated with different thresholds. Jessica said at the last meeting microlending terms were approved with a lower threshold of review from staff and therefore with lower costs. The Board would go with these approved terms for any smaller fund requests.

On page 24 of the packet, the Portfolio goal is written as one FTE for every \$10,000 spent. This is not in the OIB’s current plan, and the USDA clarified that this is not a requirement. Jessica explained that in other loan funds at MCEDD there is a one job created for every \$35,000 loaned. She then asked if the OIB wanted to specify a number of jobs created per amount of money lent, adding that this would be a goal and not a requirement. Doug Roof stated that if this is a requirement, then it will need to be tracked. He thought it might be a useful benchmark for gauging loans. Jill stated that she preferred consistency across the OIB’s programs. Gil noted that figuring out what the correct number is would take more discussion.

The Board discussed the loan closing fee. Gill said the 1.5% is consistent with the OIB’s regular program, but maybe the group should consider raising it. He agreed with Jill’s idea of being consistent across loan buckets, and asked what the Board thought about raising the fee to 2% to be same across all funds. He wondered if this would be burdensome for applicants. Jessica replied that MCEDD charges 1.5 % across all funds except for attainable housing which is at 1%. She didn’t have input on what the impact of a change from 1.5 to 2% would be for client. She thought that in most cases it would be a very small difference. She also noted that the WIB is currently charging 2%. Jessica offered to do some research to bring comparison information from other entities in OR if the Board was interested. Gil thought more information would be helpful but was not sure if it was worth spending the time researching. Craig stated that he did not know what the going fee was for entities like MCEDD around the state, but that it was consistent with Business Oregon in his estimation. The loan fee and the interest rate would be a little higher. Kirk asked for more information about WIB’s rationale for their 2% rate. The Board discussed charging an application fee that is waived when the loan closes.

Jessica agreed to make the changes that the group talked about today and will bring back more information on the loan fees and the jobs per dollar granted that were discussed today. She will also reach out for legal consult on the Scenic Area applicability question.

Doug asked if the Performance assessment language on Page 28 was lifted from the existing RLF plan. Jessica replied that it was from the current plan and is being tracked. Doug asked how often the Board sees this data - on a quarterly basis? He wanted to know if the Board

actually saw the leveraging of private dollars to public dollars. Jessica answered that these figures are included in the annual report. Doug then asked about the wording on Page 21 (page 35 of the attachment); third paragraph down under loan monitoring procedures, where it says “Management report may be required periodically.” He wanted to know if the OIB has this kind of reporting. Jessica responded that MCEDD loan conditions require all clients to provide annual reporting on their financials. MCEDD also requires jobs reporting annually.

Craig concluded that the RLF approval will be tabled until there is clarity from legal counsel. Next month the group will look for the final draft of the RLF.

FUNDED LOAN UPDATES

Jessica requested executive session to give the Board updates for upcoming loan restructure requests from Defiance, dba Sedition Brewing in The Dalles and also Full Circle LLC, dba Rivertap, in The Dalles.

EXECUTIVE SESSION

Executive Session entered per ORS 192.660 (f) (Exempt Documents) at 4:09 pm.

Return to regular session at 4:13 pm.

OTHER NEW BUSINESS / GOOD OF THE ORDER

Jessica gave the Board staff updates on the application process for Jeannie Krantz (Troutdale City Council) to join OIB in the vacant Multnomah County seat. There is a question about having an elected official in this role, so Multnomah County is being consulted for their approval before this nomination can move forward.

Jessica informed the Board of her attendance at the NADO awards conference in Portland. The OIB’s videography project won an award, and she was able to share the videos and talk about the project. She gave kudos to the OIB for their initiative on this project.

The job posting for the Loan Fund Manager position closed on Monday, and interviews are set to happen next week. She invited any interested board to sit on the interview panel.

Gil has a referral for a potential client who wants to open a business in Hood River. Jessica asked Gil to have clients reach out to either Jessica or Ami to get the process started.

ADJOURN

The meeting was adjourned at 4:16 pm.

Respectfully submitted by Jill Brandt, Administrative Assistant

OIB FINANCIAL SUMMARY

REPORT PERIOD: November 2021

	TOTAL YEAR TO DATE	PREVIOUS REPORT	CURRENT ACTIVITY
CASH BALANCE AS OF 06/30/21	1,563,931		-
Less Payables	-		-
Plus Accounts Receivable	2,188		-
Plus Interest Receivable (Less Unrecorded Accr'd Int)			-
ADJUSTED CASH BALANCE 06/30/21	1,566,119	-	-
INCOME			
Interest	37,713	30,537	7,176
Loan Processing & Fees	618	618	-
Loan Late Fees	-	-	-
Other Revenue			-
Invested Interest	206	165	42
TOTAL INCOME	38,537	31,319	7,218
PRINCIPAL REPAYMENTS	132,170	120,518	11,652
REVENUE BEFORE DISBURSEMENTS	170,707	151,837	18,870
EXPENSES AND PAYMENTS			
Grants Disbursed FY22	-	-	-
Loans Disbursed	15,000	15,000	-
Converted to Principal		-	-
Bank Service Charges	60	51	8
Professional Services	40,320	33,166	7,153
TOTAL EXPENSES AND PAYMENTS	55,380	48,218	7,162
ADJUSTED CASH BALANCE	1,681,447	103,620	11,708
LESS:			
Approved Grants not Disbursed	-		
Encumbered Pilot Program Funds	(280,000)		
Approved Loans not yet Disbursed	-		
Interest Receivable at Period End	(3,765) *		
AVAILABLE TO GRANT/LOAN	1,397,683		
LOANS RECEIVABLE BALANCE	1,219,500 ^		
PROOF:			
Cash Balance After Reconciliations - November 30, 2021	1,693,503 ^		
Less Payables	(15,820)		
Plus Interest Receivable	3,765		
ADJUSTED CASH BALANCE	1,681,447		

