

Regional Revolving Loan Fund Management Plan

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COMMUNITY AND ECONOMIC DEVELOPMENT



BENTON FRANKLIN COUNCIL OF GOVERNMENTS
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PART I: REVOLVING LOAN FUND STRATEGY

Introduction

The Benton Franklin Council of Governments (BFCG) was initially organized in 1966 as the Benton-Franklin Governmental Conference. The Benton-Franklin Economic Development District (BFEDD) was created as a component part of the BFCG in 1980. The BFEDD board included all of the BFCG'S elected officials from the region, as well as persons from the private sector, comprising of the remaining required U.S. Economic Development Administration's (EDA) percentage of the membership. The BFEDD created and maintained the original Overall Economic Development Committee since the establishment of the BFEDD in 1980. In 1999, the EDA changed the Overall Economic Development Program name to the Comprehensive Economic Development Strategy (CEDS).

The BFEDD encompasses all of Benton and Franklin Counties which is also the Kennewick-Pasco-Richland MSA. The bi-county area is located in Southeastern Washington State at the confluence of the Columbia, Snake and Yakima Rivers. The RRLF lending area covers all of Benton and Franklin Counties, including the cities of Richland, Kennewick and Pasco.

RRLF Program Established

From 1981 through 1985, Benton and Franklin Counties saw employment for the area decline drastically from major layoffs within the Hanford and energy industry. Over 13,000 non-farm jobs were lost with a total labor force dropping by nearly 20,000 during this period. Projections at the time, pointed to a gradual increase in total manufacturing jobs through 1986 (but this would only offset the projected construction jobs loss from numerous public works project scheduled for completion in the region by 1986). The region had seen substantial influxes of large employment gains and losses and this was substantially impacted by the activities on the Hanford Reservation. With these influxes, the area also saw significant outflow of the workforce/labor force. The migration out of the region included both skilled and semi-skilled craft workers and highly trained and educated professionals.

At the time, The Economic Adjustment Plan called for the BFEDD to establish a district operated revolving loan fund (RLF) to help attract and supplement (not supplant) private sector financing from conventional lenders. Funds from the locally controlled pool of capital would be made available for long-term commercial and industrial loans at moderate rates of interest. This proposed RLF would assist with the existing programs and efforts to stabilize the employment base of the region at the time. The BFEDD applied for and received funding from EDA's Title IX LETD Grant in 1985 (with local matches) to establish a revolving loan program for the region. EDA approved the 1985 grant in the amount of \$450,000 with a local match of \$225,000 to establish a total revolving loan fund of \$675,000.

Since then, EDA has recapped (granted the BFEDD additional funds) towards the area's RLF twice, in 1989 and 1997, and lent the BFEDD a total of \$1,100,000 with a local match of \$750,000. The BFCG/BFEDD has continued to work arduously at getting these RLF funds circulating through our region to assist the private and public sector with economic development.

The principal participants in the regional revolving loan fund (RRLF) program are the Benton-Franklin Council of Governments, Benton-Franklin Economic Development District, the three major cities and two counties, and the Economic Development Administration.

Comprehensive Economic Development Strategy (CEDS)

Simultaneously, since the inception of the BFCG in 1980, the BFEDD was already required to create and maintain the Comprehensive Economic Development Strategy (CEDS), previously known as the Overall Economic Development Program until 1999, for the area. To date, the region's CEDS has morphed with the economic trends of each transition of the regional economy. The most recent CEDS of 2014, follows our mission and vision to promote economic prosperity, regional competitiveness, and a quality of life through regional innovation, collaboration and strategic investments across Benton and Franklin Counties. The BFEDD staff will continue to update the RRLF Management Plan and program to coincide with the CEDS for the region.

Some of activities included in the 2014 CEDS are as follows:

The BFEDD will promote community and regional development by:

- 1) Continuing to work with the private and public sector regionally to prepare and implement the annual CEDS in compliance with the EDA regulations; Reauthorization Act of 2004; Regulatory Revisions; final rule;
- 2) Continuing to assist the cities, counties, ports and community-wide development organizations with the implementation of their strategic economic development programs; and,
- 3) Continuing to establish and maintain ongoing relationships with other regional agencies with the common goal of improving the economic health of eastern Washington.

The BFEDD will promote economic development partnerships by:

- 1) Continuing work with the rural communities in Benton and Franklin Counties through their strategic, comprehensive, capital facilities, and economic development plans; and,
- 2) Continuing to act as a financial liaison between local businesses, lending partners and lending programs by providing administrative and consultative support regarding various lending or funding opportunities available.

The BFEDD will provide technical assistance by:

- 1) Continuing to improve the EDD's capability to provide technical and business planning assistance and programs as needed by area businesses that would further their strategic growth; and,
- 2) Continuing to collect, analyze and distribute information regarding the economic climate of the area, including census data, updates and forecasts.

The BFEDD will provide training and workshops by:

- 1) Continuing to partner with private and public sector entities to provide relevant training to businesses throughout the region; and,
- 2) Providing ongoing business, community and economic development related training to staff to be able to effectively support small businesses and community partners.

All of It Coming Together

The use of the RLF financing is a part of the region's broader business development strategy developed to support achievement of the goals and objectives established through the CEDS process. Within our region's RLF plan, we work hard to have the EDA Regulations work "hand in glove" with local policies, strategies and objectives to guide the management of the RLF funds. To this end, our updated RRLF Management Plan includes the EDA Regulations for RLFs as current as of November 2008, found in Chapter 307.7 and section 307.9.

A. ECONOMIC ADJUSTMENT OVERVIEW

CEDS and the Region

The 2014 CEDS reflect the priorities of the participating jurisdictions including Benton County, Franklin County, Prosser, Benton City, West Richland, Richland, Pasco, Kennewick, Connell, Mesa, Kahlotus, Benton PUD, Kennewick Irrigation District, and the Ports of Kennewick, Pasco and Benton.

These entities have the direct responsibility for implementing their economic development goals. Within their individual goals, the region's various agencies work together to build more resilient economies and communities by focusing and targeting regional strategies on the existing and potential competitive advantages of each agency. The partners also work together to foster a regional collaborative framework to strategically align public sector investments from federal state and local resources, as well as private, nonprofit and philanthropic partners. The region has also continuously transformed the CEDS process into a more strategy-driven planning process focused on regional visioning, priorities setting and performance outcomes to avoid just having a region with a laundry list of random projects and programs. BFCG staff is also working to renew attitudes tied to increasing collaboration across EDD boundaries, enhancing organizational resources, and positioning our regional CEDS as a more effective building block for local and statewide strategies.

With the local CEDS and RLF in mind, many, if not all of the partner agencies consider the regional efforts and funding mechanisms available when working with private partnerships in recruitment, retention and expansion efforts within the region. This is evident because BFEDD staff are almost always invited during the planning process when potential funders or project liaisons are invited to the table.

Regional Economic Adjustment Problems and Economic Distress

Since most people can remember, the bi-county area has been subject to intermittent severe employment fluctuation. As a result, lenders are reluctant to participate in long-term fixed-asset financing for commercial and industrial purposes. This is especially true in the case of small and start-up businesses with no or little historical track record showing profits or potential of sustainability. The majority of commercial banks in the area are branches of either state or nationwide institutions. This results in loan policies being made outside of the area without any consideration of local goals and objectives. Equity requirements can vary between 40% and 90%, depending upon the condition of the borrower seeking the loan.

This is where the RRLF program is essential. With the elements discussed above, it is evident that another source of funds, which will occupy second position, must be made available so that commercial banks will have more leeway to provide loans. In addition, the RRLF program will assist those borrowers who have start-up projects to be able to obtain financing at a viable level. Job-creating business development and expansion will be curtailed without the availability of a lending tool that has a reasonable interest rate and term.

The RRLF will provide an infusion of funds for working capital, equipment and real property. This will act as an incentive for the banks to participate in various projects since the RRLF may take a second security position. By agreeing to subordinate, the RRLF will attract private lenders that would otherwise not participate due to an insufficient collateral cushion. Additionally, BFEDD and local jurisdiction staff will provide resources for assistance with financial counseling to loan applicants and assist them in preparing a business plan which will address the concerns of private lenders.

Plan to Deal with the Region's Economic Adjustment Problems and Distress

RRLF as Gap Financing to Create and Retain Jobs Locally - The intended purpose of the RRLF is to assist in creating new and retaining existing jobs, particularly in the low and moderate income sector. To do this, the RRLF is positioned to "fill the gap" between the amount of conventional financing available, and the amount needed to develop a job-creating business expansion. Established, proven, quality businesses will be most successful at creating and keeping jobs in the two-county area. The RRLF is not intended for marginal projects.

A job can be considered "retained" only when it can be clearly and objectively demonstrated that without CDBG or EDA assistance the job would be lost. Examples of clear and objective evidence include, but are not limited to: (a) notice issued by the business to affected employees, (b) a public announcement by the business, and/or (c) financial records provided by the business that clearly indicate the need for closing or moving all or portions of the business out of the area.

BFEDD and RRLF as a Community Partner - BFEDD staff continuously work to establish, maintain and grow relationships with public and private partners to ensure that the BFEDD and RRLF programs are always considered when financing is needed for projects. This is done through continuously being a part of all planning projects with as many community partners as possible. BFEDD staff also recruit a variety of public and private sector citizens to be involved with the various loan review committees and boards. Many of these people are different from the CEDS board and strategy committee members. With the variety of people involved, we are staying in front of a large network within the community.

The availability of the program funds will also be made known through various channels to ensure that all potential borrowers are aware of the program. The loan fund availability will be publicized in the area's newspaper and other available media, one on one meetings with local lenders, BFCG presentations and outreach efforts through regional, local and statewide events, city, and through partnerships with other agencies such as chambers, cities and ports with outreach to lenders and private investors. In the past year, we have also changed up our marketing material to make it more user friendly and appealing to the general public.

Other RLF Programs Available as Boost for Startup or New Businesses - Smaller dollar loans may be made for new or start-up businesses. New or start-up businesses will be required to submit a business plan showing feasibility and marketability of their product. The BFEDD has various microloan funds (not EDA RLF related) that will help with the startup or new businesses within the regions that range from \$500 to \$50,000.

RRLF: A Support Mechanism to the Regional CEDS' Economic Adjustment Activities/Strategies

BFEDD staff will ensure that the RRLF will be used to support specific economic adjustment activities identified in the CEDS by continuously ensuring that the lending that we support are in line with the regional efforts and strategies of the region. To make sure that the RRLF is a considered option as often as possible, BFEDD staff will work to maintain and grow relationships throughout the region. This way, BFEDD staff will repeatedly be invited to the table during the planning process or when financing is needed for potential projects throughout the community. The RRLF needs to stay in front of as many public and private entities regularly to ensure that it is considered as a viable financing option.

B. BUSINESS DEVELOPMENT STRATEGY

Objectives

The purpose of the business development strategy is to increase the capacity of the local economy by providing local businesses and private entities a financing source to grow, maintain and/or sustain their operations locally that will add value to the overall region.

Specific objectives include:

- To provide gap financing for businesses that intend to relocate or expand within the Benton-Franklin Counties region, and to create or retain a variety of jobs in various industries.
- To expand business employment and ownership opportunities for Benton and Franklin County residents through economic development that is compatible with and will enhance the areas existing regional strategies and physical and social environment.
- To promote the economic well-being of the region by helping to finance projects which maximize private sector investment, offer benefit to low and moderate income people, and continually add value to the economic base of the region.
- To work with the commercial lenders in the region to ensure that there are alternatives and support if small businesses aren't qualified for lending programs.

Targeted Businesses

The RRLF will be targeted to those geographic areas in the Benton and Franklin Counties which have concentrations of low and moderate income families and, in addition, will be targeted toward low and moderate income employees. Priority will be given to those firms which provide/retain local jobs and export a product outside of the area. Those firms which provide for the sale of existing products which will be involved with sales outside of the area, but which will accrue back to the area, will be given the next level of consideration. Those firms which are involved strictly within the area with no potential for export of product will be given the lowest priority. Finally, those industrial areas which have public facilities presently available will be targeted.

It is expected that a minimum of 75% of the total amount will be loaned in the metropolitan area. In addition, the RRLF will target a minimum of 10% of the funds for at least the initial year of operation for utilization by minority and women owned businesses. To assist in this effort, an outreach program will be used by the BFEDD and the cities to promote and inform such businesses about the RRLF program.

Business Needs

The business needs mentioned below were identified from pre-application meetings with potential clients, meeting with local small business lenders and surveys performed by various consulting firms regarding our region.

The types of assistance needed by targeted businesses for our area typically are:

- Access to knowledge/services available through other community members (mentorship, technical assistance, legal help, accounting/bookkeeping help, patent services, etc.)
- Access to potential partners for their projects
- Access to a variety of financing (startup financing, inventory, working capital, equipment, real estate, construction, community/local match, etc.)
- Access to affordable real estate in ideal locations to benefit their target markets

Other Programs and Activities

A variety of programs and activities are being undertaken by the public and private sector and/or economic development organizations to address the needs of targeted business. BFEDD staff works with many of these organizations regularly to identify potential clients as well as support the other organizations in providing services needed by these businesses. Several sources described below are also very active in directing potential applicants to the revolving loan fund program.

Economic Development Staff of Public Agencies - BFEDD staff meet and work with various economic development staff at the public agencies throughout the region. Collaboration efforts to address the needs of businesses occur between staff from the cities, counties and ports regularly. Each participating public agency has identified its target area's preference for business development. In order to reach the target area goals, a strong relationship between BFEDD and agency staff is maintained. Potential applicants will be provided with a summary of the loan standards. A non-inclusive list of public agencies is below.

City of Connell	Benton County	Franklin County
City of Kennewick	Ben Franklin Transit	City of West Richland
City of Pasco	City of Mesa	City of Kahlotus
City of Richland	Port of Pasco	Port of Benton
City of Benton City	Port of Kennewick	City of Prosser
USDA	SBA	U.S. EDA

Many of the region's efforts are described in more detail in the 2014 CEDS (available upon request or on the www.bfcog.us website).

Small Business Development Center (SBDC) - BFEDD staff work hand in hand with the Small Business Development Center. Many of our potential and existing clients meet with the Tri-Cities SBDC representative, when working on their business plans, going over their various financial statements, deciding whether or not to expand their operations or to add a service/product, or even when a business is looking to improve their business operations (financially and operationally).

HAEIF- The Hanford Area Economic Investment Fund is an alternative option to some of the potential clients that come in to see us. They are typically larger funds, sometimes startups or existing companies that need more help to qualify for a loan from the conventional lenders. Larger loans are offered through the Hanford Area Economic Investment Fund. This revolving loan fund is offered to Benton and Franklin Counties businesses as well but may go up to \$500,000. The HAEIF fund have specific goals for the region as well.

