

**Columbia River Gorge  
National Scenic Area  
Oregon Investment Board  
Revolving Loan Fund Plan**

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## Introduction

The Columbia River Gorge National Scenic Area Oregon Investment Board Revolving Loan Fund Plan provides a policy structure for the management of the OIB loan program. It is adopted by the Oregon Investment Board.

### Program establishment:

The Columbia River Gorge National Scenic Area Act, enacted in 1986, had two primary foci: (1) to protect and provide for the enhancement of the scenic, cultural, recreational, and natural resources of the Columbia River Gorge, and (2) to protect and support the economy of the area by encouraging growth to occur in existing urban areas and by allowing future economic development in a manner that is consistent with purpose one. As economic development is one of the two purposes of the Columbia River Gorge National Scenic Area Act, federal funding was allocated to the State of Oregon and Washington for the purpose of strengthening and diversifying the economy of the National Scenic Area to increase economic prosperity and job opportunities, while protecting and enhancing the quality of life. To fulfill this purpose, the State of Oregon created the Oregon Investment Board and established a program for the purpose of making loans and grants for economic development projects that further the purposes of the Act.

### Administration:

Mid-Columbia Economic Development District (MCEDD) contracts with the State of Oregon Business Development Department to provide administrative support and manage the OIB loan and grant program. MCEDD staff adheres to the OIB adopted Revolving Loan Fund (RLF) Plan to manage the program.

### Relationship to Other Policy Documents:

A Memorandum of Understanding between the State of Oregon Business Development Department and the OIB in January 1990 assigns authorities to the OIB to establish bylaws, develop the grant and loan program and develop policies and procedures for management of the program. 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 Washington Investment Board and the US Forest Service. Any approved/adopted changes to the Vitality Plan which would impact this RLF plan take precedence.

The OIB also has a Columbia River Gorge National Scenic Area USDA Rural Business Development Grant Revolving Loan Fund Plan to provide a policy structure for the management of this separate loan program. It is adopted by the OIB and approved by USDA Rural Business Cooperative Service.

## FUND STRATEGY

### MISSION

The OIB Loan Program is designed to strengthen and diversify the economy of the Columbia River Gorge National Scenic Area to increase economic prosperity and job opportunities, while protecting and enhancing the quality of life.

### 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 2010 and approved through the Investments Boards, the State Departments of Commerce and the US Forest Service, established the following goals:

- Create jobs, emphasizing family wage jobs  
*Increase local employment. Focus on increasing median income/wages.*
- Focus on workforce training and development  
*Provide or enhance education and training programs for existing businesses as well as new industries targeted for recruitment.*
- 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.*
- Provide support for adequate public infrastructure  
*Provide the gap financing necessary to complete required planning projects or construct public infrastructure.*

In addition to the plan goals listed, the OIB also encourages leveraging use of available resources.

Any updates to the goals listed in the Economic Vitality Plan will create an automatic update to this section of the OIB Loan Fund Plan.

## **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 Oregon Investment Board.

- An up-front loan 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) Microlending Policy**

The OIB has created the following terms for a microlending program that supersede other terms in this document for loans made from this program.

- Maximum Loan Amount: \$40,000
- Eligible Applicant Types: Entrepreneurs, new business start-ups, expanding businesses, existing businesses for debt refinancing, and most legal business ventures. Minority- and women-owned businesses are encouraged to apply.
- Term: Three-year loan term
- Interest Rate: Dependent on risk criteria, generally 8-12% with performance incentives to lower the interest rate during the loan term.
- Collateral: Personal guarantee required. Partial collateralization is required but not full collateralization.
- Flexibility in Loan Requirements: Minimum 5% applicant funds, with up to 95% OIB loan.
- Minimal Documentation: Simple application, credit report, references and minimal supporting documentation, such as tax returns and financial statements.
- Minimal Insurance Requirements: Basic insurance on collateral and business required.

### **3) Disaster Lending Policy**

The OIB has created the following terms for a lending program in response to natural or human-caused disasters that supersede other terms in this document for loans made from this program.