**Mid-Columbia Economic Development District
Balance Sheet - OIB**

November 30, 2021

ASSETS

Current Assets

Checking/Savings

1000 · Bank Demand Deposits

1070 · National Scenic Fund

1,693,502.53

Total 1000 · Bank Demand Deposits

1,693,502.53

Total Checking/Savings

1,693,502.53

Other Current Assets

1200 · Receivables & Accruals

1202 · Accounts Receivable

1222 · Year or Grnt End Receivables

1260 · Accrued Loan Interest

3,764.57

Total 1200 · Receivables & Accruals

3,764.57

1300 · Loans Receivable

1370 · OIB Loans Receivable

1,219,499.72

Total 1300 · Loans Receivable

1,219,499.72

1475 · OIB Holding

1500 · Allowance for Doubtful Loans

1575 · OIB Allowance

-133,666.93

Total 1500 · Allowance for Doubtful Loans

-133,666.93

Total Other Current Assets

1,089,597.36

Total Current Assets

2,783,099.89

TOTAL ASSETS

2,783,100.03

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

2010 · A/P General

15,819.96

Total Accounts Payable

15,819.96

Total Current Liabilities

15,819.96

Total Liabilities

15,819.96

Equity

3100 · Fund Balances

2,489,122.40

Pilot Program Fund Balance

280,000.00

Net Income

-1,842.33

Total Equity

2,767,280.07

TOTAL LIABILITIES & EQUITY

2,783,100.03

Mid-Columbia Economic Development District
Profit & Loss - E975 OIB
November 2021

	<u>Nov 21</u>
Ordinary Income/Expense	
Income	
4600 · Loan Interest	7,176.43
4700 · Loan Processing Fees	0.00
4710 · Loan Late Fee	0.00
4750 · Investment Interest	41.55
	<hr/>
Total Income	7,217.98
	<hr/>
Gross Profit	7,217.98
Expense	
6400 · Professional Services	
6450 · Contractual	7,123.33
6480 · UCC Filing Fees	30.00
	<hr/>
Total 6400 · Professional Services	7,153.33
6900 · Other Materials & Supplies	
6931 · ACH Collection Fees	8.48
	<hr/>
Total 6900 · Other Materials & Supplies	8.48
	<hr/>
Total Expense	7,161.81
	<hr/>
Net Ordinary Income	56.17
	<hr/>
Net Income	56.17
	<hr/> <hr/>

Memorandum

To: Oregon Investment Board
From: Jessica Metta, OIB Staff
Date: December 7, 2021
Re: Revolving Loan Fund Plan for USDA Funds

Overview

Mid-Columbia Economic Development District (MCEDD) applied for a \$2 million USDA Rural Development Rural Business Development Grant (RBDG) on behalf of Oregon and Washington Investment Boards to establish a new revolving loan fund within the National Scenic Area. We were successful in securing a \$1,901,000 grant for this purpose, intended to be split equally between Oregon and Washington. Before we can approve loans, we must submit a Revolving Loan Fund (RLF) Plan to USDA for approval.

The OIB reviewed a draft plan at its October 2021 meeting. Board discussion wanted clarity on whether the National Scenic Area rules apply, and also agreed to have separate RLF Plans for Oregon and Washington Investment Boards (WIB). Staff has continued to meet with USDA Rural Development staff to gain clarity on use of the funds, including a meeting with USDA staff and local partners from the Gorge Commission, Forest Service, and Skamania County Economic Development Council. The summary is that the Act rules do not apply and if loans are denied because of Act rules, the decision could be appealed to USDA.

Given the discussion at the October OIB meeting, and after checking with Chair Bowder, I have offered to still seek Gorge Commission certification of new loans. The updated draft RLF Plan presented for your approval includes highlighted language that would seek Gorge Commission certification and has had all WIB references removed.

Request

Approve the attached Columbia River Gorge National Scenic Area Oregon Investment Board USDA Rural Business Development Grant Revolving Loan Fund Plan. Staff will then submit the plan to USDA for final approval.

**Columbia River Gorge
National Scenic Area
Oregon Investment Board
USDA Rural Business Development Grant
Revolving Loan Fund Plan**

Adopted: DATE

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Introduction

The Columbia River Gorge National Scenic Area USDA Rural Business Development Grant Revolving Loan Fund Plan provides a policy structure for the management of this loan program. It is adopted by the Oregon Investment Board and approved by USDA Rural Business Cooperative Service.