SCORE Tri-Cities- SCORE provides small business mentoring and workshops to more than 375,000 new and growing small businesses. More than 11,000 business experts volunteer as mentors in 320 chapters serving local communities with entrepreneur education to help grow one million small businesses annually. Locally, the Mid-Columbia Score Chapter works tirelessly to cover most of Eastern Washington and some of Western Idaho.

FUSE SPC- FUSE is a co-working space where individuals from varying disciplines can work on their own businesses and ideas in a shared environment. The FUSE mission is to "support growth and champion enthusiasm through ideas, abilities, and resources of the entrepreneurial community". With a new location and new name, the Hanford Area Economic Investment Fund (HAEIF) is targeting these local

entrepreneurs through sponsoring the new large conference room at FUSE.

Applied Process Engineering Laboratory (APEL) - APEL provides opportunities for efficient and effective business startup and development, validation, and commercialization of new product lines. Entrepreneurs, engineers, scientists, and businessmen developing new product lines will all have access to the facility. APEL's startup center includes engineering and manufacturing scale space, as well as wet labs, bio labs, and electronic laboratories. Prototypes or pilot plants can be tested and initial manufacturing conducted using APEL's utilities, services, and permits. APEL supplies process and hood-off gas connections, compressed air, vacuum, water, and power. APEL also has air & water discharge permits, and flammable storage permits.

TRIDEC- TRIDEC is one of the agencies in the region that works with the same public and private partners that the BFCG/BFEDD interacts with in order to help businesses recruit, retain and expand locally. Their mission is to "sustain the Tri-Cities as a globally competitive, technology-driven economy that provides prosperity and opportunity for our region's residents, businesses, entrepreneurs, and communities through collaborative works and supporting jobs in our region." They focus their efforts on the larger projects, typically industrial, manufacturing, Hanford and agriculturally related. Many times we partner up on efforts to provide the services and support needed to global investors interested in the region.

Work Source Columbia Basin- When working with the unemployed or businesses who are searching for trained employees as well as training incentives, the BFEDD reaches out to Work Source Columbia Basin. They are one of the state employment offices that provide information about local residents who are available for and seeking work. Work Source also provides training. Loan fund borrowers will be encouraged to use training and placement resources available and to offer dislocated workers first priority in hiring.

Local Chambers of Commerce- Through events, booth sponsorships, being guest speakers on panels or luncheons to collaborating on outreach events, BFEDD works with many of the local chambers of commerce to reach out to businesses. Through their membership opportunities, these chambers promote growth and economic vitality for its members through collaboration, business to business interactions, and community and statewide marketing. The different chambers that we partner with include, but are not limited to:

West Richland Area Chamber	Pasco Downtown Development Authority	Tri-City Regional Chamber of Commerce
Benton City Chamber of Commerce	Pasco Chamber of Commerce	Prosser Economic Development Association
Tri-Cities Visitors Convention Bureau	Hispanic Pasco Chamber of Commerce	

Educational Institutions- WSU Tri-Cities and Columbia Basin College (CBC) both offer college level and technical training to the region's population. When businesses look to expand, recruit or relocate to the region, one of the first questions asked is whether or not we have educational institutions in the area.

[Columbia Basin College \(CBC\)](#) - CBC is a comprehensive community college that offers coursework for university transfer, professional and technical career development, and basic skills education. CBC continues to change to reflect the expanding community's needs for a diversified economy. As CBC enters its second half century of serving the Benton-Franklin community, the college continues to be proactively responsive to the community's needs for increased opportunity through expanded access to higher education.

[Washington State University Tri-Cities \(WSU Tri-Cities\)](#) - WSU Tri-Cities is the only public four-year university in south central Washington, provides students with the benefits of a Tier 1 and a PAC12 university: research, internship, and community service opportunities, as well as classes taught by outstanding faculty. WSU Tri-Cities offers world-class education in the eight academic areas of Agriculture, Business, Computer Science, Education, Engineering, Liberal Arts, Nursing, and Sciences. The campus graduates students in 17 baccalaureate, 14 masters, and 5 doctoral degree programs.

C. FINANCING STRATEGY

The BFEDD's financing strategy for the RLF program is based on the sources of financing (both public and private) available to support the business development objectives discussed earlier in this plan and the differing needs of the types of business targeted for investment.

Financing Needs

The type of financing needs and opportunities for target businesses identified in the business development strategy include:

Access to knowledge/services available through other community members regarding financing options

- Access to potential financial partners for their projects
- Access to a variety of financing types (startup financing, inventory, working capital, equipment, real estate, construction, community/local match, etc.)
- Access to reasonable real estate/development financing for real estate

Local Capital Market

The area's lending has loosened a bit and the local banks are beginning to loan more to the small businesses in the area by refinancing existing loans or reevaluating the current market and what the community is looking for. Many of our local credit unions and local banks are recently reaching out to small businesses to compete nationwide with online commercial lenders and other nonprofit organizations from throughout the state of Washington. Although many of the lenders are now competing for the same pool of clients, many of these lenders' criteria have not changed. This scenario still leaves a gap for those who have only been in business a few years, those who do not have strong collateral positions, or those with a blemished credit history.

This is where the collaboration of the public and private lenders come into play in supporting the community's business development strategy. When private lenders partner up with the BFEDD RRLF program, it benefits the businesses, the lenders and the community by providing the businesses with low down payment requirements, long term financing that matches the useful life of the asset, technical assistance and reasonable interest rates. Public/private lending partnerships provide the lenders with reduced collateral risk, reduced credit risk and opportunities for business development on future projects within the community. These collaboration efforts benefit the community by creating new permanent jobs, expanding the tax base, and they also stimulate increased economic activities within the community.

Public Financing Available Other than the RRLF

The Benton and Franklin Counties area has other avenues of financing available geared towards different audiences.

USDA- The USDA's main goal through their business loan program is to promote a dynamic business environment for rural Washington. USDA Rural Development works in partnership with the private sector and the community-based organizations to help fund businesses that create or preserve quality jobs and/or promote a clean rural environment. The financial resources of USDA Rural Development are often leveraged with those of other public and private credit source lenders to meet business and credit needs in under-served areas. Recipients of these programs may include individuals, corporations, partnerships, cooperatives, public bodies, nonprofit corporations, Indian tribes, and private companies.

Hanford Area Economic Investment Fund (HAEIF) - The HAEIF's mission is to fund projects that retain and create jobs and attract investment and economic diversification in Benton and Franklin Counties. HAEIF was established by the Washington State Legislature in 1991 to finance projects to expand and diversify the economy and decrease dependence on U.S. Department of Energy operations in the Tri-Cities region. The committee invests these funds through a revolving loan program to qualified businesses and municipal corporations. HAEIF has two loan funds. The first is a Private Business Loan Program for corporations when there is compelling evidence that such loans will enhance the local economy and further economic diversification. Loan applicants must have been turned down for a loan from a traditional lending institution and demonstrate the ability to repay the loan. The second loan fund is a Public Loan Program for municipal entities. HAEIF's funding fills the larger funding gaps, providing access to capital with a minimum loan requirement of \$150,000 and a cap of \$1,000,000.

SBA- The Small Business Administration (SBA) offers two types of loans in our region that are more commonly recognized by small businesses. The 7(a) Loan Program and 504 Loan Program.

The 7(a) Loan Program, SBA's most common loan program, includes financial help for businesses with special requirements. Basic uses for 7(a) loan proceeds include to provide long-term working capital to use to pay operational expenses, accounts payable and/or to purchase inventory; short-term working capital needs, including seasonal financing, contract performance, construction financing and exporting; revolving funds based on the value of existing inventory and receivables, under special conditions; to purchase equipment, machinery, furniture, fixtures, supplies or materials; to purchase real estate, including land and buildings; to construct a new building or renovate an existing building; to establish a new business or assist in the acquisition, operation or expansion of an existing business; and, to refinance existing business debt, under certain conditions.

A 504 loan can be used for the purchase of land, including existing buildings; the purchase of improvements, including grading, street improvements, utilities, parking lots and landscaping; the construction of new facilities or modernizing, renovating or converting existing facilities; and, the purchase of long-term machinery and equipment. A 504 loan cannot be used for working capital or inventory, consolidating, repaying or refinancing debt and speculation or investment in rental real estate. A 504 loan amount can go as high as \$5 million.

RLF Financing Niche

The BFEDD's RRLF is designed to be a tool which fills the gap that exists in local financing programs; thus, it is expected to be a last resort or final stop for enterprises seeking to obtain financing. In light of this, borrowers who may readily qualify for other programs (SBA 504 and 7a, for example) will be referred to those programs first.

D. FINANCING POLICIES

This section discusses the specific policies designed to guide RLF financing, taking into consideration the need to manage and protect the RLF capital while accomplishing the objectives of the Business Development Strategy. The standard lending terms and any special financing techniques that the RLF may utilize are discussed below in detail. The financing policies below are consistent with EDA policies and requirements.

Eligible Lending Area

Eligible applicants' proposed location of business must be located within Benton or Franklin County and, where applicable with regard to the cities' CDBG matching monies, must be located within a participating jurisdiction's target area.

Allowable Borrowers

To be eligible, an applicant must generally meet the following eligibility requirements. A business must be a private for-profit firms, industries, corporations, partnerships and sole proprietorships which may be included in the following definitions of a small business. All applicants will be required to certify they have not been suspended or debarred or voluntarily excluded from receiving funds of this program pursuant to 15 CFR 26.215, 26.220 and/or 26.625.

Allowable Lending Activities

The allowable lending activities for the RRLF program include:

- Land costs, including engineering, legal, grading, testing, and site mapping; and related costs associated with acquisition and preparation of land.
- Building costs, including real estate, engineering, architectural, and legal; and related costs associated with acquisition, construction, and rehabilitation of buildings.
- Machinery and equipment costs, including delivery, installation, and engineering; architectural, legal, and insurance; and related costs.
- Other costs contributing directly to the value of project fixed assets, such as sales and use taxes, and interest on interim construction financing.
- Adequate contingency reserves.
- Working and start-up capital.
- Infrastructure costs. In a situation where infrastructure development is being included in the loan application, those costs must be identified.
- Purchase of a business or equity in a business if the need for RRLF financing is sufficiently justified and documented in the loan write-up. Acceptable justification could include acquiring a business to substantially save it from imminent closure or acquiring it to expand it with increased investment.
- Refinancing of loans by other lenders if there is sound economic justification and there is sufficient documentation in the loan write-up that the RRLF is not replacing private capital solely for the purpose of reducing the risk of loss to an existing lender(s) or to lower the cost of financing to the borrower.

The foregoing list is intended as a general guide and does not necessarily include all categories of eligible costs. In any case, all proposed uses of revolving loan funds will be subject to approval by BFEDD on the basis of the information contained in individual loan applications.

Non-Allowable Uses of Funds

The following list of uses will not be allowed with the RRLF program:

- Projects which would cause unemployment resulting from relocation of a business.
- Projects which include facilities for generation, transmission, or distribution of electrical energy.
- Projects located outside of Benton or Franklin Counties.
- Projects for which funds are otherwise available from private lenders or other public agencies on terms which, in the opinion of BFEDD, will permit the accomplishment of the project.
- Projects on which, in the opinion of BFEDD, there is not reasonable assurance of repayment of the proposed loan(s).
- Partially completed construction is ineligible.
- Relocation of a local business to gain competitive advantage over another area.
- Costs incurred prior to the District's approval of a loan application
- Subsidy of interest payment on loans.
- The equity contribution required of borrowers participating in other federal loan programs.

Loan Size

Loans will not ordinarily be made in amounts less than \$10,000 or more than \$200,000 to any one company or organization, with the average loan expected to be between \$50,000 and \$100,000. In addition, the fund shall not usually have more than \$200,000 in credit outstanding to any individual borrower at one time. An RRLF loan will generally be a 50% maximum loan except in extenuating circumstances when it may be deemed prudent to loan a larger percentage. Under ordinary circumstances, loan(s) to a single borrower will not exceed 25% of the RRLF's lendable capital.

Interest Rates

The minimum interest rate the BFEDD can charge is 4 percentage points below the current money market center prime rate quoted in the Wall Street Journal for loans of similar size, maturity, and purpose; or the maximum interest rate allowed under State law, whichever is lower, but in no event shall the interest rate be less than 4%. The standard interest rate to be charged will range between 2% below said money market center prime rate to 5% above that prime rate. However, should the prime interest rate exceed 14%, the minimum RRLF interest rate is not required to be raised above 10% if to do so would compromise the ability of the RRLF to implement its financing strategy. The interest rate for each loan will, among other things, depend upon a job/cost ratio, be determined by the amount of equity in the project, and consider the fulfilling of the area's goals.

Terms

The term of loans will be calculated by two methods discussed below.

Fixed Asset Loans- The term of a fixed asset loan will ordinarily be 7 to 10 years for machinery and equipment and a maximum of 25 years for real estate, not to exceed the useful life of the fixed assets. Loan terms will be as short as possible, within reason, in order to accelerate reuse of the funds to other borrowers. A minimum of 50% of RRLF funds are expected to be loaned for fixed assets.

Working Capital Loans- The term of a working capital loan shall not ordinarily exceed three years. Under no circumstances will working capital loans exceed 50% of the total amount of loans in the RRLF portfolio.

Payment Schedule

Below are the repayments guidelines related to all loan recipients.

Repayment: Loan repayments usually will be scheduled monthly, to commence on the first month following loan disbursement, but may be scheduled in accordance with the needs of the individual borrowers.

Deferral of Payments: In extenuating situations, in order to encourage financial participation in a direct fixed asset loan project by other lenders and investors, the RRLF may be repaid after other loans made in connection with the project have been paid in part or in full. Deferral of repayment of principal may be scheduled as is determined necessary for this purpose by BFEDD, but in no case shall commencement of principal repayment be deferred beyond six months after total disbursal of project funds.

Prepayment: Prepayment of principal may be made by applicant at any time without penalty. Interest that has accrued will be paid at the time of prepayment of principal.

Fees

Below are the standard loan fees and amounts which will be charged to borrowers.

Loan Processing Fee: The processing fee is 1 ½% of the total loan and is deducted from each disbursement. BFEDD may, at its discretion, require a loan application deposit to be collected from an applicant at the time a full application is invited. In addition, the borrower may be required to pay for all direct expenses incurred by the BFEDD in closing the loan.

Servicing Fee: A servicing fee of one-half of one percent (.5%) per annum of the remaining principal balance is deducted from each payment, whether the payment is interest only or interest and principal.

Late Penalty Fee: A late payment will be construed as any payment which does not reach the BFEDD office by the 15th day of each month. The penalty charge will be 5% of the current scheduled payment.

Closing Fees: Closing fees associated with the recording of documents, UCC filings and other documents that are part of the closing may be charged to the borrower.

Equity & Collateral

There will be two types of equity and collateral requirements that we have for borrowers. One is for fixed assets and the other for working capital. When evaluating an application, the Loan Advisory Committee (LAC) and BFEDD Board may determine that equity investments made within nine months of the RRLF loan can be considered for meeting this requirement provided such investment was made after initial inquiries into project financing and in anticipation of such financing becoming available.