- Term of 3 years, fully amortized, with the first year of payments being interest only and years two and three including principal and interest payments; and
- Amount of loan will not exceed two (2) months of operating expenses or \$40,000, whichever is smaller; and

- Interest rate will be set at 4% for the first 12 months of the loan, followed by an interest rate at 3.50 over WSJ prime for the remainder of the loan term; and
- Collateral: A personal guarantee for individuals with 20% or more ownership in the business is required. A blanket UCC filing on the business will be required. No additional collateral will be required, but may be provided voluntarily; and
- The business must demonstrate that it had the capacity to service the debt prior to the emergency with adequate demonstration of cash flow in the business; and
- Financials will be required; to include a credit report and the standard financials request for both business (P/L, Balance Sheet, tax returns) and personal (tax returns, financial statements)
- Businesses must demonstrate at least a 20% reduction in revenue as a result of the disaster as shown by:
  - Existing business: A comparison of the current quarter financials to the same time period a year prior.
  - New businesses (in business less than a year): Comparison of the current month financials to the prior month.

#### 4) Interest Rate Policy

Interest rates will be set by the OIB based on recommendations from staff that are based on cash flow analysis and risk. 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. Interest rates will generally be set by the OIB

- Interest Rate – Government entities: 4 to 6%.
- Interest Rate- Non-government entities: based on risk of project.

OIB Staff Risk Category	Margin	Index – WSJ Prime Rate*	OIB 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 OIB staff and the lending relationship with OIB may mitigate factors initially contributing to a higher risk rating and higher initial interest rate.



## 5) Equity Policy

The Oregon Investment Board has flexibility in requirements for equity or cash infusions in a particular project. The Oregon Investment 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.

## 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 Oregon Investment Board 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 on a monthly basis on the scheduled payment due date of their loan, unless otherwise decided by the Oregon Investment Board.

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.

## 7) Collateral Policy

The OIB will secure each loan to the maximum extent possible in the judgment of the Oregon Investment Board and require collateralization, excepting only in cases determined by the Oregon Investment 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, MCEDD/OIB will obtain personal guaranties 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/OIB 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 guaranties may be collateralized with assets of the guarantor. The amount and type of collateral will be negotiated between MCEDD/OIB and the borrower. Generally, if a borrower has multiple loans with MCEDD/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 MCEDD/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 MCEDD/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, MCEDD/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 MCEDD/OIB 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.

#### **8) Cash Flow**

An applicant must demonstrate sufficient cash flow for debt service.

#### **9) Loan Size Policy**

The Oregon Investment Board may determine the loan size minimum and maximums on individual loans, within the constraints of funds available to lend.

## 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 OIB 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 to 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, a general or special purpose unit of local government, or a public or private non-profit organization.

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 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.
- Building construction or 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.
- Debt consolidation and/or refinancing of loans, if new loan will produce favorable business environment and meet OIB goals. (Personal debts can be included if it can be documented that the personal debt funds were used for business purposes).
- Business acquisitions.
- Pollution control and abatement.

#### 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 meet OIB goals. (Personal debts can be included if it can be documented that the personal debt funds were used for business purposes).
- Feasibility studies.
- Interest and reasonable fees.

c. Eligible businesses and entities may include, among others:

- For-profit enterprises, not otherwise precluded in the list of ineligible loan activities listed below
- Nonprofits with economic activity which demonstrate a capacity for repayment of a loan.
- Cooperatives.
- Transportation services.
- Hotels, motels, tourist homes, bed and breakfast establishments, conventions and other tourist and recreational facilities.
- Educational institutions.
- Community services (i.e., health and safety).

### 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.
- Projects inconsistent with the Columbia River Gorge Scenic Area Act.

- Assistance in excess of what is needed to accomplish the purpose of the borrower's project.
- Personal debt payment, consolidation or refinancing, if not associated with business.
- Any illegal activity.
- Loans to employees or board members of OIB 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

MCEDD/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 OIB portfolio will be assessed continuously. Reports will be provided monthly to the Oregon Investment Board. Annually, a report will be provided to the State.

# Revolving Loan Fund Operational Procedures

## ORGANIZATIONAL STRUCTURE

### 1) Administration

MCEDD will maintain an office open for business during regular business hours for the purpose of administering the revolving loan fund. The office is located at 802 Chenowity Loop Road, The Dalles, Oregon 97058 and the telephone number is: (541) 296-2266. 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, 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.

OIB Loan Committee:

The OIB Loan Committee is advisory to the OIB. The primary activities of the OIB loan committee are as follows:

- Review loan proposals and make recommendations to the OIB
- Review loan modifications and make recommendations to the OIB.

**3) Conflict of Interest Policy**

The Oregon Investment Board members and professional staff are chosen to provide public benefit. These persons have a duty to conduct the affairs of the OIB in a manner consistent with the mission of the OIB and not to advance their personal interests. This conflict-of-interest policy is intended to permit the OIB and its Board members, 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 OIB ahead of their personal interests.