Program establishment:

Mid-Columbia Economic Development District (MCEDD) received \$1,901,000 from USDA Rural Development through a Rural Business Development Grant in 2021 to establish a new revolving loan fund to support economic development in the Oregon and Washington communities that fall within the Columbia River Gorge National Scenic Area (Scenic Area) along the Columbia River. The Scenic Area was established by federal law in 1986. To support and protect the economy of the area, at that time Congress committed funding to the states for economic development purposes. The funds were intended to generate new economic activity for Columbia River Gorge residents. As such, the Oregon and Washington Investment Boards (OIB, WIB) were created for the purpose of making loans and grants in the Scenic Area to support economic development and job creation. This is a new infusion of funds for business loans within the Scenic Area.

Administration:

MCEDD as recipient of the USDA RBDG provides administrative support and manages this new fund. MCEDD staff will process applications on the Oregon side of the National Scenic Area with approval through the Oregon Investment Board. MCEDD subcontracts with Skamania County Economic Development Council (EDC) to process applications on the Washington side of the National Scenic Area with approval through the Washington Investment Board. MCEDD staff adhere to this Revolving Loan Fund (RLF) Plan to manage the program for the OIB.

Relationship to Other Policy Documents:

The OIB has documents dictating management of its revolving loan fund established with the National Scenic Area Act. This document is separate from those plans. The RLF program is designed in accordance with the OIB bylaws. Any approved/adopted changes to the bylaws which would impact this RLF plan take precedence. The RLF program is also designed in accordance with the Columbia River Gorge National Scenic Area Oregon and Washington Economic Vitality Plan as adopted by the States of Oregon and Washington, the OIB and WIB and the US Forest Service. Any approved/adopted changes to the Vitality Plan which would impact this RLF plan take precedence.

USDA RURAL DEVELOPMENT POLICY STATEMENTS

- Grant funds received by Mid-Columbia Economic Development District (MCEDD) through the Rural Business Development Grant program will be used to establish a revolving loan fund (RLF). The RLF will be used to provide financial assistance to third parties within the guidelines of this revolving loan fund plan.
- The match to establish the RLF will be through the additional public and private contributions that borrowers funded with this RLF bring to the table.
- Applicants of the RLF will be required to meet their financial needs from their own resources and commercial financial institutions whenever possible. The RLF will be used to finance applicant needs that cannot be met from the above resources. The RLF may finance 100% of an applicant's needs if other resources are not available.
- The Oregon Investment Board (OIB) is the sole authority for approval or denial of loans from the RLF within the Oregon portion of the National Scenic Area, and is responsible for all decisions and actions of the RLF. The RLF will be operated and maintained by MCEDD.
- To avoid potential conflicts of interest, or the appearance of a conflict of interest, an RLF loan will not be made to any board member, officer, general manager, or supervisory employee of MCEDD or OIB or close relative thereof, or to any subsidiary or affiliated organization in which these entities have a financial interest.
- Amendments to this RLF Plan will require the approval of the OIB board of directors. However, no action will be taken to amend this plan without the prior written approval of the Rural Business Cooperative Service (RBS), its successors or assigns.
- The RLF is an equal opportunity lender and requires loan recipients to adhere to all equal opportunity laws.
- All information regarding RLF loan requests will always be kept confidential by the members of the OIB and staff. If necessary, the RLF may seek the advice and counsel of outside consultants and sources to adequately perform due diligence regarding the project.

FUND STRATEGY

MISSION

The mission of the Oregon Investment Board is to strengthen and diversify the economy of the National Scenic Area to increase economic prosperity and job opportunities, while protecting and enhancing the quality of life.

FUND PURPOSE

This USDA RBDG RLF will be used to finance and/or develop small and emerging private business enterprises in rural areas. The rural areas eligible are all lands within the boundaries of the Columbia River Gorge National Scenic Area.

Loans will be made if there is a reasonable prospect that the applicant meets the definition of "small and emerging private business enterprises" defined as "any private business that will employ 50 or fewer new employees and has less than \$1 million in projected gross revenues." If USDA Rural Development changes its definition of small and emerging business as defined by the Rural Business Development Grant regulations, MCEED reserves the right to utilize the amended definition without further approval from USDA Rural Development.

PLAN GOALS

The goals to accomplish the Mission are defined through the Economic Vitality Plan. Projects seeking financing through the OIB must meet at least one of the plan goals. The Columbia Gorge National Scenic Area Oregon and Washington Economic Vitality Plan adopted in 2021 and approved through the Investments Boards, the State Departments of Commerce and the US Forest Service, established the following goals that match the fund purpose for USDA Rural Development:

- Create and retain jobs, emphasizing family wage jobs
Increase local employment. Focus on increasing median income/wages.
- Expand the economy
Expand the region's traditional economic base.
- Diversify the economy
Diversify the region's traditional economic base such as tourism, light industrial industries, and projects that are environmentally compatible and consistent with the goals of the NSA.
- Increase the regions tax base
Aid in construction or purchase of assets that will be added to the property tax base.
- Sell area's products outside the region
Assist with marketing and promotion of the region's products and services outside the local market area.
- Add value to region's products
Increase the potential for adding value to the region's traditional resource-based industries (agriculture and forest products).
- Help develop new products
Help develop and promote new value-added enterprises and products that increase local employment and incomes.