Fixed Asset Loans: The applicant will ordinarily be required to provide in the form of equity, a minimum of 10% of the total cost of the project.

Working Capital Loans: The applicant will have existing net working capital (current assets will exceed current liabilities) of at least 15% of the applicants' total working capital needs. In conformance with EDA requirements, working capital loans will be limited to 50% of the total RRLF portfolio.

Liens, Security, and Guarantees: Security shall be required as determined by the BFEDD. In the case of fixed asset loans, security shall be in the form of liens on the assets being financed. Liens upon other non-project assets of the applicant may also be used to secure the loan. It will also be the policy of the BFEDD to require personal guarantees by the applicant's major shareholders (those who hold more than 20% of the shares), secured when appropriate by liens on personal property. The BFEDD can also require Key Man life insurance for key management personnel when necessary to ensure repayment of the loan. Working capital loans will normally be secured by receivables, inventories and fixed assets in addition to personal guarantees.

Lien Subordination: The lien position of the BFEDD may be subordinated and made inferior to a lien or liens securing other loans made in connection with the project; provided, however, that such subordination shall apply only to such indebtedness of contractual obligations as are incurred by the borrower specifically to acquire tangible assets on which the lender shall have a lien.

Other Loan Requirements

Below are other loan requirements that are considered when reviewing the feasibility of a project.

- All plans must be in conformance/compliance with BFEDD, county and municipal plans requirements.
- All applicants must demonstrate a reasonable assurance of ability to repay (financial statement, business plan).
- All applicants must show relevant managerial experience and expertise in the applicant's field of endeavor.
- A business plan describing the firm, product/service, market, pro forma income statement and balance sheet, facilities, personnel, and community benefits is required.

Credit Not Otherwise Available

The RLF cannot be used to substitute for available private capital and potential borrowers must demonstrate that credit is not otherwise available. The borrower must demonstrate that financing for a project is not otherwise available on terms and conditions that would permit completion and/or successful operation or accomplishment of the project. RRLF funds will not be disbursed until written evidence to this effect has been received. This would typically be in the form of a bank "turn-down" letter or letter indicating that the bank can only finance a portion of the money the borrower needs.

Prudent Lending Standards and Operating Procedures (13 CFR 307.15)

With the majority of our RLF proceeds coming from the U.S. EDA, we follow prudent lending standards and operating procedures that ensures compliance with the EDA. They are discussed below.

Accounting Principles- RRLFs shall operate in accordance with the current generally accepted accounting principles ("GAAP") as in effect from time to time in the United States, as applicable.

In accordance with GAAP, a loan loss reserve may be recorded in the BFCG/BFEDD's financial statements to show the fair market value of an RRLF's loan portfolio, provided this loan loss reserve is non-funded and represents non-cash entries.

Loan and Accounting System Documents: Within sixty (60) days prior to the initial disbursement of EDA funds, an independent accountant familiar with the BFCG/BFEDD's accounting system shall certify to EDA

and the BFCG/BFEDD that such system is adequate to identify, safeguard and account for all RRLF Capital, outstanding RRLF loans and other RRLF operations.

Prior to the disbursement of any EDA funds, the BFCG/BFEDD shall certify that standard RRLF loan documents reasonably necessary or advisable for lending are in place and that these documents have been reviewed by its legal counsel for adequacy and compliance with the terms and conditions of the Grant and applicable State and local law.

The standard loan documents must include, at a minimum, the following:

- Loan application;
- Loan agreement;
- Board of directors' meeting minutes approving the RLF loan;
- Promissory note;
- Security agreement(s);
- Deed of trust or mortgage (as applicable);
- Agreement of prior lien holder (as applicable); and
- Signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. EDA will permit the BFCG/BFEDD to accept alternate documentation only if such documentation is allowed in the BFCG/BFEDD's EDA-approved RLF Plan.

Private Leveraging- It is BFEDD policy to loan the minimum amount needed to elicit financing from other sources, such as the borrowed equity, private or other public sources. RRLF loans must leverage private investment of at least two dollars for every one dollar of such RLF loans. This leveraging requirement applies to the RLF portfolio as a whole rather than to individual loans and is effective for the duration of the RLF's operation. To be classified as leveraged, private investment must be made within twelve (12) months of approval of an RLF loan, as part of the same business development project, and may include:

- Capital invested by the borrower or others;
- Financing from private entities; or
- The non-guaranteed portions and ninety (90) percent of the guaranteed portions of the U.S. Small Business Administration's 7(A) loans and 504 debenture loans.

Private investments shall not include accrued equity in a borrower's assets.

E. PORTFOLIO STANDARDS AND TARGETS

Target Percentages

Below is the targeted percentages breakdown of borrowers for the RRLF program. It is anticipated that the breakdown of borrowers by percentage of dollar amount is as follows:

- Public/Private: 0/100
- New companies/Expansion/Retention: 35/50/15
- Locally owned/Outside owned: 90/10
- Small business/Large company: 100/0
- Industrial/Commercial (service/retail): 60/40
- Traditional/Technology based: 50/50

Private Sector Leverage

EDA requires a minimum ratio of \$2 in private financing for every \$1 in RLF financing, for the portfolio overall (See 13 CFR 307.15(d)). The BFEDD's RRLF program target of private sector funds leveraged for each RRLF dollar loaned will be a portfolio average of 2 to 1 as well. Private investment may include (1) capital invested by the borrower or others; (2) financing from private entities; and (3) 90% of the guaranteed portions of SBA 7(a) and SBA 504 debenture loans. Projects that provide higher private investment will receive consideration over those providing lower investment, all other factors (such as job creation) being equal.

Target Job/Cost Ratio

The RLF's target job/cost ratio is one job created or retained per every \$35,000 RRLF proceeds used. Applicants with lower RRLF investment per job will be given priority over larger RRLF investments per job. The RRLF will concentrate on creating family-wage employment, primarily for low and moderate income families. Skilled and semi-skilled jobs in light manufacturing will be viewed as those most desirable for long-term employment. Applicants for loans utilizing CDBG funds must agree that 51% of their positions will be made available to low and moderate income persons.

F. RLF LOAN SELECTION CRITERIA

RLF loan selection will be based on the financing policies and portfolio standards discussed earlier in this document. However, proposed projects that can demonstrate the criteria below will receive a higher/priority recommendation from staff. This section discusses the economic impact criteria used to evaluate proposed loans.

Economic Impact Criteria

Proposed loan recipients who can demonstrate the following criteria will receive a higher recommendation from staff.

Expansion Preferred - The preferred loan recipient will be an existing primary industry firm with an existing product line or service which finds its product(s) in demand, and for which expansion can be accomplished, provided low-interest, long-term subordinated debt financing becomes available.

Industrial Preference - Industrial borrowers who add product value through manufacturing or processing will be preferred, especially with District "exports". However, commercial firms which also export

products and are located in a target area will also be considered, provided the projects would create substantial employment and long-term benefit to the area.

Service/Retail- Because the availability of diversified service and retail sectors is considered by firms when making location decisions, businesses in those sectors will be eligible for funding, paying particular attention to the quality of jobs to be created and the number of similar businesses in the area.

Local Ownership- It is expected that the majority of firms borrowing will be locally owned and operated. However, firms which have ownership outside of this area will be considered.

Small Business Status- Since small business (under 500 employees) creates the vast majority of new jobs, it is expected that all borrowers will be in this category.

Women and Minority Enterprise Development- Applications which show women and minority enterprise development will be actively sought.

Borrower Growth Potential- Projects which strongly show potential future growth will be desirable.

Existing Economic Linkage- Projects which complement other firms in the area will be desirable.

Training- Borrowers willing to retrain and upgrade unskilled and semi-skilled workers will be given priority.

Regional Assets- The proposed loan applicant/project capitalizes on regional assets.

Community Benefit- The borrower will maximize private investment that would not otherwise come to fruition without the RRLF investment into the project and community.

Job Linkage- The RRLF is targeted to borrowers willing to train and employ displaced workers. Details of in-plant and other training programs available will be explained to the borrower with encouragement to hire and train workers experiencing the greatest difficulty in finding replacement jobs. Emphasis will be placed on low and moderate income persons.

G. PERFORMANCE ASSESSMENT PROCESS

This section briefly discusses how the BFEDD will continually assess the performance of the RRLF.

Annual Loan Portfolio Review

The RRLF will be evaluated annually prior to the BFCG budgeting process. Our operating expenses, available loan funds, and current loan funds that are in repayment will be reviewed. All staff involved in the loan processing of funds will be included in this review process.

Collateral Valuation and Evaluation: An annual collateral valuation and evaluation will be performed annually to determine whether the loan portfolio is over capitalized or undercapitalized.

Interest Rate Review: Each year prior in December, the loan interest rate will be reviewed by staff, who will then make a recommendation to the committee/board for approval.

Updates to RRLF Management Plan

The BFEDD must update its Plan as necessary in accordance with changing economic conditions in the Region; however, at a minimum, an RLF Recipient must submit an updated Plan to EDA every five (5) years.

Evaluation of RLF Plans: The BFCG will follow EDA's criteria in evaluating our RRLF Plan. Currently, as of January 12, 2015, the Plan must be consistent with the CEDS or EDA-approved economic development plan, if applicable, for the Region. The Plan must identify the strategic purpose of the RLF and must describe the selection of the financing strategy and lending criteria, including: An analysis of the local capital market and the financing needs of the targeted businesses; and financing policies and portfolio standards that are consistent with EDA policies and requirements; and the Plan must demonstrate an adequate understanding of commercial loan portfolio management procedures, including loan processing, underwriting, closing, disbursements, collections, monitoring, and foreclosures. It shall also provide sufficient administrative procedures to prevent conflicts of interest and to ensure accountability, safeguarding of assets and compliance with Federal and local laws.

Revision and Modification of RLF Plans: The BFEDD must update its Plan as necessary in accordance with changing economic conditions in the Region; however, at a minimum, an RLF Recipient must submit an updated Plan to EDA every five (5) years. The BFEDD must notify EDA of any change(s) to its Plan. Any material modification, such as a merger or change in the EDA-approved lending area under § 307.18, a change in critical management staff, or a change to the strategic purpose of the RLF, must be submitted to EDA for approval prior to any revision of the Plan. If EDA approves the modification, the RLF Recipient must submit an updated Plan to EDA in electronic format, unless EDA approves a paper submission.

PART II: REVOLVING LOAN FUND OPERATIONAL PROCEDURES

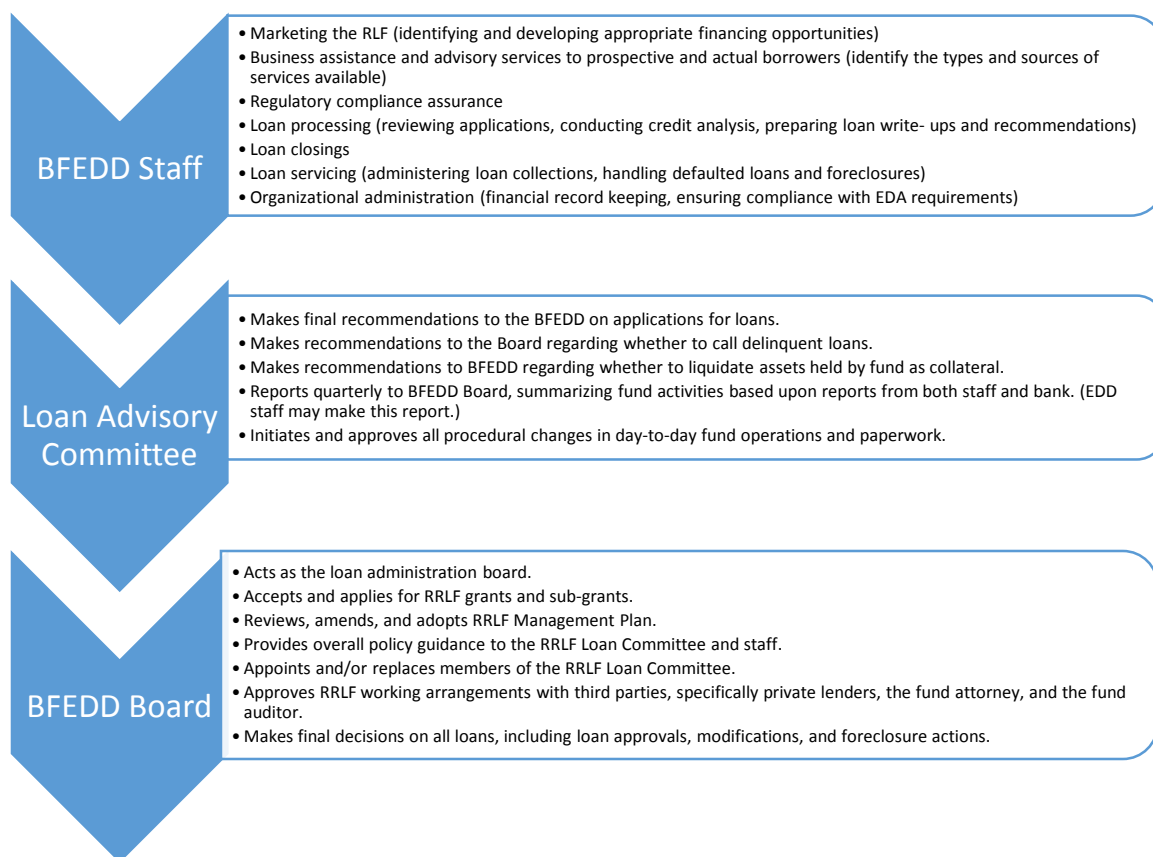
This section serves as the RRLF's internal operating manual and sets out the administrative procedures for operating the RRLF consistent with the "Prudent Lending Practices," as defined in 13 CFR 307.8. In administering the RLF, the BFEDD must adopt procedures to comply, and ensure that potential borrowers comply, with applicable laws and regulations including but not limited to 13 CFR Part 307.

A. ORGANIZATION STRUCTURE

The composition, roles of governing body, the RRLF Loan Advisory Committee and BFEDD staff is discussed in this next section.

Critical Operational Functions

Below is a diagram of an overview of the organizational structure which the RLF will be operated.



Roles, Rules and Functions

BFEDD Staff: The principal activities of the EDD staff with respect to the RRLF are as follows:

- Negotiates arrangements with the private lender, fund attorney, and fund auditor.
- Publicizes loan fund objectives and availability within the EDD.
- Conducts initial review/screening of all applicants, inviting qualified candidates to submit applications.
- Works with applicants to assist in preparation of, and conducts reviews based on, application; submits application for review and decisions by the Loan Advisory Committee and BFEDD Board.

- For approved loans, ensures proper execution and processing of documents, compliance with all appropriate regulations, and timely implementation of project.
- Monitors on-going operations of loan recipients and provides management consulting assistance as appropriate.
- Disburses funds, prepares amortization schedules, receives loan payments, determines proper apportionment of principal, interest, and fees; and credits proper account (EDA, City, etc.).
- Sends written notice of any delinquencies and/or defaults to borrowers and processes any forfeiture/foreclosure actions.