**Covered Persons:** This policy applies to the OIB's Board members, 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 OIB and a Covered Person, or between the OIB 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 OIB.

**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 OIB's Chair or Executive Director.
- b) Refrain from using their personal influence to encourage the OIB 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 OIB may enter into a Covered Transaction where such Transaction does not constitute an act of self-dealing and 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 OIB. 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 OIB's legal advisor as necessary to ensure that the Transaction does not constitute an act of self-dealing.

**Lending Activities:** No personal or private loans may be made by the OIB to its Board members or their immediate families. No member of the Board or their immediate families may be an officer, director, or owner of a small business concern receiving financial assistance from the OIB.

## **LOAN APPLICATION PROCESSING PROCEDURES**

MCEDD/OIB 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 OIB shall be required to fill out a standard OIB or MCEDD 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 (first year monthly)
- Schedule of long-term debt
- List of collateral offered
- Bank commitment or documentation that credit is not otherwise available
- Authorization to disclose business information
- CRGC certification form
- OIB goals sheet, if not included in the application

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

## 2) Credit Reports

Credit reports will be obtained on applicants and guarantors. 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 MCEDD/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 MCEDD/OIB 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 MCEDD staff for each loan and provided to the Oregon Investment Board 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.
- **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 collateral, jobs, MCEDD/OIB and funding source agency criteria, strengths and weakness of application.

## 6) Procedures for Loan Decision

A loan decision can only be made in accordance with the OIB Bylaws Article III: Meetings. A quorum of the Oregon Investment Board 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 Oregon Investment Board will be communicated to the applicant as soon as is practical by MCEDD/OIB staff.

- Approvals  
Approvals of loan applications are granted when so voted by the Oregon Investment Board. 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 Oregon Investment Board. 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 MCEDD/OIB 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 Oregon Investment Board at the next regularly scheduled Oregon Investment Board meeting. MCEDD/OIB staff may assist applicant in preparing a written statement of intent to appeal. MCEDD/OIB 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 Oregon Investment Board. The applicant will be informed of this decision in a written letter. The loan decision by the Oregon Investment Board 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/OIB as lien holder in the desired position approved by the Oregon Investment Board. For licensed vehicles, a title showing MCEDD/OIB as a security interest holder or lien holder will be required. Insurance policies covering collateral will be obtained by borrower with MCEDD/OIB listed appropriately as additional insured, loss payee or other designations or assignments with documentation of insurance provided to MCEDD/OIB 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 a MCEDD/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 MCEDD/OIB loan fund disbursements. MCEDD/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 MCEDD/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 directly to MCEDD/OIB at MCEDD's principal office or via Automated Clearing House (ACH)/ direct deposits. 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 Office Administrator or other appropriate MCEDD/OIB staff to deposit into the bank account for the OIB. 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/OIB 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**

A tickler system is used to remind loan staff of insurance expiration dates, UCC renewals, annual site visits, financial statements due or other requirements that have regular or expiring terms. Financial statements are generally required on an annual basis for all existing loan clients, and usually more frequently for loan clients that are start-up businesses. Additional reporting to OIB by the borrower may be requested on a loan-by-loan basis.

### **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. A late fee is assessed as per the terms listed in the borrower's loan agreement and security agreement. If a payment is two months late, the borrower, all signators and any additional guarantors receive a

second notification from MCEDD/OIB staff. 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. If a payment is three months late, a letter is sent, or other notification made indicating that the loan is in default and possible actions may be taken. In addition, a personal telephone call or visit will be initiated by MCEDD/OIB staff within 30 days of initial delinquency and subsequently as appropriate. Every effort will be made to work with the borrower to resolve the delinquency. 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. 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 Oregon Investment Board on actions to be taken, such as repossession of collateral, foreclosure, etc. The Oregon Investment Board 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**

MCEDD/OIB staff may recommend terms to the Oregon Investment Board 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 Oregon Investment Board 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 Oregon Investment Board 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 17 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.
- OIB 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 MCEDD 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 the State of Oregon, whichever is the longest period of time.

Denied or withdrawn loan applications and supporting documentation and MCEDD/OIB created documents and forms associated with a denied or withdrawn

loan will retained for a period of one (1) year after the date of denial or withdrawal loan or according to the requirements of the State of Oregon, whichever is the longest period of time.

### **3) Confidentiality**

Confidentiality regarding financial information will be guarded at all times. Confidential information provided to MCEDD/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 Oregon Investment 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.