FINANCING POLICIES

1) Loan Related Fee Policy

The following fees will be charged to the loan clients. Any of these fees may be waived or modified at the discretion of the OIB.

- An application fee.
- A loan closing fee of 1.5%.
- All third party fees associated with each individual loan, such as title insurance, appraisals, credit reports and filings 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 OIB.
- A loan modification/restructuring fee may be charged.
- A prepayment penalty fee may be charged. The minimum prepayment fee is \$250, if charged, and will generally be 0.5% of the outstanding loan balance.

2) Interest Rate Policy

Interest rates will be set by the OIB based on recommendations from staff that are based on the evaluation of the applicant's ability to repay, risk and the necessity of below market financing to advance the project. Interest rates will generally be fixed for the term of the loan. OIB does not provide a variable or floating interest rate. Rates may vary between individual loans or be stepped to allow for specific circumstances.

Staff Risk Category	Margin	Index – WSJ Prime Rate*	Interest Rate*
Low	2.0 to 4.5%	4.5	6.5 to 9.0%
Medium	4.0 to 6.0%	4.5	8.5 to 10.5%
High	5.5 to 7.5%	4.5	10 to 12.0%

*The Wall Street Journal Prime Rate is subject to change. When the WSJ Prime rates changes, so do OIB interest rates.

Default Interest Rate: Upon default, including failure to pay upon final maturity, the interest rate on a loan agreement may increase by up to five (5) percentage points per annum based upon a year of 365 days.

Performance Interest Rate: As a performance incentive, the OIB may authorize a reduction in the interest rate over the course of the loan, provided all loan payments are made on time, as agreed and all other loan requirements are met. This rate reduction option will generally be used with loans that are scheduled at a higher interest rate due to their risk rating since regular loan payments, communication with staff and the lending relationship with OIB may mitigate factors initially contributing to a higher risk rating and higher initial interest rate.

3) Equity Policy

The OIB has flexibility in requirements for equity or cash infusions in a particular project. The Board will consider the financial strength of the borrower, other collateral, strength of

guarantors, and other important and pertaining factors when varying from general guidelines. This equity can be in capital (or lien free assets) added to the project from the borrower or investor sources.

The general guidelines for equity or cash infusions are as follows:

- For fixed asset loans to existing companies, a minimum of 10% (percent) of the project must generally come from the borrower. This can be in capital (or lien free assets) added to the project from the borrower or investor sources.
- For loans to start-up companies, a higher percentage of 25% (percent) will usually be required.
- For working capital loans 25% is required.
- For real estate loans 25% or more is required if the Loan to Value percentage is 75% or more. 10% or more is required if the Loan to Value percentage is less than 75%.
- Assets may be adjusted to reflect Fair Market Value.

4) 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 OIB may grant deferral of principal payments for up to one year when necessary for the success of the project. During principal deferral period, the borrower must continue to make payments of the interest due monthly on the scheduled payment due date of their loan, unless otherwise decided by the OIB.

Generally terms will range from 1 to 10 years; normally 5 years. The following are loan terms guidelines for maximum terms:

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 25 years.
Working Capital Loans:	up to 5 years.

5) Collateral Policy

The OIB will secure each loan to the maximum extent possible in the judgment of the OIB and require collateralization, excepting only in cases determined by the Board to warrant the greater risk of loss inherent in less collateral protection. Security interests will be taken in available assets, both business and personal, taking the best lien obtainable in any equity the borrower has, might have or might later gain in all such assets. In addition, the OIB will obtain personal guarantees of owners with 20% or larger interest, corporate guarantees of related entities, and assignments of leases and insurance policies including hazard, flood, key man or other life policies naming MCEDD as loss payee as appropriate. Such collateral and other security may be subordinate to existing liens of record and/or liens securing other loans involved in the project.

Personal guarantees may be collateralized with assets of the guarantor. The amount and type of collateral will be negotiated between OIB and the borrower. Generally, if a borrower has multiple loans with MCEDD and OIB 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 OIB 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 OIB working capital requirements. OIB 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 CLTV 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 county assessor office. If a lead lender obtains an appraisal, OIB may accept valuation from a valid or true 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, or by staff valuation. 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. Accounts receivable and inventory may be used as collateral for short-term loans.

6) Cash Flow

An applicant must demonstrate sufficient cash flow for debt service.

7) Job Creation

The RLF portfolio goal is to create or retain at least one full-time job for each \$35,000 loaned from the RLF.

8) Leveraging

The RLF Portfolio goal is for 20% of the RLF to be matched with other public non-federal or private dollars. RLF funds will not be used to fund a part of a project which is dependent on other funding unless there is a firm commitment of the other funding to ensure completion of the project.