RRLF Loan Committee: The primary activities of the Loan Advisory Committee and subcommittee of the BFEDD Board of Directors are as follows:

- Makes final recommendations to the BFEDD on applications for loans.
- Makes recommendations to the Board regarding whether to call delinquent loans.
- Makes recommendations to BFEDD regarding whether to liquidate assets held by fund as collateral.
- Reports quarterly to BFEDD Board, summarizing fund activities based upon reports from both staff and bank. (EDD staff may make this report.)
- Initiates and approves all procedural changes in day-to-day fund operations and paperwork.

RRLF Loan Committee Composition: The BFEDD Board will appoint the RRLF Loan Committee, which will be comprised of a maximum of eleven members. Of these, three participating communities (Richland, Kennewick, and Pasco) will be represented by one member each; the two counties (Benton and Franklin) will each have one member or a designated alternate; and the BFEDD Board will appoint five members-at-large, three of whom will be selected for their commercial lending experience/legal acumen and experience, and three of whom will have small business ownership/management experience.

Terms, Vacancies, and Organizations: Loan Committee members serve at the pleasure of the BFEDD Board. A Loan Committee member who misses two consecutive meetings without reasonable cause may be relieved of this responsibility. Four of the initial members of the Loan Committee will be appointed to a term which expires on December 31 of the initial year, and there other three original members will be appointed to a term to expire December 31 of the following year.

Meetings, Quorum, and Voting of Members: The Loan Committee will hold meetings as required by the volume of final loan applications submitted, but not more frequently than twice monthly. Special meetings may be called by the BFEDD's Executive Director with the concurrence of the Loan Committee. A quorum requires attendance of at least five members, one of whom shall be a commercial loan officer.

BFEDD Board: The BFEDD Board will serve as the Loan Administration Board. The Board, in accordance with this management plan, is duly empowered to receive and disburse funds, provide and contract for services, and otherwise administer a loan program. Rules, duties, and authority are thereby established and delegated by the Board. Changes and other delegations may be made as deemed necessary.

The principal activities of the BFEDD Board, with respect to the RRLF, are as follows:

- Accepts and applies for RRLF grants and sub-grants.
- Reviews, amends, and adopts RRLF Management Plan.
- Provides overall policy guidance to the RRLF Loan Committee and staff.

- Appoints and/or replaces members of the RRLF Loan Committee.
- Approves RRLF working arrangements with third parties, specifically private lenders, the fund attorney, and the fund auditor.
- Makes final decisions on all loans, including loan approvals, modifications, and foreclosure actions.

Conflicts of Interest

In the event a commercial bank/small business owner or government agency representative has a separate financial interest in an applicant for a BFEDD loan, the representative/board member/Loan Committee member shall so notify BFEDD and be excused from its review function with respect to the proposed BFEDD loan for that applicant.

No loans shall be made to a business entity if the owner of such entity or any owner of an interest in such entity is related by blood, marriage, law, or business arrangement to any officer or employee of the BFEDD staff or Board of Directors, or member of the LAC, or any other person or entity which advises, approves, recommends, or otherwise participates in decisions concerning loans or the use of RRLF funds.

No person or entity referred to above shall receive any benefits resulting from the use of loan funds, unless that person or entity first discloses, in writing, the proposed or potential benefit and receives written determination that the benefit involved is not so substantial as to affect the integrity of the application decision process and the services of said person or entity.

Former board members and others involved in the decision process are ineligible to apply for or receive loan funds for a period of one year from the date of termination of his or her services.

B. LOAN PROCESSING PROCEDURES

More than one meeting between a potential applicant and BFEDD staff may be required to reach a preliminary decision regarding eligibility of the proposed project. In addition, on-site visits or field research may be useful in establishing eligibility.

Application Process

Initial Inquiry- Anyone desiring to participate in the program will contact the BFEDD staff and request assistance. In the initial interview, staff will explain the program and its eligibility standards. An inquiry form will be filled out during the initial meeting for recordkeeping and tracking purposes. Staff will collect oral and written information about the project, study this material, and determine whether or not the project and the applicant meet eligibility requirements. More than one meeting may be required to make this determination. Paperwork will be needed in order to determine if an inquirer is eligible. If communication with an inquirer ceases within 45 days of the initial inquiry, and no further step can be completed, the inquirer will be moved to inactive in our systems.

Eligibility Establishment: If the potential project is considered ineligible, then: (1) the potential applicant will be informed of the decision (via email, phone call or letter) and the reasons why; and/or (2) the potential applicant will be provided with information and changes needed in order to qualify for the program. In either case, the applicant is invited to resubmit a proposal if the revised proposal appears to meet requirements.

Submittal Requirements from Each Applicant - If the potential project is considered eligible, then the following information must be submitted:

- Application
- Balance Sheet and Profit and Loss Statement
- A current Balance Sheet and a current Operating Statement (not over 90 days' old).
- A pro forma Balance Sheet and projected Operating Statement for two years.
- Copies of the applicant's last three years' income tax statements.
- A brief narrative description of the proposed project, including:
 - The number of long-term jobs to be created (not including construction jobs).
 - Total project cost.
 - Amount of loan requested.
 - Source of other required funds.
 - Purpose of loan (use of proceeds).
 - Term requested.
 - A history and description of the business.
 - The names of affiliates or subsidiary firms.
 - Complete outline of current debts.
 - Franchise agreement(s), if applicable.
- Current personal financial statement of each proprietor, partner, and officer, and each stockholder with 20% or more ownership.
- Resumes of the principals or other key management personnel.
- Signed release to check credit.
- Any other pertinent information requested by the Board of Directors pertaining to the loan package.

Credit/Financial Analysis and Summary Write-up – The loan write-up is intended to summarize the key aspects of the loan such as firm history, management, product, production capability, market conditions, financing, collateral, repayment ability, consistency with the RLF's financing policy and whether there are any environmental issues. Staff will analyze the application and accompanying information and prepare a summary of the project. Staff will also ensure that the LAC and the BFEDD board reviews and approves loans in accordance with the approved financing policies, targeting criteria, and loan selection criteria of the RLF Plan.

At a minimum the loan write-up will contain the following:

- Borrower information including type of entity and brief description of the business.
- Loan request (amount, terms, purpose, repayment schedule).
- Total Project Costs.
- Sources of funds and uses of funds.
- Discussion of why borrower is eligible for federal RRLF financing and reference to supplemental evidence available. If no supplemental evidence is available, the reasons will be discussed.
- Collateral Analysis (personal guarantees, mortgages, insurance).
 - Appraisal reports (if applicable)
 - Standard equity requirements and how they will be documented/confirmed.
- Operating History.
- Staffing Plan and Job Creation Plan.
- Financial statement history and analysis.
- Pro forma financial statement analysis.
- Method of documenting loan disbursement of funds based on use of funds.
- Fixed assets: invoices from vendors
- Inventory: invoices from vendors
- Working Capital: invoices for working capital requirements or cash flow projections with monthly reporting on use of funds.
- Guarantor information (financial statements, credit reports and trade checks if applicable).
- Summary of Risk including strengths and weaknesses and availability of secondary source of repayment.
- Staff recommendation including terms and collateral, frequency of financial reporting requirements of borrower, and job creation reporting.
- Reporting requirements for each borrower will be determined by the individual circumstances of the borrower. All loans will require a minimum of annual financial reporting. New businesses will require minimum of quarterly reporting. Monthly reporting will be required when the nature of the loan is indicative of careful monitoring.
- Credit not otherwise available {bank letter)

Recommendations to LAC: Within the project summary/write-up, staff's recommendation will include terms and collateral, frequency of financial reporting requirements of borrower, and job creation reporting.

Negative Staff Recommendations

If after all documentation is received, a thorough analysis is completed by staff, and a negative recommendation is received, the LAC prefers that the project not be presented at this time. The potential applicant will be provided with information and changes needed in order to qualify for the program. In either case, the applicant is invited to resubmit a proposal if the revised proposal appears to meet

requirements. Ineligible RRLF applicants will be referred, as appropriate, to other development finance resources. If the applicant is insistent that staff presents the project/application as is with a negative recommendation to the LAC, staff will do so with the negative recommendation attached.

Positive Staff Recommendations

If after all documentation is received, a thorough analysis is completed by staff, and a positive recommendation is received, staff will move forward and present the summary and LAC recommendation at the next BFCG/BFEDD board meeting. Board meetings typically occur once a month. For bylaws regarding the BFCG/BFEDD, please contact staff.

LAC Meeting, Application Review & LAC Recommendation: The LAC will convene to review the application. The Committee will recommend to the BFEDD Board that the application be either approved or denied, or additional information may be requested from the applicant. At no time does the Loan Advisory Committee make a final decision regarding the approval or denial of a loan.

Final Preparation and Presentation to Board: Once the applicant has submitted any additional information required by the LAC, the BFEDD Board of Directors will, at their next scheduled meeting, review the material and make the final decision for funding. If the application is denied by the Board, a letter will be sent to the applicant stating the reasons for the denial and, where appropriate, suggestions will be made to the applicant on how to make it acceptable and an invitation will be issued to submit a revised application. If the application is approved then staff will proceed to the final documentation/loan closing stage.

Final Documentation Preparation, Loan Closing Schedule, Fund and Close on Loan: The applicant is advised of the terms and conditions set forth by the BFEDD Board and is requested to supply any additional documentation necessary. Once all documentation is supplied, the loan documents are prepared by staff, submitted to and reviewed by legal counsel, a signing with the applicant(s) is scheduled, a check is disbursed and the loan is closed. The applicant may, pursuant to Paragraph G 13 of Part I above, be required to pay closing costs. Please note, that funds are disbursed based on loan write-up recommendations.

Confidentiality

Confidentiality regarding financial information will be guarded at all times. No BFEDD Board, Loan committee or staff member will use his official position or office to 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. Further, no BFEDD Board, Loan Committee or staff member will further his personal interests through the use of confidential information gained in the course of, or by reason of, his official position or activities in any way. (Code of Ethics, RCW 42.123).

Other Compliance Requirements

Assurances of regulatory compliance will be obtained before an RRLF loan is disbursed. Compliance will be monitored during the payback period and, in a case of confirmed non-compliance, the loan may be called. Provisions will be made in the loan agreement to call the loan for non-compliance of any of the following items.

Civil Rights: The RRLF program will be marketed to reach as broad a spectrum of potential borrowers as possible. Staff will monitor borrower compliance, both pre- and post-loan, through discussion, requiring

written assurances, semi- annual reports on equal employment opportunity, and observation during periodic site visits.

Procedure for Ensuring Environmental Review Compliance: The loan officer or transaction coordinator will ensure that compliance is met per EDA regulations. The following are the minimum requirements of compliance.

- A determination needs to be made whether the project will result in a significant adverse environmental impact. The applicant may be asked to submit additional documentation as necessary to make the determination. No activity shall be financed which would result in a significant adverse environmental impact unless that impact is to be mitigated to the point of Insignificance. When necessary to ensure compliance, any required mitigation shall be made part of the loan conditions.
- A determination of whether the project involves new above-ground development within a floodplain based on a review of the proposed development against FEMA Flood Insurance Rate Maps. No activity shall be financed which would result in new above-ground development in a 100-year floodplain, per E.O.11988. This determination will be made by reviewing the proposed development against FEMA Flood Insurance Rate Maps.
- A determination of whether the project will be located within or adjacent to any wetland area. The applicant may be required to provide wetland delineation information as necessary. No activity shall be financed which would result in alternation of any wetland or in any adverse impact on any wetland without consultation with the U.S. Department of the Interior Fish and Wildlife Service and, if applicable, a Section 404 Permit with the Army Corp of Engineers shall be obtained.
- An applicant shall notify the State Historic Preservation Officer (SHPO) of each approved loan that involves significant new construction and expansion and request and receive comments on the effect of the proposed activity on historic and archaeological resources prior to closing of the loan. In cases where SHPO has recommended actions or has determined an adverse impact, the Recipient and loan applicant must work with the SHPO and EDA to address any issues identified before the loan is closed.
- All loan applicants are required to provide information regarding whether or not there are hazardous materials such as EPA listed hazardous substances (see 40 CFR 300), leaking underground storage tanks, asbestos, polychlorinated biphenyls (PCB), or other hazardous materials present on or adjacent to the affected property that have been improperly handled and have the potential of endangering public health, If deemed necessary, loan applicant may be required to perform or provide evidence of performance of a Phase I Site Assessment to identify possible sources of contamination, a Phase II Site Assessment to test soil and/or groundwater samples, and a Phase III Site Remediation involving mitigation of applicable contaminants. No activity shall be financed which involve unresolved site contamination issues. Loan applicant shall be responsible for working with the appropriate state environmental agency office to resolve any outstanding issues before any loan can be approved for the affected site.

Relocation: Loans will be called if project activity is removed from the eligible area. Loans will not be made to companies relocating from another labor market area into LTED-eligible counties which results in net loss of jobs in the previous location.

Flood Hazard Insurance: RRLF loans are not made for project activity located in a flood plain unless proof of flood hazard insurance is provided.

Davis-Bacon Requirements: Construction activity financed in whole or in part by the RRLF must comply with the requirements of the Davis-Bacon Act, as amended.

Access for the Handicapped: All RRLF financed construction projects, to which the public will have access, will provide access to the handicapped in compliance with Public Law 90-480, as amended (42 U.S.C. 4151, et seq.) and the regulations issued thereunder, or those loans will not be approved.

Earthquake Requirements: Any construction project financed by the RRLF shall comply with the Earthquake Hazards Reduction Act of 1977 (Public Law 95-124), as amended (42 U.S.C. 7707, et seq.), and Executive Order 12699, "Seismic Safety of Federal and Federally-Assisted or Regulated New Building construction" for the design of newly constructed buildings.

Contract Work Hours and Safety Standards and Anti-Kickback Act: Where applicable, RRLF borrowers shall be required to comply with the Contract Work Hours and Safety Standards Act, as amended (40 U.S.C. 327-333) and with the anti-Kickback Acts, as amended (40 U.S.C. 276 (c); 18 U.S.C. 874).

C. LOAN CLOSING AND DISBURSEMENT PROCEDURES

Pre- Closing Activities

Once a loan application has been approved it is necessary to implement this decision to make a loan. This involves interaction with the borrower to finalize all terms and conditions, preparation of legal documents, and lien searches if personal property or real estate is being used as collateral. The following describe these pre-closing activities.

Commitment Letter (Credit Agreement): The applicant is advised of the terms and conditions set forth by the BFEDD Board through a commitment letter and is requested to supply any additional documentation necessary. Once all documentation is supplied, the loan documents are prepared by staff, and submitted to and reviewed by legal counsel.

Loan Closing Documents

Below is a minimum list of documents that will be required for the types of loans made under the RLF and any special timing requirements. Per 13 CFR 307.15(b) (2), the required documents should at a minimum include:

- Loan application
- Loan agreement
- Board meeting minutes approving the RLF loan
- Promissory note
- Security agreement(s)
- Deed of trust or mortgage (as applicable),
- Agreement of prior lien holder (as applicable)
- A signed bank "turn-down" letter demonstrating that credit is not otherwise available.
- Board meeting minutes, resolutions, etc. confirming the decision of the recommendation of the Loan Review Committee and approval of the Board

Loan Agreement Provisions

The BFEDD will ensure that the RRLF funds will be used as intended by following up with the applicant quarterly and reviewing their financials. Each loan agreement will clearly state the purpose of each loan. See 13 CFR 307.17(a).

Staff will review all RRLF loan documents to ensure that the procedures in place protect and hold the Federal government harmless from and against all liabilities that the Federal government incur as a result of providing an RLF Grant to assist directly or indirectly in site preparation or construction, as well as the direct or indirect renovation or repair of any facility or site. See 13 CFR 307.10(c).

Staff will review and go over all loan agreement provisions during the initial intake of application requirements and during the signing of documents for ensuring that prospective borrowers, consultants, or contractors are aware of and comply with the Federal statutory and regulatory requirements that apply to activities carried out with the RLF loans. These loan agreement provisions will also be reviewed at closing of the loan. All EDA RLF loans must include loan call stipulations for instances of non-compliance. See 13 CFR 307.10(b).

Loan Disbursement

Once all loan documents and agreements are mutually accepted by all parties, a signing with the

applicant(s) is scheduled, a check is disbursed and the loan is closed. The applicant may, pursuant to Paragraph G 13 of Part I above, be required to pay closing costs. Please note, that funds are disbursed based on loan write-up recommendations.

Loan disbursements for drawing loan funds, if any, including any pre-disbursement requirements for working capital loans, construction financing, and any other disbursement procedures that are deemed necessary to protect RLF assets are per recommendations by staff and the loan review committee and approved by the Board. For instance, a borrower may be required to provide evidence, such as an invoice, that it has ordered an asset prior to receiving loan funds to ensure that funds are ordered only when actually needed and that they will be used as agreed in the loan agreement.

Loan Officer: One or more loan officers will be hired to package and service the loan program. On-call loan packagers may be hired to assist with workload.

Fund Attorney: A fund attorney will provide legal services on matters relating to the RRLF. The attorney will be compensated as appropriate. The services can involve title and lien searches and filing of legal documents that may be needed for the operation of the RRLF as deemed necessary by the BFEDD Board and/or staff.

Post-Closing Activities

Immediately after closing, the original note will be securely stored, recorded at the county (if necessary) and mortgages and UCC statements must be filed with the appropriate authority to ensure their enforceability. This activity will be done within forty-eight (48) hours, if possible, to secure interest of the RRLF funds.

The original notes and files pertaining to the loan will be stored in a fireproof file cabinet/vault at all times.

D. LOAN SERVICING PROCEDURES

Loan Servicing

The BFEDD will closely monitor the performance of all loans within the loan portfolio in order to improve opportunities for both the repayment of loans and for the success of the borrower. Loan servicing will be performed by the staff or on-call loan packagers, with recommendations from the Loan Advisory Committee. Staff will provide accounting and loan collection services and provide a monthly financial report to the Board of Directors, including a statement of individual account status. A commercial bank will be selected as the depository of the loan funds.

Included in the loan servicing and accounting are the following:

- Payment due notices to borrowers.
- Calculation of interest and principal payment due each month and mailing of receipts to borrowers.
- Monthly accounting to BFEDD of principal and interest received on all loan accounts, together with an accounting and unpaid principal balance.
- Delinquent account listing.
- Annual ledger listing for each account.
- Site visits may be conducted on a regular basis.

Repayment

Repayment typically begins thirty (30) to forty-five (45) days after a loan is closed and funds are disbursed. Payments are due the first day of the month following the 30-45 days of disbursement. The standard method of loan payment by RLF borrowers is check. Some borrowers walk them in and others mail them in. The BFEDD will deposit the checks in the chosen depository bank within forty-eight (48) hours of receipt (excluding holidays or the weekends). A designated staff member will be in charge of receiving the payments, documenting the payments and depositing the payments. Repayment is considered late if it is received after the 15th day of each month. A late fee will be assessed.

Notice of Payments Due: Notices of payments due are mailed to borrowers monthly and will be mailed so that they are received about a week before payments are due.

Past Due Notices: A series of past due notices will be mailed to the borrower and give the borrower several opportunities to pay or respond in some other manner to the default. The series will include two or more written requests (via email and/or mail) and may begin with a telephone call. A meeting with the borrower will be called if the delinquency is more than 45-60 days.

Legal Action: In some cases, legal action may be used prior to suing for payment or starting foreclosure proceedings. A demand letter prepared by an attorney can be an effective collection procedure and may be utilized. Specific cases will be discussed with legal counsel to determine the best course of action.

Monitoring

The standard procedures for monitoring loan conditions including requirement procedures for financial statements, annual insurance renewals, UCC refiling, borrower site visiting, tickler files and any other EDA requirements.

Financial Statements: The collection of financial statements required by the loan agreement will be handled in a manner similar to the collection of payments. The BFEDD's tickler file will be used to flag due dates and indicate when past due notices are to be sent. Quarterly financials may be requested or required per the loan agreement. These will be reviewed for the results of the most recently completed period as well as year to date results. Staff will review these and compare to the projections or budgets that may be available. Staff will look for changes in the balance sheet or financials and examine them for indications of deterioration in financial strength. Early warning signs that BFEDD staff will look for include:

- Losses that were not anticipated
- Lower gross and net margins
- Reduction in net working capital
- Lower current ratio
- Additional long term liabilities

Serious changes will warrant a phone call and/or meeting with the borrower to discuss progress and assess existing or potential problems.

Site Visits: Site visits may occur monthly or quarterly, depending on the strength of the loan and its borrower. These site visits will be documented in the tickler file.

Job Creation: The initial job creation claims will be reviewed and how jobs will be tracked after loan approval by supplying the borrower with a job data profile form. These will be mailed to the borrower regularly. To ensure that this data is collected and updated, staff may bring these along to site visits and request that they be filled out at this time. The monitoring of job creation data will also be similar to the collection of payments and financial statements timetable.

Year End Review: A year-end review of each loan will provide updates on the status of each borrower's business. This review will take place after the financial statements and tax returns have been completed and submitted to BFEDD staff. Staff will try to hold the year-end review at the place of business. More staff members may be involved on an informal basis. If there is a third party accountant, this person may be invited to attend as well.

Delinquency Management

If defaults have occurred and are not cured in a reasonable amount of time, actions can be taken prior to restructuring loan agreements and pursuing legal action to recover the investment. Staff will stay in close contact with the business to monitor activity and be immediately aware of further deterioration. Possible activities include:

- Increase the frequency of required financial statements
- Require monthly cash flow reconciliation
- Enlist a CPA to perform a review or audit
- Hold monthly or weekly meetings with management
- Attend meetings of the board of directors
- Engage a consultant specializing in areas in which the business is experiencing problems.

Defaulted Loans

The standard procedures for handling defaulted loans that are in arrears up to 90 days are discussed

below. Any late penalty requirements will follow what is stated in the promissory note and/or loan agreement.

Default: Failure of the recipient to meet terms of the loan agreement constitutes default. Under default all loan proceeds must be immediately repaid or default proceedings will be initiated. Security items will be sold, and proceeds used to recover loan amounts outstanding, legal fees, and other costs of recovery.

If a loan should become delinquent, the following procedures will occur:

- Telephone contact will be made 10 days after due date.
- First notice of delinquent payment will be sent 15 days after due date.
- Second notice will be sent 30 days after due date.
- Third notice will be sent 60 days after due date.
- Fourth notice will be sent 90 days after due date. After 75 days a certified, return receipt notice will be sent. During the first 75 days of delinquency, written and oral communication, as well as site visits, will be utilized to resolve the delinquency. Every effort will be made through personal contact to resolve the delinquency.
- After 90 days of delinquency, a loan due demand notice will be sent by BFEDD's legal counsel. If after 90 days a delinquency still exists, and the loan has not been renegotiated or brought current, the loan may be declared in default. BFEDD may immediately commence procedures to recover on borrower's security. No loan modification will be approved unless it can be demonstrated that modification will improve the borrower's ability to repay the loan.

Any recipient proven guilty of discrimination in employment practices or determined to have used discriminatory practices in hiring shall be in default and subject to repay all loan funds immediately. Illegal business transactions or illegal business practices by the recipient may be cause for immediate recall of loan funds.

Priority of Payment on Defaulted Loans: When the BFEDD receives proceeds on a defaulted RLF loan that is not subject to liquidation pursuant to EDA's § 307.20, such proceeds shall be applied in the following order of priority:

- *First*, towards any costs of collection;
- *Second*, towards outstanding penalties and fees;
- *Third*, towards any accrued interest to the extent due and payable; and
- *Fourth*, towards any outstanding principal balance.

Restructuring of Loans

If the cash flows of the business are inadequate to make the scheduled payments, it may be necessary to alter the terms of the note in order to cure defaults. If there is no need to formally cure defaults, payment terms may be reached without amending the notes. Restructuring of loans include may not be limited to interest rate amendments, maturity date extensions, balloon payment may be added. . However, all loan modifications must be reviewed and recommended by the Loan Advisory Committee and approved by the board. Terms and repayment schedules will be defined and agreed upon by the Board.

Write-Offs

A percentage of the loans made through the RRLF will be lost due to business failure and inadequate collateral coverage. The anticipated percentage of these losses will be approximately 10% of total funds

loaned. These losses may be offset by income derived from the program through fees and interest charges. Loans will be written off when all actions to recover funds as described above have been exhausted or when pursuit of further recovery is no longer considered cost effective. Through monitoring and tracking of the loan portfolio regularly, the BFEDD staff will work to minimize risk through necessary changes in policies and procedures within the quality control process.

BFEDD will report loans in default and if staff recommends that a loan should be charged off, it will be presented to the board for recommendation and will require the board to approve the write-off. When the board deems a loan to be a loss, the charged off loan must be in compliance with full and fair disclosure requirements of any relevant rules and regulations pertaining to the funding of the loan.

Examples of reasons for write offs may include, but not limited to:

- A non-performing loan more than six months past due without a payment of at least 75% of a regular monthly installment within the last 90 days. In cases of non-performing loans, transfers from shares and proceeds from the sale of collateral general do not constitute “payments”;
- A delinquent loan in the hands of an attorney or collection agency, unless there are extenuating circumstances to indicate the BFEDD will collect the loan;
- A “skip” where the BFEDD has had no contact for 90-120 days;
- A loan in bankruptcy, within 60 days of receipt of notification of filing from the bankruptcy court, unless the BFEDD can clearly demonstrate and document that repayment is likely to occur. Loans with collateral may be written down to the value of the collateral, less cost to sell. However, in Chapters 11 and 13 bankruptcy proceedings, if the court lowers the amount that the borrower must pay, the BFEDD should immediately charge that portion of the debt discharged by the court;
- A fraudulent loan, no later than 90 days of discovery or when the loss is determined, whichever is shorter;
- A loan of a deceased person when the loss is determined;
- A loan, where a deficiency balance remains after the sale of a repossessed collateral and where the BFEDD has received no payment and has no apparent course of action; and
- A loan deemed uncollectible, where additional collection efforts are non-productive regardless of the number of months delinquent.

The examples above are intended to provide guidance to the BFEDD in regards to the write-off of a loan and does not constitute a complete list of loans the board should consider for a write-off.

Loan Files

The BFEDD will strive to provide loan information that is easily understood and readily accessible to staff and to parties unfamiliar with specific transactions. The BFEDD will follow consistent filing procedures in order to improve the efficiency of staff, provide smooth transitions for personnel changes, and allow ready access to information that may be given to third parties. These procedures include both the organization and the maintenance of files.

Location of Files: The BFEDD maintains an office open for business currently located at 1622 Terminal Drive, Richland, Washington 99354. The telephone number 509 943-9185. Professional staff services are available at the office during regular business hours to administer and provide loan servicing. Records of all loans shall be kept at the office, as well as the Management Plan, procedures, and other records. For the safekeeping of all loan documents particularly loan closing documents, at a minimum, all original notes, loan agreements, personal guarantees and security agreements will be placed in a fireproof facility or container.

Loan Documentation: The BFEDD will always maintain the minimum required by the EDA.

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

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

File Maintenance: The file documents will typically be in chronological order. The BFEDD will retain all documents in files unless they are currently being used. Staff will strive to collect information on a timely bases so that files are always up-to-date. Payment records, monthly payment summaries, updated UCC filings, financial statements, correspondences, site visit notes, and other related documentation will be included in the files. Files will be reviewed annually to ensure that all items are up-to-date.

E. ADMINSTRATIVE PROCEDURES

Since the Regional Revolving Loan Fund program is being administered by the BFEDD Board and staff, its existing policies apply to this program. BFEDD By-laws are sufficiently broad to encompass operation of this program but specific enough to ensure compliance with all regulatory requirements. Further, the personnel policies and administrative rules sufficiently cover this program. Job descriptions and contracts for management services can be modified to encompass this program and become effective as adopted by the Board. Bonds and insurance are provided under general BFEDD policies.

Accounting

BFEDD shall employ recommended standard accounting procedures to record and report all financial transactions. The accounting system will follow grantor guidelines and use a double entry system. Monthly financial reports shall be provided to the Board of Directors. Separate accounts shall be maintained for the various funding sources; e.g., EDA, CDBG, etc.

Monitoring of payment of principal and interest and all fees and assessments will be conducted by staff. The BFEDD staff will routinely evaluate and provide recommendation to the board for any modifications or actions related to a loan.

If more than fifty percent (50%) of revolving loan funds income, or \$100,000, is used to cover costs of administering the RRLF program, a Revenue and Expense Statement must be submitted to EDA. Program income is defined as interest earned on outstanding loan principal, interest earned on accounts holding RRLF funds not needed for immediate lending, all loan fees and loan-related charges received from RRLF borrowers, and other income generated from RRLF operations. An annual revenue and expense statement will be prepared.

Capital Utilization & Sequestration

Indicate how the Recipient will ensure that the RLF Portfolio is in compliance with applicable capital utilizations standards and sequestration requirements. *See 13 CFR 307.16(c).*

At all times during the revolving phase, repayment and lending schedules will maximize the amount of capital loaned out or committed. Under normal circumstances, at least seventy-five percent (75%) of RRLF capital should be in use.

Revolving Loan Fund Income

RLF Income must be placed into the RLF Capital base for the purpose of making loans or paying for eligible and reasonable administrative costs associated with the RLF's operations. RLF Income may fund administrative costs, provided:

- Such RLF Income and the administrative costs are incurred in the same six-month (6) Reporting Period;
- (2) RLF Income that is not used for administrative costs during the six-month (6) Reporting Period is made available for lending activities;
- RLF Income shall not be withdrawn from the RLF Capital base in a subsequent Reporting Period for any purpose other than lending without the prior written consent of EDA; and
- The BFEDD will complete an RLF Income and Expense Statement (the "*Income and Expense Statement*") as required under § [307.14\(c\)](#).