9) Loan Size Policy

Loans to be made from the RLF will not exceed the level of available funding in the RLF bank account. Loans made from the RLF typically will not be less than \$5,000. The OIB may authorize loans smaller than the above values on a case-by-case basis.

10) Construction Loan Guidelines

The following guidelines apply to OIB loans funding construction and remodel projects, but typically will be implemented on loans that exceed \$15,000.

- Borrower will provide staff with a “Contractor Final Waiver and Release of Lien and/or Claim” or “Affidavit for Partial Payment” signed, notarized and executed by each contractor, sub-contractor, supplier, vendor or business providing more than \$5,000 of products or services to the construction project financed by the OIB loan. Staff may obtain a title report or conduct other types of lien searches, at the expense of the borrower, to determine who needs to provide a Waiver/Release or Affidavit.
- Each loan will have a construction disbursement period not to exceed six (6) months. The OIB may approve extensions of this period as needed. The final loan principal amount will equal the sum of all authorized loan fund disbursements and will have terms and conditions as approved by the OIB.
- Monthly interest-only loan payments will be made during the disbursement period with principal and interest payments beginning according to the loan terms approved by the OIB.
- Each loan disbursement must be approved by staff and the borrower with a signed disbursement authorization form and supporting invoices of the work done or to be done on the project.
- OIB will have the discretion to approve a contingency amount for each construction loan; typically, this amount will be 10% – 25% of the construction project amount. Contingency funds may be used for, but are not limited, to the following areas of higher than anticipated project costs: labor, permits, supplies, environmental issues, contractor error, contractor dismissal, weather, building site issues and changes in building code and laws. Contingency funds will be disbursed when funds from a project budget category are fully dispersed and additional funds are requested by borrower and the request is approved by staff. If there are remaining undisbursed contingency funds after the completion of project, these unused/undisbursed contingency funds will not be disbursed to the borrower unless approved by staff; if applicable the loan amount will be reduced by the amount of undisbursed funds.
- OIB will approve a holdback amount to be disbursed after completion of the project is verified by staff and permanent occupancy documentation is provided, as applicable. The holdback amount typically will be 10% – 25% of the construction project amount (not including contingency funds). Undisbursed approved funds will not be included in the final OIB loan amount.
- Staff will inspect a construction project to ensure that the construction work is proceeding according the construction project budget. Appropriate documentation will be maintained in the loan file.
- Other terms and conditions related to construction loans may be approved by the OIB on an individual loan basis.

LOAN SELECTION CRITERIA

1) Eligible Applicants

To be eligible, an applicant must be a private for-profit firm with a reasonable prospect of meeting the definition of "small and emerging private business enterprises" defined as "any private business that will employ 50 or fewer new employees and has less than \$1 million in projected gross revenues."

Applicants will be required to demonstrate that the funds are not otherwise available or are not taking the place of private financing on terms, which in the opinion of the OIB, will permit the accomplishment of the project.

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.

Applicants may not have delinquent federal, state or local government debts or liens or judgments filed against them or their property. These types of debts and liens may be allowed if an approved workout/repayment plan is in place.

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 OIB. Loans may be for fixed assets or working capital. Loans must be for 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, easements, and rights-of-way.
- Construction, conversion, enlargement, repairs, or modernization of buildings (including façade repairs), plants, access streets and roads, parking areas. This also includes related costs including engineering, closing costs, etc.
- Building acquisition, including related costs including engineering, closing costs, etc.
- Machinery and equipment costs including delivery, installation, engineering, and associated related costs.
- Other costs contributing to the value of the project fixed assets, such as taxes and interest on interim or construction financing.
- Infrastructure costs.
- Refinancing construction financing.
- Business acquisitions.
- Pollution control and abatement.

- b. Eligible working capital loans may include:
- Inventory purchases.
 - Accounts receivable financing.
 - Operating expenses.
 - Other non-capitalized assets.
 - Feasibility studies.
 - Interest and reasonable fees.

3) Ineligible Loan Activities and Purposes

Ineligible loan activities and purposes include the following:

- Loans to entities outside the Oregon geographic boundary of the Columbia River Gorge Scenic Area if neither the entity nor the project is located in the boundary and the loan cannot be shown to provide benefit to the economy of the Columbia River Gorge Scenic Area.
- Loans which have the direct effect of relocating jobs from one place to another within the Scenic Area unless jobs would be lost to an outside area.
- Loans for the purpose of investing in accounts or securities.
- Loans to lending or investment institutions or insurance companies. (*Note: this does not include insurance agents. They are eligible to seek a loan*)
- Loans to an entity where the major purpose of the business is gambling or pornography.
- Pyramid sales plans.
- Projects that would adversely (without mitigation) impact flood plains, wetlands, significant historic or archeological properties, drinking water resources, or nonrenewable natural resources without mitigation.
- 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.
- Loans to produce agriculture products through growing, cultivation, and harvesting either directly or through horizontally integrated livestock operations except for commercial nurseries, timber operations, or limited agricultural production related to technical assistance projects.
- Assistance in excess of what is needed to accomplish the purpose of the borrower's project.
- Personal or business debt payment, consolidation or refinancing, unless for refinancing construction financing.
- Any illegal activity.
- Loans to board members of OIB and their immediate family members or to organizations for which said persons are directors or officers or in which they have ownership of 20 percent or more.
- Loans that would create a conflict of interest.