Compliance guidance: When charging costs against RLF Income, BFEDD will comply with applicable

federal cost principles and audit requirements as found in:

- 2 CFR part [225](#) (OMB Circular A-87 for State, local, and Indian tribal governments), 2 CFR part [230](#) (OMB Circular A-122 for non-profit organizations other than institutions of higher education, hospitals or organizations named in OMB Circular A-122 as not subject to such Circular), and 2 CFR part [220](#) (OMB Circular A-21 for educational institutions); and
- OMB Circular A-133 for Single Audit Act requirements for States, local governments, and non-profit organizations and the Compliance Supplement, as appropriate.

Priority of payments on defaulted RLF loans: When BFEDD receives proceeds on a defaulted RLF loan that is not subject to liquidation pursuant to § [307.20](#), such proceeds shall be applied in the following order of priority:

- *First*, towards any costs of collection;
- *Second*, towards outstanding penalties and fees;
- *Third*, towards any accrued interest to the extent due and payable; and
- *Fourth*, towards any outstanding principal balance.

Uses of Capital

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

Restrictions on use of RLF Capital: RLF Capital shall not be used to:

- Acquire an equity position in a private business;
- Subsidize interest payments on an existing RLF loan;
- Provide for borrowers' required equity contributions under other Federal Agencies' loan programs;
- Enable borrowers to acquire an interest in a business either through the purchase of stock or through the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient justification may include acquiring a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The potential economic benefits must be clearly consistent with the strategic objectives of the RLF;
- Provide RLF loans to a borrower for the purpose of investing in interest-bearing accounts, certificates of deposit or any investment unrelated to the RLF; or
- Refinance existing debt, unless:
 - The RLF Recipient sufficiently demonstrates in the loan documentation a “*sound economic justification*” for the refinancing (e.g., the refinancing will support additional capital investment intended to increase business activities). For this purpose, reducing the risk of loss to an existing lender(s) or lowering the cost of financing to a borrower shall not, without other indicia, constitute a sound economic justification; or
 - RLF Capital will finance the purchase of the rights of a prior lien holder during a foreclosure action which is necessary to preclude a significant loss on an RLF loan. RLF Capital may be used for this purpose only if there is a high probability of receiving compensation from the sale of assets sufficient to cover an RLF's costs plus a reasonable portion of the outstanding RLF loan within eighteen (18) months following the date of refinancing.

Compliance and Loan Quality Review: To ensure that the BFEDD makes eligible RLF loans consistent with its RLF Plan or such other purposes approved by EDA, EDA may require an independent third party to conduct a compliance and loan quality review for the RLF Grant every three (3) years. The BFEDD may undertake this review as an administrative cost associated with the RLF's operations provided the requirements set forth in § [307.12](#) are satisfied.

Use of In-Kind Contributions: In-Kind Contributions may satisfy Matching Share requirements when specifically authorized in the terms and conditions of the RLF Grant and may be used to provide technical assistance to borrowers or for eligible RLF administrative costs.

Administrative records

For administrative records, the BFEDD will at all times:

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

Administrative Costs

The BFEDD intends to use RLF income to cover administrative costs associated with marketing, obtaining, placing, managing and monitoring the fund. The anticipated maximum percentage of income to be used for expenses will be in compliance with EDA's allowed percentage. BFEDD staff will consistently strive to be as efficient and proficient as possible with all of our duties related to the regional revolving loan fund.

EDA Reporting

The BFEDD will complete and submit Revolving Loan Fund semi-annual report and Income and Expense Statements to EDA as required. The BFEDD will certify as part of the semi-annual report to EDA that the RLF is operating in accordance with the applicable RLF Plan. The BFEDD will also describe (and propose pursuant to § [307.9](#)) any modifications to the RLF Plan to ensure effective use of the RLF as a strategic financing tool.

RLF Income and Expense Statement: If the BFEDD used either fifty (50) percent or more (or more than \$100,000) of RLF Income for administrative costs in a six-month (6) Reporting Period, the BFEDD will submit to EDA a completed Income and Expense Statement (Form ED-209I or any successor form) for that Reporting Period in electronic format, unless EDA approves a paper submission.

Employment Generation Schedule Monitoring: If a loan recipient, without good cause, is unable to maintain the employment and hiring schedule agreed to in the terms of the loan may be in default.

If it can be demonstrated that a loan recipient has knowingly or intentionally inflated employment figures in order to obtain funds, then the loan may be recalled. However, if conditions beyond control of the

recipient company causes actual employment to be less than projected employment, and if no evidence of intentional deception can be found, then the recipient can request continuation of the loan under the original agreement. The recipient must state, in writing, reasons for lack of job creation and present the statement to BFEDD. Upon acceptance of the report by the BFEDD Board, the loan remains in effect. A clause may be included in the Loan Agreement, which gives the Board the option to increase the interest rate by up to 3.5% if employment generation projections are not met and the loan is continued due to extenuating circumstances. The purpose of this clause is to encourage the establishment of achievable employment objectives.

Other arrangements may be made between the BFEDD Board and the recipient to re-establish a loan amount appropriate for the jobs created.

The BFEDD shall retain and keep on file for verification information on borrowers' employees in order to determine low and moderate income status, ethnic background, status as female head of household, and job classification of employees in the borrowers' projects.

Reports: Monthly reports are provided to the BFEDD Board of Directors of management activity and loan transactions, as well as finance conditions. Reports shall be made as necessary of all default proceedings and enforcement activity. BFEDD shall comply with all grantor and, where applicable, HUD reporting requirements.

Audits

The BFEDD acknowledges that EDA RLF funds are subject to an annual audit requirement and the full value of the RLF (outstanding loans and available cash) must be shown every year on the Recipient's Schedule of Federal Expenditures. If the dollar amount of the RLF qualifies the RLF as a major federal program, the Recipient must ensure that the auditor performs the required federal audit procedures.

Financial audits shall be conducted annually of all program transactions, and a written report shall be provided to the BFEDD Board of Directors. The BFEDD shall abide by 15 CRF Part 24 Uniform Administrative Requirements known as "The Common Rule," and shall further abide by OMB Circular A-87, Cost Principles and State and Local Governments. Under the Single Audit Act, the Council is required to have an annual audit performed based on the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit organizations.

PART III: EXHIBITS

1. Exhibit A - Definitions (done)
2. Exhibit B – Inquiry Form (done)
3. Exhibit C- Application Checklists (done)
4. Exhibit D- RRLF Loan Application (done- sent to legal counsel for review)
5. Exhibit E – Sample Loan Summary (done)
6. Exhibit F- Sample Loan/Borrower File Organization (done)
7. Exhibit G – BFEDD Board Organization Chart (done)
8. Exhibit H – RRLF Loan Advisory Committee Organization Chart (done)
9. Exhibit I – Sample Marketing Plan

Exhibit A- Definitions

DEFINITIONS

Amount of the Payment: Whether all interest and amortization are deferred until the maturity of the loan; whether interest is collected for all or a portion of the term to maturity; whether both interest and principal are collected.

Applicant: The entity or individual that submits an application for a loan from BFEDD and will commit to repay such loan.

Attainment of Full Operations or Full Production: Point following project start-up at which production of goods or services reaches full scheduled capacity.

BFEDD: Benton-Franklin Economic Development District

BFCG: Benton-Franklin Council of Governments

CDBG: Community Development Block Grant funds are those funds that are contributed by the Cities of Pasco, Kennewick, and Richland to the RRLF to provide the matching funds required by EDA for the RRLF program.

Collateral: Property to be taken as security and the priority of the creditors' security interest in the property.

Commercial: A retail business for which the returns generally involve the turning of dollars over again and again within the community. In addition, a commercial enterprise can involve export of retail commodities outside of the designated area.

Confirmation Date: Point at which financing arrangements are confirmed and the parties involved become firmly committed.

Construction: The period after confirmation date, but before project start-up, during which project assets are acquired, constructed, transported, installed, modified, rehabilitated, or otherwise prepared for such use.

Date of First Payment: The date of the first payment will be established by the RRLF Loan Committee.

Disbursement: The issuing of loan funds to the borrower.

Endorsement: The persons or entities assuming the obligation, including any guarantors or additional co-guarantors.

Industry: Industry is defined as those enterprises which provide value added to either a natural resource product, or as an assembly point for exportation outside of the area.

Insurance: The amount and kind of insurance to be carried on any collateral, any key individuals involved in the business, or any aspect of the business or its operations.

Interest Rate: Amount of the rate and any points charged. Rates shall be fixed.

Lender: Benton-Franklin Economic Development District (BFEDD)

Loan Amount: The amount of money to be disbursed and the total amount of the debtor's obligation.

Maturity: The date upon which the outstanding balance on the loan and any interest due must be paid in full. The maturity may occur prior to the end of the full term of the loan, in which case the loan is said to have been ballooned.

Origination Fees/Loan Processing Fees: The extent of the borrower's responsibility to reimburse the lender for any expenses incurred in originating the loan.

Penalties: Description of penalty fees and rates to be charged in the event of default.

Period of Payment: Stipulations in the loan agreement which describe the collection dates for payment, normally monthly.

Servicing Fee: That fee which is charged on the declining balance of the loan to service the loan.

Special Conditions: conditions imposed by the RRLF Loan committee to meet specific program objectives such as requirements to employ low and moderate income persons, WorkSource eligible persons, maintain affirmative hiring practices or meet environmental standards.

Start-Up of Project Operations: Point at which project assets are first put into use producing goods or services.

Terms: The number of months, quarters, or years over which the loan is extended or which are used in computation of principal and amortization of payments.

Terms of Default: Description of the specific performance required of the borrower, the failure with which to comply will enable the lender to accelerate the debt and demand full payment; as well as a description of the rights of the borrower to remedy events of default, if any.

Use: The purpose for which the loan may be utilized.

Benton-Franklin Council of Governments

Telephone Inquiries



To Staff: A copy of this form needs to be included in all files. Please print this out and place in hard file and electronic file for each client or prospect.

Contact Information of Inquirer

POINT PERSON

Title:

Company

EMAIL

PREFERRED CONTACT METHOD

Phone E-mail Text

CONTACT FOR QUESTIONS REGARDING

- | | | |
|--|---|---|
| <input type="checkbox"/> General inquiries | <input type="checkbox"/> Small business support | <input type="checkbox"/> CREDiT loan (>\$150,000) |
| <input type="checkbox"/> Microloan (>\$50,000) | <input type="checkbox"/> HAEIF Loan (Public) | <input type="checkbox"/> HAEIF Loan (>Private) |
| <input type="checkbox"/> RRLF (>\$150,000) | <input type="checkbox"/> Childcare Microloan (>\$5,000) | |

COMPANY STREET ADDRESS

CITY

STATE

ZIP

DESCRIPTION OF COMPANY

Project/Funding Needed

AMOUNT OF FUNDING NEEDED

TARGET DATE

USE OF FUNDS

TIME IN BUSINESS

COLLATERAL AVAILABLE

OTHER NEEDS

Action Items

NEXT STEPS/FOLLOW UP

ACTIONS TAKEN

COMMENTS

The following information is requested by the Federal Government, in order to monitor compliance with equal credit opportunity monitoring. You are not required to furnish this information, but are encouraged to do so. The law provides that a Lender may neither discriminate based on this information, nor on whether you choose to furnish it. However, if you choose not to furnish it, under Federal Regulations this Lender is required to note race and sex based on visual observation or surname.

RACE

- American Indian or Alaska Native
- Asian
- Black or African American
- Native Hawaiian or Other Pacific Islander
- White
- Some Other Race

ETHNICITY

- Hispanic or Latino
- Not Hispanic or Latino

SEX

- Female
- Female, Head of Household
- Male

Veteran Status

- Veteran
- Non-Veteran
- Vietnam Era Veteran

Benton-Franklin Council of Governments

Application Checklist - Regional Revolving Loan Fund & CREDIT



APPLICANT:

POINT OF CONTACT:

PHONE NUMBER

EMAIL

Phase I - Eligibility Determination

Below is a checklist of the items needed for review in order to determine eligibility for the loan program. The following must be accomplished prior to making application:

Applicant Responsibility:

In File/ NA / Complete

- | | |
|--|-------|
| <input type="checkbox"/> Face-to-face interview wit loan staff | _____ |
| <input type="checkbox"/> Business plan | _____ |
| <input type="checkbox"/> Business tax returns (past three years) | _____ |
| <input type="checkbox"/> Business bank statements (past three months) | _____ |
| <input type="checkbox"/> Business historical balance sheet (2014, 2013, and 2012) | _____ |
| <input type="checkbox"/> Business historical income statement (2014, 2013, 2012) | _____ |
| <input type="checkbox"/> Current business balance sheet (within the last sixty days) | _____ |
| <input type="checkbox"/> Current business income statement (within the last sixty days) | _____ |
| <input type="checkbox"/> Business pro forma balance sheet (three years) | _____ |
| <input type="checkbox"/> Business pro forma income statement (three years) | _____ |
| <input type="checkbox"/> Business' three years of cash flow projections | _____ |
| <input type="checkbox"/> Proof of cash injection by owner | _____ |
| <input type="checkbox"/> Business break even analysis | _____ |
| <input type="checkbox"/> Credit report release/authorization form on all principals with 20% or more ownership, and on existing businesses, signed by all principals | _____ |
| <input type="checkbox"/> Personal tax returns - for all principals, partners and/or owners with 20% or more of ownership in business | _____ |
| <input type="checkbox"/> Personal bank statements for all principals, partners and/or owners with 20% or more of ownership in business | _____ |
| <input type="checkbox"/> Personal financials of all principals, partners and/or owners with 20% or more ownership in business | _____ |
| <input type="checkbox"/> Resumes of owners, partners, principals, or other key management personnel | _____ |

BFEDD Responsibility:

- | | |
|---|-------|
| <input type="checkbox"/> Face-to-face interview with applicant | _____ |
| <input type="checkbox"/> Run a credit bureau report on all principals with 20% or more ownership and on existing business | _____ |

Comments:

Date of face-to-face interview:

Applicant Signature:

Date:

Date Checklist Updated:

Benton-Franklin Council of Governments

Application Checklist - Regional Revolving Loan Fund & CREDIT



To Applicant: Please see the list below to ensure that you have provided the loan staff with all the information required to complete your application. Staff cannot finish a loan until all documents are received. Please turn in all documents in a timely fashion to allow staff adequate time to review and prepare documents. Loans will not be taken to committee for review until all required documents are received. Please call us at 509.943.9185.

Contact Information of Inquirer

APPLICANT:

POINT PERSON:

PHONE NUMBER:

EMAIL:

Phase II - Eligibility Confirmed, Application Accepted

Below is a checklist of the items needed after eligibility has been confirmed. Please work with your loan representative to complete this phase.