PERFORMANCE ASSESSMENT

OIB will assess performance by comparison with the portfolio standards and targets. Other loan portfolio and individual fund data to be measured and reported include:

- Number and dollar amount of loans.
- Number of loans and outstanding loan balances performing as agreed compared to:
 - Number of and dollar amount of outstanding balances of delinquent loans 30 or more days past due,
 - Number of and dollar amount of outstanding balances of loans in default
 - Number of and dollar amount of outstanding balances of loans written off
- Degree of leveraging of private dollars to loan dollars
- Degree of leveraging of public dollars to loan dollars
- Number of jobs created and/or retained

Performance of the portfolio will be assessed continuously with reports provided annually to the OIB.

Revolving Loan Fund Operational Procedures

ORGANIZATIONAL STRUCTURE

1) Administration

MCEDD will maintain offices open for business during regular business hours for the purpose of administering the revolving loan fund. The offices are located at 802 Chenoweth Loop Road, The Dalles, Oregon 97058, 541-296-2266. Records of all loans shall be kept at the offices as well as the administrative rules, procedures, and other records. Professional staff services are provided at the offices providing business assistance, advisory services and referral for prospective borrowers and borrowers. All loan processing, documentation, monitoring, analysis, compliance and all other required professional and record keeping functions of the OIB are handled in this office.

The staff positions of MCEDD that work with the OIB loan program consists of the Executive Director, Assistant Project Manager, Loan Fund Manager, Finance and Operations Manager, Administrative Assistant and Office Administrator. A third-party auditor will have access to and work with the RLF and its files.

2) Oregon Investment Board

The Oregon Investment Board is the governing body of the OIB revolving loan fund program. The Board has the power to administer the program, under agreement with the State of Oregon as established in a Memorandum of Understanding executed in January 1990. The OIB has been delegated authority by the State to make loan policy and make all major loan decisions including loan approvals and subsequent loan modifications and foreclosures. The principal activities of the OIB, with respect to the Revolving Loan Fund, are as follows:

- Reviews, amends and adopts the Revolving Loan Fund Plan and Columbia River Gorge National Scenic Area Oregon and Washington Economic Vitality Plan.
- Makes decisions on final applications for loans and any subsequent loan modifications except as delegated to staff.*
- Decides whether to call delinquent loans.
- Decides whether to liquidate assets held as collateral.

*The OIB has delegated routine decisions on loan modifications to staff, provided that the modification(s) would not adversely impact the OIB's position with regard to collateral secured for a loan. For instance, the following would qualify as routine decisions:

- Approval for release of collateral if funds received from proceeds of the sale are applied against the balance of the loan and the amount of the sale is equal to or greater than the staff assessed value of the collateral.
- Subordination of OIB's collateral position to allow for refinance of a pre-existing prior-position loan, if the balance does not exceed the amount to which OIB had previously subordinated and the new terms will place the loan client in a stronger financial position.

LOAN APPLICATION PROCESSING PROCEDURES

OIB are equal opportunity lenders and treat 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 OIB shall be required to fill out a standard application form and supply the following additional items:

- Business Plan (required if applicant is a start-up business or less than 1 year in operation)
- Business history and forecast (include management team, industry statistics, marketing niche, etc. Note: A formal business plan is preferred)
- Resumes of owners, partners or key officers, and key personnel
- Balance sheets and income statements for the last three years
- Complete IRS returns - both business and personal for the last 3 years
- Current interim balance sheet and income statement (not over 90 days old)
- Personal financial statements for each proprietor, partner or shareholder with 20% or more ownership.
- Cash flow projections and income statement projections for 3 years (1st year monthly)
- Schedule of long term debt
- List of collateral offered
- Bank commitment or denial letter
- Authorization to disclose business information
- **CRGC Certification Form**

If applicable, the following are also required:

- Site plan
- Aging of accounts payable and/or accounts receivable
- Copy of equipment/working capital list and bids
- Earnest money agreements, financial agreements, contract agreements, lease/rental agreements
- Environmental questionnaire
- Copy of bids or cost estimates by contractor
- Schedule for construction start and completion
- Appraisal
- Legal description of property
- Evidence of acceptable zoning/land use compliance
- Articles of incorporation, by-laws and certificate of good standing if a corporation/partnership agreement/LLC organization documents

- List of any affiliates and current financial statement for each affiliate
- Feasibility studies or market studies

2) Credit Reports

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.

3) Appraisals

Appraisals may be required on real estate pledged for collateral, as determined by the OIB. If the financing is less than \$100,000, a real estate valuation from a qualified source may be substituted, such as a county property tax statement valuation. Appraisals done for a participating bank, or another third party may be accepted if they are done by a licensed appraiser, who is also OIB approved. Appraisals are valid for 6 months after date of appraisal. Appraisals older than 6 months from the date of the appraisal may be updated by original appraiser and used as a current appraisal or accepted if approved by staff.

4) Collateral and Equity Requirements

Loan proposals will be evaluated as they adhere to the collateral and equity requirements listed in this revolving loan fund plan.

5) Loan Proposals

Loan proposals will be produced by staff for each loan and provided to the OIB prior to the loan decision. The loan proposal may include, but is not limited to the following:

- **Overview** – the company’s history, product, capacity and management and market/competitive environment.
- **Financing** - Uses and sources of project financing and collateral.
- **Collateral**- Description of available collateral, position and valuation.
- **Principals** – Background and experience of owners, credit summary and analysis of personal financial condition
- **Financial Analysis** – An analysis of the business profit and loss, projections and repayment ability.
- **Goals**- Staff analysis on the OIB goals the proposed loan will address.
- **Benefits** –Overall benefits of the project to rural areas, including the number of jobs to be created or retained, diversification of the economy, the extent of the upgrading of the skills of the rural workforce, and the quality of the jobs in terms of pay scale and benefit package.
- **Summary** – Summary of strengths and weaknesses of the proposed loan and whether or not the proposal meets basic loan criteria.
- **Recommendation** – Staff recommendation to the OIB including proposed terms and conditions.

- Other topics that may be discussed in a loan proposal are OIB and funding source agency criteria, strengths, and weakness of application.

6) Procedures for Loan Decision

In accordance with Federal law and U.S. Department of Agriculture policy, the OIB will not discriminate based on race, color, national origin, sex, religion, age, disability, or marital or family status.

A loan decision can only be made in accordance with the OIB Bylaws Article III: Meetings. A quorum must be present. No action of the board shall be binding and valid unless there is an affirmative vote of four members. The minutes of the meeting will be kept in the permanent file. The decision of the OIB will be communicated to the applicant as soon as is practical by staff.

- Approvals
Approvals of loan applications are granted when so voted by the OIB. 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, including electronic communication, 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.
- Denials
Denials of loan applications are made when so voted by the OIB. Applicants will be notified in the form of a denial letter, specifying the reasons for denial. It may include available recourses for the benefit of the loaner's request. Other forms of notification, including electronic communication, may be used on individual loans, and will be recorded in the applicant's loan file by staff.

Loan applications that are withdrawn by the applicant are considered a denied loan.

- 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 OIB at their next regularly scheduled meeting. Staff may assist applicant in preparing a written statement of intent to appeal. 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 OIB. The applicant will be informed of this decision in a written letter. The loan decision by the OIB is final without any other appeal options available.

LOAN CLOSING AND DISBURSEMENT PROCEDURES

1) General Closing Requirements

Evidence of the borrower equity injection shall be documented in the file prior to closing. A commitment letter from the private lender will be required as well, if applicable.

2) Loan Closing Documents

Required on all loans will be the Contract/Loan Agreement, Security Agreement and Promissory Note (or Note). For loans secured with real estate, a Trust Deed/Deed of Trust will be required. For loans using other collateral, a UCC filing will be required along with lien searches both before and after filing showing MCEDD as lien holder in the desired position approved by the OIB. For licensed vehicles, a title showing MCEDD as a security interest holder or lien holder will be required. Insurance policies covering collateral will be obtained by borrower with MCEDD listed appropriately as additional insured, loss payee or other designations or assignments with documentation of insurance provided to staff prior to or at loan closing.

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 construction 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 an OIB 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 OIB loan fund disbursements. OIB 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 OIB based on schedules provided by the borrower prior to loan closing.

LOAN SERVICING PROCEDURES

1) Loan Payment and Collection Procedures

Borrowers will make loan payments at MCEDD's office or via ACH. 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 appropriate staff to deposit into the bank account for the RLF. A copy of the check and deposit record is given to the loan department staff for posting to the borrower's Payment Record Ledger.

Each loan will be individually and separately maintained in the MCEDD 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 and a record of the previous payment will be provided to each loan client showing the application of loan payments to fees, interest and principal.

Each month MCEDD accounting records are reconciled with MCEDD 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 loan department staff and accounting staff.

2) Loan Monitoring Procedures

All RLF loans will be monitored to ensure that loan proceeds are spent as identified in the RLF application, that all other sources of financing have been committed to the project, and that the benefits of the project, such as job creation, are accomplished as stated in the RLF application. Staff shall ensure that RLF lien positions and loan collateral are secure.

Financial statements (annual income statements and balance sheets) are required on an annual basis for all existing loan clients, and usually more frequently for loan clients that are start-up businesses. Depending on the nature of the project and security arrangements, OIB reserves the right to require the submission of annual financial reports as audited by a certified public accountant.

Staff will also conduct annual site visits to meet with the loan recipient, verify collateral and collect any information as required.