Applicant Responsibility:

In File / Complete / NA

- | | |
|--|-------|
| <input type="checkbox"/> Application fee, \$100 to be paid with application | _____ |
| <input type="checkbox"/> Completed, signed application and credit bureau release form | _____ |
| <input type="checkbox"/> Completed employment plan (form provided in application) | _____ |
| <input type="checkbox"/> Bank participation (or denial) letter | _____ |
| <input type="checkbox"/> Copy of business license | _____ |
| <input type="checkbox"/> Tax ID number | _____ |
| <input type="checkbox"/> UBI number | _____ |
| <input type="checkbox"/> Signed copy of articles of incorporation for business (If you are a corporation) | _____ |
| <input type="checkbox"/> Corporate by-laws for business (If you are a corporation) | _____ |
| <input type="checkbox"/> Certificate of good standing/ copy of corporate license (If you are a corporation) | _____ |
| <input type="checkbox"/> Corporate borrowing resolution (If you are a corporation) | _____ |
| <input type="checkbox"/> Certificate of trade name(If you are a corporation) | _____ |
| <input type="checkbox"/> Authority to borrow (borrowing resolution, if you are a corporation, LLC, or partnership) | _____ |
| <input type="checkbox"/> Certificate of formation (If you are an LLC/Partnership) | _____ |
| <input type="checkbox"/> Partnership/LLC agreement (If you are an LLC/Partnership) | _____ |
| <input type="checkbox"/> Evidence of Ownership (or copy of lease for business) | _____ |

Applicant Signature:

Date:

Updated:

Benton-Franklin Council of Governments

Application Checklist - Regional Revolving Loan Fund & CREDIT



To Applicant: Please see the list below to ensure that you have provided the loan staff with all the information required to complete your closing. Staff cannot schedule and close your loan until all items below are provided and reviewed. Please call us at 509.943.9185.

APPLICANT:

POINT PERSON:

PHONE NUMBER:

EMAIL:

Phase III - Loan Processing and Closing

Below is a checklist of the items needed after your loan has been approved.

Applicant Responsibility:

In File / Complete / NA

- Add corresponding loan fund as additional insured on business property _____
- Add corresponding loan fund as additional insured on personal property _____
- Add corresponding loan fund as additional insured on hazard & liability insurance on all equipment purchased _____
- Add the BFEDD as an assignment of key person life insurance _____
- Provide a copy of the landlord agreement (must be signed by landlord) _____

BFEDD Responsibility:

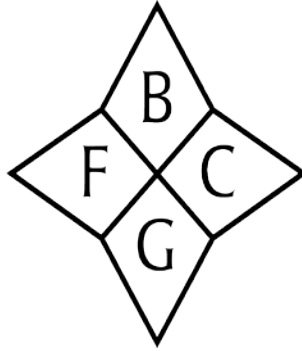
In File / Complete / NA

- Order or obtain Appraisal on business property _____
- Order or obtain Appraisal on personal property _____
- Obtain title commitment on business property _____
- Obtain title commitment on personal property _____
- Obtain deed of trust for business property _____
- Obtain deed of trust for personal property _____
- Obtain UCC-1 (equipment, inventory, account receivables) _____
- Personal guaranty of all principals, partners and/or owners with 20% or more ownership _____
- Business/Corporate guaranty _____
- Commitment letter _____
- Request loan check _____
- *** Loan Amount: _____ - 1.5% origination fee = \$ _____
- Choice 1 _____

Applicant Signature:

Date:

Updated:



LOAN APPLICATION

**REGIONAL REVOLVING LOAN FUND (RRLF),
COLUMBIA REGIONAL ECONOMIC DEVELOPMENT TRUST
(CREDiT), and
RURAL DEVELOPMENT LOAN FUND (RDLF)**

BENTON-FRANKLIN COUNCIL OF GOVERNMENTS

Interested in applying? Please contact:

Sally Mohr
Community & Economic Development Manager
Benton-Franklin Council of Governments
1622 Terminal Drive, PO Box 217
Richland, WA 99352
(509) 943-9185
smohr@bfcog.us

AN EQUAL OPPORTUNITY LENDER

In accordance with Federal law and U.S. Department of Agriculture policy, this institution is prohibited from discriminating based on race, color, religion, national origin, sex, marital status, age (provided the applicant has capacity to contract), receipt of income from public assistance programs and good faith exercise of any rights under the Consumer Credit Protection Act. To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue SW, Washington, DC 20250-9410 or call (202) 720-5964 (Voice & TDD). USDA is an equal opportunity provider and employer.

Individuals with disabilities can be accommodated upon advance notice.

APPLICATION PROCEDURE

First stage:

Initial interview: anyone desiring to participate in the program will contact the Benton-Franklin Council of Governments (BFCG) staff and request an application. Staff will explain the loan program and, if it is determined that the applicant may qualify for financing, both the applicant and the loan staff will work to get the completed application through processing. The following information must accompany the application:

- \$100.00 non-refundable application fee
- Copy of “financing turn down” letter from bank
- Business Plan
- Balance sheet and an income statement for previous three years (for existing business)
- Current balance sheet and an income statement (not over 60 days old) (for existing business)
- Pro-forma balance sheet and an income statement - 3 years
- 36 month Cash Flow Projection
- Copies of last three years' income tax returns
- Resumes of principals or other key management personnel
- Owners or partners who own 20% or more of the corporation's stock are required to personally guarantee the loan.
- Personal financial statement, income tax returns for last three years and current financial statement are required for each owner.
- Employment plan (form attached to the application)
- Previous three months business and personal bank statements

Second stage:

Once the application is complete, staff will prepare a loan summary recommendation for the Loan Advisory Committee to review. The Loan Advisory Committee reviews the application and makes recommendations to the appropriate Board of Directors which makes the final funding decision. The applicant is notified of the Board's decision.

Third stage:

If the loan is approved, a letter of approval will be mailed to the applicant. Staff will contact the applicant and coordinate a meeting to review the terms and conditions of the loan (interest rate, loan origination fee, loan servicing fee, term of loan, collateral, etc.). At this time, staff will also explain the employment monitoring and job profile forms and disbursement procedures. Additional information may be requested at that time. Upon receipt of all requested information, a closing date will be set and loan documents will be prepared. At closing the applicant will sign loan documents and loan funds may be disbursed.

Notice to corporate applicants

The following documents, at a minimum, will be required before a loan is closed:

- Borrowing Resolution
- Copy of current state business license
- Articles of Incorporation, all by-laws and any amendments
- Copy of the Partnership Agreement, if partnership
- Certificate of insurance

Costs

- Application fee: \$100 (due with application)
- Loan origination fee: 1.5% deducted on entire loan amount at first disbursement
- Interest rate: To be determined
- Monthly Service fee: 0.5% APR
- Closing Costs: To be determined

Loan Request			
AMOUNT OF LOAN:	\$		
TERM OF LOAN:		YEARS:	
Specific Loan Request		Loan Request	
USE OF FUNDS		AMOUNT NEEDED	SOURCE OF FUNDS
WORKING CAPITAL	\$		
FINANCE PURCHASE OF INVENTORY	\$		
FINANCE PURCHASE OF EQUIPMENT	\$		
FINANCE PURCHASE OF REAL ESTATE	\$		
OTHER (BE SPECIFIC)	\$		

Collateral Available (Check all that applies)			
COLLATERAL		VALUE	CURRENT AMOUNT OF ANY EXISTING LIENS
<input type="checkbox"/>	ALL ASSETS (Accounts receivable, inventory, machinery and equipment)		
<input type="checkbox"/>	SPECIFIC EQUIPMENT (Please include detailed equipment list including serial numbers)		
<input type="checkbox"/>	REAL ESTATE (Please attach property address and legal description)		
<input type="checkbox"/>	OTHER (Please be specific)		
<input type="checkbox"/>			
<input type="checkbox"/>			
<input type="checkbox"/>			

Miscellaneous Information			
ARE TAX LIABILITIES CURRENT?		YES	NO
IS THE BUSINESS AN ENDORSER, GUARANTOR, OR CO-MAKER FOR ANY OBLIGATION NOT LISTED ON FINANCIAL STATEMENTS?		YES	NO
IF YES, WHAT IS THE CONTINGENT LIABILITY?			
HAS THE BUSINESS OR PRINCIPAL OWNERS DECLARED BANKRUPTCY WITHIN THE LAST 10 YEARS?		YES	NO
IF YES, PLEASE PROVIDE DETAILS			
IS THE BUSINESS A DEFENDANT IN ANY LAWSUIT?		YES	NO
IF YES, PLEASE PROVIDE DETAILS			
ARE ANY OF THE BUSINESS ASSETS ENCUMBERED BY LIENS OR ATTACHMENTS OF ANY TYPE		YES	NO
WHAT	BY WHOM	AMOUNT	

Location Factors and Site Requirements

1. DOES YOUR COMPANY PLAN TO: EXPAND RELOCATE NEW VENTURE
2. IF EXISTING BUSINESS, WHERE IS THE FACILITY LOCATED? _____
 OTHER PLANT LOCATIONS _____
3. HOW MUCH COVERED BUILDING SPACE IS/WILL BE REQUIRED FOR YOUR OPERATION?
 SQUARE FEET _____ ESTIMATED COST \$ _____
 LAND SPACE REQUIRED _____ ESTIMATED COST \$ _____
4. WHAT TYPES OF MACHINERY WILL BE USED _____
5. DOES YOUR BUSINESS REQUIRE SITE VISIBILITY (I.E, VISIBLE FROM FREEWAY OR MAJOR ARTERIAL) YES NO
6. DOES YOUR PROJECT REQUIRE RAIL TRANSPORTATION YES NO
 IF NOT, WHAT TYPE OF STREET TRANSPORTATION (MAJOR COLLECTOR, FREEWAY, MINOR COLLECTOR)

7. WHAT IS THE APPROXIMATE MARKET AREA OF YOUR COMPANY? _____
8. WHAT TYPE OF UTILITIES WILL YOUR PROJECT REQUIRE (I.E., GAS, ELECTRIC, ETC)

9. WHAT TYPE OF WASTE PRODUCTS WILL PROJECT INVOLVE (I.E, SANITARY, INDUSTRIAL WASTE, AIR EMISSIONS)

10. DOES YOUR PROJECT CONTEMPLATE ANY OTHER SPECIAL SITE REQUIREMENTS (i.e.: SPECIAL TOPOGRAPHY, SOIL CONDITIONS, GEOGRAPHICAL CONDITIONS?)

11. DOES YOUR PROJECT REQUIRE SPECIAL PERMIT REQUIREMENTS (FEDERAL, STATE, OR LOCAL GOVERNMENT ENTITIES) YES NO IF YES, EXPLAIN

12. WHAT IS THE TIME FRAME FOR THE PROJECT? SPECIFY PHASES
 (I.E., SITE ANALYSIS, MARKETING, CONSTRUCTION, HIRING, OPERATION, ETC. (ATTACH TIME & PHASE SCHEDULE)

EMPLOYMENT CHARACTERISTICS

1. NUMBER AND JOB CATEGORIES OF CURRENT EMPLOYEES AND FOR YEARS 2008, 2009 AND 2010 (ATTACH INFORMATION, SEE SAMPLE SHEET).
2. WHAT LEVEL OF TRAINING WILL YOUR COMPANY PROVIDE
 ON-THE-JOB COMPANY PROVIDED CLASSES LOCAL INSTITUTION OTHER

Sample Employment Form

(In full time equivalent numbers)

TYPE OF POSITION	END OF YEAR				NUMBER AVAILABLE LOW /MODERATE INCOME PERSONS**
	CURRENT	2008	2009	2010	
Management	2	2	3	3	0
Sales	1	3	4	6	6
Technicians	2	3	5	5	5
Office & Clerical	1	3	4	4	4
Craftsmen	1	1	2	2	2
Operatives	7	9	12	12	12
TOTALS	14	21	30	32	29

Your Employment Form

(In full time equivalent number)

TYPE OF POSITION	END OF YEAR				NUMBER AVAILABLE LOW /MODERATE INCOME PERSONS**
	CURRENT	2015	2016	2017	
Management					
Sales					
Technicians					
Office & Clerical					
Craftsmen					
Operatives					
TOTALS					

This form needs to be completed and turned in with application in order for application to be considered complete.

**JOBS THAT WOULD BE AVAILABLE TO PERSONS WHOSE TOTAL HOUSEHOLD INCOME IS CONSIDERED LOW OR MODERATE ACCORDING TO THE FOLLOWING:

NUMBER OF PERSONS IN HOUSEHOLD								
ANNUAL HOUSEHOLD INCOME	1	2	3	4	5	6	7	8
	27,000	30,850	34,700	38,550	41,650	44,750	47,800	50,900

Project/Business Financial Information

1. WHAT IS THE NET AND PROJECTED INCOME OF THE COMPANY FOR:

	YEAR 2014	YEAR 2015	YEAR 2016
NET INCOME	\$ _____	\$ _____	\$ _____
PROJECTED INCOME	\$ _____	\$ _____	\$ _____

2. WHAT IS THE TOTAL COST OF THE PROJECT FOR WHICH FUNDING IS SOUGHT? \$ _____

3. HOW DO YOU PROPOSE TO FINANCE THE PROJECT?

	AMOUNT	TERM
COMMERCIAL BANK *	\$ _____	_____
NAME OF BANK		
LOAN OFFICER		
PHONE #		
OWNER EQUITY **	\$ _____	_____
RRLF	\$ _____	_____
OTHER (IDENTIFY)	\$ _____	_____
TOTAL PROJECT FUNDING ***	\$ _____	_____

* Whether approved or not; turndown letter from the bank for all or a portion of the project funds must be provided at time of application

** You will be required to provide proof of injection into the project

*** These numbers must agree

Personal Data Sheet

(Please complete for each Principal)

<p>Applicant Name: First _____ Middle _____ Last _____ Address: _____ City: _____ State: _____ Zip Code: _____ Length of residency: _____ yrs Employer: _____ Length of Employment: _____ Date of Birth: _____ Social Security #: _____ Driver's License #: _____ Home Phone: _____ Business Phone: _____ Cell Phone: _____ Email Address: _____</p> <p>Spouse Name: First _____ Middle _____ Last _____ Address: _____ City: _____ State: _____ Zip Code: _____ Length of residency: _____ yrs Employer: _____ Length of Employment: _____ Date of Birth: _____ Social Security #: _____ Driver's License #: _____ Home Phone: _____ Business Phone: _____ Cell Phone: _____ Email Address: _____</p>
--

Please list below your two closest relatives:

1. Name: _____
Address: _____
City: _____ State: _____ Zip Code: _____
Home Phone: _____ Work Phone: _____
Relationship: _____
2. Name: _____
Address: _____
City: _____ State: _____ Zip Code: _____
Home Phone: _____ Work Phone: _____
Relationship: _____

Please list three personal references (local):

1. Name: _____
Address: _____
City: _____ State: _____ Zip Code: _____
Home Phone: _____ Work Phone: _____
Relationship: _____
2. Name: _____
Address: _____
City: _____ State: _____ Zip Code: _____
Home Phone: _____ Work Phone: _____
Relationship: _____
3. Name: _____
Address: _____
City: _____ State: _____ Zip Code: _____
Home Phone: _____ Work Phone: _____
Relationship: _____

CREDIT REPORT

The undersigned individual, who is either a principal of the credit applicant or a sole proprietorship of the credit applicant, recognizing that his or her individual credit history may be a factor in the evaluation of the credit history of the applicant, hereby consents to and authorizes the use of a consumer credit report on the undersigned by the above-named business credit grantor, from time to time as may be needed, in the credit evaluation process.