At the option of OIB, periodic management information reports may be required of the loan recipient. Management reports may be required on a semi-annual basis beginning six months after the advance of RLF funds and continuing semi-annually thereafter for a period of 3 years or until completion of the project, whichever is the later period. If requested, management reports will include:

- information on the number of jobs created or retained during the reporting period,
- a comparison of accomplishments during the reporting period to the objectives established for the project,
- a description of any problems, delays, or adverse conditions which will materially affect the attainment of planned project objectives and a statement of action taken or contemplated to resolve the situation.

OIB reserves the right to require these reports on a more frequent basis if it is determined to be in the best interest of the RLF. Additional reporting to OIB by the borrower may be requested on a loan-by-loan basis.

An annual review and report of the outstanding loans of the RLF, including job creation/retention totals and community benefits, will be compiled by staff for the OIB.

3) Late Payment Follow-up Procedures

Borrower's Payment Record Ledgers for each loan are checked on a regular monthly basis to find any late payments. A loan that has a monthly loan payment more than 30 days past due is in technical default, although a loan that has a monthly loan payment less than 90 days past

is referred to as “delinquent” or “past due.” If a payment is late, the borrower, all signators and any additional guarantors to the loan are notified by staff that the payment is late. The first notice is sent on the 10th day after the note or payment is due and the second notice is sent on the 20th day after a note or payment is due. Notification may be verbal, written, or electronic communication. If verbal, a follow-up message in written or electronic form will be sent to the Borrower/ Guarantors/ Signators and a record of the correspondence retained. A late fee is assessed as per the terms listed in the borrower’s loan agreement and security agreement.

If the delinquent account becomes 30 days delinquent, staff will make phone contact with the loan recipient to inquire about the situation and arrange appropriate corrective action.

- As a prudent lender and at the OIB’s sole discretion, a one-time corrective action/ workout of a delinquent account is permitted. As part of the workout, loan terms may be modified by deferral, reamortization and/or balloon payments. Modification of the terms of the loan will be used only when it can be demonstrated that the modification will improve the ability of the borrower to repay.

If the delinquent account is not taking steps to cure default and the account becomes 60 days delinquent, a written 30-day Notice to Cure will be issued and sent to the loan recipient via certified, first-class mail with a return receipt requested.

Every effort will be made to work with the borrower to resolve the delinquency. A record of communication with a Borrower, signators and guarantors regarding late payments will be retained.

4) Procedures for Handling Loans Over 90 Days in Arrears (Past Due)

If a loan becomes 90 days delinquent, this loan referred to as in default. Staff will make a recommendation to the OIB on actions to be taken, such as repossession of collateral, foreclosure, etc. The OIB 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 MCEDD/OIB on defaulted OIB loans, these proceeds shall be applied in the following order of priority:

1. First, towards any cost of collections.
2. Second, towards any outstanding penalties and fees.
3. Third, towards any accrued interest to the extent due and payable.
4. Fourth, towards any outstanding principal balance.

5) Restructures

Staff may recommend terms to the OIB for restructuring a loan that is delinquent, in default or has the potential for delinquency to increase the likelihood of repayment of the loan. The OIB 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 OIB that such efforts are no longer cost effective.

ADMINISTRATIVE PROCEDURES

1) Procedures for Audits and Accounting:

Financial audits shall be conducted annually through MCEDD, and a written report shall be provided to the OIB. An independent, established professional auditor shall be retained to conduct the audit. MCEDD shall employ recommended generally accepted accounting principles (GAAP) and accounting procedures to record and report all financial transactions. The accounting system will use a double entry system. Monthly financial reports shall be provided to the OIB. Income and expense line items are accounted for separately from principal repayments and loans made.

2) Procedures for Loan Files and Loan Closing Documentation

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 (see “standard loan application requirements on page 16 of this plan).
- Loan proposal.
- Minutes from the loan board meeting approving the loan and minutes from meetings taking significant action related to the loan.
- **Columbia River Gorge Commission certification documentation.**
- Commitment Letter.
- Amortization schedule.
- Contract (Loan agreement/security agreement).
- Promissory Note (or Notes).
- Borrowing Resolution.
- Business Guarantees.
- Personal Guarantees.
- Trust Deed(s)
- Vehicle Title(s)
- UCC filings and searches.
- Insurance certificates (liability, asset, life, auto, etc.)
- Copies of required permits and licenses.
- Collateral information and valuation information.
- Loan Fund disbursement authorization form and disbursement documentation.
- Amendments.
- Private and/or traditional lender loan commitment.

- Financial statements, tax returns, 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 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 three years after the loan has been paid in full. After three years, the files will be destroyed by shredding or incineration.

Denied or withdrawn loan applications and supporting documentation and OIB 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.

3) Confidentiality

Confidentiality regarding financial information will be guarded at all times. Confidential information provided to OIB will not be disclosed without the written permission from the client; this includes third party information obtained in confidentiality by client that is not public information. Clients may sign an authorization to release information for marketing purposes which could include, but not be limited to MCEDD newsletters, press releases or Chamber of Commerce articles. No OIB Board or staff member will use his or her official position or office to obtain confidential information or in any other way obtain financial gain for himself other than salary and/or reimbursement of expenses, or for any member of his household, or for any business with which he, or a member of his household, is associated.