If an adverse credit decision is made due totally or partly to the information on the credit report, a summary of my rights under the Fair Credit Reporting Act (FCRA) and the source of the credit report will be provided to me so that I may contact the credit reporting agency if I wish.

CERTIFICATION STATEMENTS

I/we hereby certify under penalty of perjury that to the best of my/our knowledge and belief:

1. The information contained in this application and attachments hereto are true and correct in all material respects and do not omit to state a material fact necessary to make the information herein not misleading.
2. I am/we are the only owner(s)/principal(s) of the applicant herein; that this application is submitted to Benton Franklin Council of Governments/Columbia Regional Economic Development Trust for the purpose of obtaining funds through the RRLF /RDLF and that none of the undersigned has been debarred or suspended, is ineligible, or has been voluntarily excluded from a transaction covered by 15 CFR 26.215, 26.220, and/or 26.625. I/we further understand that if, subsequent to executing any loan documents in connection with the requested loan, the U.S. Department of Agriculture, and/or the Benton-Franklin Council of Governments should determine that any such debarment or suspension has taken place prior to the execution of this certificate, any and all amounts due under the terms of the loan documents shall become immediately due and payable in full, without notice.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

BY: _____ BY: _____

TITLE: _____ TITLE: _____

DATE: _____ DATE: _____

The following information is requested by the Federal Government, in order to monitor compliance with equal credit opportunity. You are not required to furnish this information, but are encouraged to do so. The law provides that a Lender may neither discriminate based on this information, nor on whether you choose to furnish it. However, if you choose not to furnish it, under Federal regulations this Lender is required to note race and sex based on visual observation or surname.

RACE/ETHNIC ORIGIN & VETERAN STATUS

- Native American
- Asian
- Native Hawaiian or Other Pacific Islander
- Native Alaska
- Hispanic or Latino
- Other (specify)
- African American
- Caucasian

- Veteran Yes No
- Viet-Nam Era Veteran Yes No
- Disabled Yes No

- Male
- Female
- Female head of household
- Disabled

I do not wish to furnish this information

US DEPARTMENT OF AGRICULTURE

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION - LOWER TIER COVERED TRANSACTIONS

This certification is required by the regulations implementing Executive Order 12549, Debarment and Suspension, 7 CFR Part 3017, Section 3017.510, Participants' responsibilities. The regulations were published as Part IV of the January 30, 1989 Federal Register (pages 4722- 4733). Copies of the regulations may be obtained by contacting the Department of Agriculture agency with which this transaction originated.

The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Organization Name

Pit/Award Number or Project Name

Name and Title of Authorized Representative

Signature

Date

ULTIMATE RECIPIENT CERTIFICATIONS

ULTIMATE RECIPIENT: _____

LOAN AMOUNT: _____

The undersigned is unable to finance the proposed loan from their own resources or through commercial credit or other Federal, state or local programs at reasonable rates and terms.

The undersigned certifies that at least 51 % of its membership/ownership is by those who are citizens of the United States or reside in the United States after legally admitted for permanent residence.

The undersigned certifies that it or its principal officers (including immediate family) hold the following legal or financial interest or influence in Benton-Franklin Economic Development District (if none, please state):

By: _____

Date: _____

Additional Information and Business Financing Resources

Regional Revolving Loan Fund Program (RRLF) Columbia Regional Economic Development Trust (CREDiT) Rural Development Loan Fund (RDLF)

The primary purpose of the RRLF and of the RDLF is to assist businesses in our community to expand and prosper, and in doing so, create new jobs. Both of these funds are designed to "fill the gap" between the amount of conventional financing available and the amount needed for the project. The intent of gap financing is to provide the amount needed to develop a job-creating business expansion. Loans from \$25,000 to \$175,000 are available. RDLF loans cannot finance more than 75% of the total project costs. The interest rate for the RRLF and RDLF funds will be between two points below to two points above the prime interest rate.

CREDiT is similar to the RRLF and RDLF in its purpose to create new jobs and help our community expand and prosper. CREDiT will also loan to start-up businesses with the potential to create jobs.

The RRLF is funded by the Cities of Kennewick, Pasco and Richland through their Community Development Block Grant Program (CDBG), the U.S. Economic Development Administration (EDA) and Washington State is administered by Benton-Franklin Council of Governments. The RDLF is funded by the U.S. Department of Agriculture and is administered by CREDiT.

Regional Revolving Loan Fund (RRLF)

Eligible Applicants:

- Private for profit and non-profit firms which conduct business Manufacturing, Value-Added Processing, Service, Retail
- Non-Profit Firms/Organizations which undertake economic development projects are also eligible for RDLF.

Columbia Regional Economic Development Trust (CREDiT)

Eligible Activities:

- Real Estate Cost, Machinery and Equipment Contingency Reserves Working and Start-up Capital Infrastructure Costs

Preferred Applicants:

- Priority consideration is given to applicants who: Create or retain a minimum of 1 job for every \$20,000 borrowed.
- Leverage a minimum of \$2 for every \$1 of borrowed.
- Provide 15% of total project costs in equity contribution.
- Export a product or products.

Eligible Locations:

- RRLF-Cities of Kennewick, Pasco and Richland and Benton and Franklin Counties
- RDLF-Cities of Benton City, Connell, Kahlotus, Mesa, Prosser and West Richland and the unincorporated areas of Benton and Franklin Counties, all of Walla Walla County, and Columbia County.

Benefits to Businesses:

- Low down payment
- Enables the borrower to keep working capital invested in receivables and inventory where it earns a profit and Increases the return on equity
- Long-term financing
- Matches maturity of the loan to the useful life of the assets
- Debt service is better matched to cash flow
- Increased Productivity
- Makes the company more competitive with investment in improved plant and equipment
- Reasonable interest rates

Benefits to Lenders:

- Reduced collateral risk
- Provides collateral substitution or increased collateral cushion
- Reduced credit risk
- Provides better matching of debt service to cash flow by allowing working capital to be invested in profit making assets
- Opportunities for business development

Benefits to the Community:

- Creates new permanent private sector jobs
- Expands tax base
- Stimulates increased economic activity

Other Assistance Available

Assistance is available, at no charge to the business, in preparing loan applications for the match financing required by the RRLF/RDLF program. For further information, contact:

Bruce Davis

Program Director, SBDC
1600 N 20th Avenue Suite A
2600 N 20th Avenue
Pasco WA 99301
(509) 542.5635
bdavis@columbiabasin.edu

Johan Curtiss

Asst Director, Business Outreach, WSU Business Links
2710 University Drive
Richland WA 99352
(509) 372.7351
jcurtiss@tricity.wsu.edu

Economic Development Staff from each major jurisdiction may also be contacted:

Nicole Stickney

Planning and Economic Development Manager,
City of West Richland
3801 W. Van Giesen
West Richland, WA 99353
(509) 967-3431
bdleedy@westrichland.org

Pam Bykonen

Administrative Assistant, Community and Development Services, City of Richland
505 Swift Blvd, PO Box 190
Richland WA 99352
(509) 942-7725 or 942-7593
pbykonen@ci.richland.wa.us

Rick White

Community & Economic Development Director,
City of Pasco
505 N. Third Ave., P.O. Box 293
Pasco, WA 99301
(509) 543-5739
whiter@pasco-wa.gov

Deb Heintz

Economic Development Director,
Prosser Economic Development Association
1230 Bennett Ave. Prosser, WA 99350
(509) 786-3600
info@prosser.org

Emily Estes-Cross

Economic Development Manager,
City of Kennewick
210 W. 6th Ave, PO Box 6108
Kennewick, WA 99336
(509) 585-4252
Emily.Estes-Cross@ci.kennewick.wa.us

Lisa Ronnberg

Managing Director,
Dayton Chamber of Commerce
P.O. Box 22
Dayton, WA 99328
1-800-882-6299
chamber@historicdayton.com

Exhibit E – Sample Loan Summary

Meeting Date:

Business Name:

Business Address:

Type of Business:

Loan Request: \$

Term: months
Interest: %
Pmt: \$

Purpose:

Projected Start Date:

Borrower(s) Name:

Principals:
Guarantors:

Collateral:

Collateral Value: \$
Building and land \$
Equipment \$
Equity/Rental property \$

Sources of Repayment:

- Primary: Revenue received from business
- Secondary: Proceeds from sale of business or liquidation of assets
- Tertiary: Guaranties of borrowers

Job Creation/Retention: _____ FTE _____

Business Credit:

Recent Loan Request Status: No prior loan requests of CREDIT

Sources & Uses

Uses			Sources	
Land, Building w/improvements)			Owner Contribution	
Equipment			Bank	
Working Capital			CREDIT/RRLF	
Total			Total	

Balance Sheet

Assets			Liabilities	
Current Assets		\$	Current Liabilities	\$
Fixed Assets		\$	Long Term Liabilities	\$
Other Asset		\$	Invested Capital	\$
			Retained Earnings	\$
Totals		\$		\$

Personal Financial Statement of: _____ Dated: _____

Assets		Liabilities		Net Worth
Cash	\$			
	\$		\$	
Auto	\$	Auto	\$	
Personal Assets	\$	Credit Cards	\$	
Totals	\$		\$	

Personal Credit: Excellent, Okay, Bad

Background:

Exit Strategy:

Strengths:

Weaknesses:

Recommendation:

Staff recommends that...

SIGNATURE	DATE	RECOMMEND	NOT RECCOMEND	APPROVE
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Loan Advisory Committee		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Board of Directors		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Per the meeting, approval is subject to the following conditions:

Exhibit F- Sample Loan/Borrower File Organization

First Tab- Checklists

- Pre-Application Checklist
- Eligibility Determined, application checklist
- Application approved, loan documents checklist
- Site Visits Log

Second Tab – Financial Information

- PreApplication/Application Items

Third Tab- Loan Documents, Agreements, Etc.

- Approval/Denial Proof
- Meeting Minutes
- Commitment Letter
- Promissory Note
- Landlord Agreement
- Loan agreement
- Personal Guarantees
- Security Agreements
- UCC Filing records

Fourth Tab- Payment History

- Statements
- Disbursement check copies
- Dunning Letters

Fifth Tab- Modifications

- Modification Requests
- Modification backup
- All other items related to modifications

Sixth Tab - Correspondences



2 divider file folder (6 fasteners/sides for filing)

Exhibit G– BFEDD Board Organization Chart

The Benton-Franklin Council of Governments (BFCG) was initially organized in 1966 as the Benton-Franklin Governmental Conference and included elected officials from Benton and Franklin Counties and all of the cities within the two counties. Other elected officials on the board include representatives of the Ports of Benton, Kennewick and Pasco, the Benton Transit Authority and Benton PUD.

The Benton-Franklin Economic Development District (BFEDD) was created as a component part of the BFCG in 1980. The district board includes all of the BFCG elected officials, as well as eight persons from the private sector, comprising the remaining percentage of membership. This board changes from time to time due to changes in office, private business members' commitment capabilities, etc.

The Chair of the Economic Development District board is Bob Koch. As of January 31, 2015, the board makeup is as shown below.

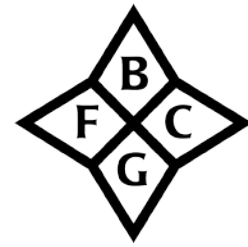
Name	Entity	Position
Brad Peck	Franklin County	County Commissioner
Jim Beaver	Benton County	County Commissioner
Al Yenney	City of Pasco	Councilman
Dave Rose	City of Richland	Mayor
Bob Olson	City of Kennewick	Councilman
Brent Gerry	City of West Richland	Mayor
Lloyd Carnahan	City of Benton City	Mayor
Patti Hamilton	City of Kahlotus	Mayor
Randy Taylor	City of Prosser	Mayor, Pro-Tem
Bruce Blackwell	City of Connell	Mayor
Skip Novakovich	Port of Kennewick	Port Commissioner
Robert Larson	Port of Benton	Port Commissioner
Bob Koch	Ben Franklin Transit	Chair
Lori Kays-Sanders	Benton PUD	Commissioner
Carol Woo	Baker and Giles	Co-Owner
Carl Adrian	TRIDEC	President
Kris Watkins	Tri-Cities Visitor and Convention Bureau	President and CEO
Deb Heintz	Prosser Economic Development Association	Executive Director
Andrew Klein	AS Klein Engineering	Owner/CEO
Amanda Waltman	Baker Boyer Bank	Executive
Thomas Fisher	US Bank	Commercial Lending, Team Leader
Trini Garibay	Elite Construction and Development	President/Partner

Exhibit H – RRLF Loan Advisory Committee Organization Chart

RRLF Loan Committee Composition: The BFEDD Board will appoint the RRLF Loan Committee, which will be comprised of a maximum of eleven members. Of these, three participating communities (Richland, Kennewick, and Pasco) will be represented by one member each; the two counties (Benton and Franklin) will each have one member or a designated alternate; and the BFEDD Board will appoint six private sector members-at-large, three of whom will be selected for their commercial lending experience/legal acumen and experience, and three of whom will have small business ownership/management experience.

RRLF Committee		
City of Pasco Representative		
City of Kennewick Representative	Small Business Representative	Commercial Lending/Legal Representative
City of Richland Representative	Small Business Representative	Commercial Lending Representative
Benton County Representative	Small Business Representative	
Franklin County Representative		Commercial Lending Representative

Benton-Franklin Council of Governments Marketing and Outreach Plan - 2014-2015



SEPTEMBER 2014

- Meet with FUSE LLC, Becca Lingley on Marketing/Sponsorship Opportunities
- Small Cities Meeting Sept. 24th, Loan Programs Discussion
- Sept. 15th, 2014 Meeting with City of Richland Librarian to discuss small business lending opportunities for entrepreneurs that meet at the library.
- Sept. 19th, 2014 Board Meeting- Discuss current RRLF loans and lending opportunities at the Board Meeting.
- Meet with Conselo de Pasco (downtown Pasco) group regarding funding opportunities.
- Meet with SBDC to discuss marketing/outreach efforts/Profit Mastery sponsorship.
- Meet with Downtown Pasco Development Authority committee member, Ana Cecilia Lopez to discuss lending programs.
- Attend Pasco, West Richland Chamber luncheons
- Newsletter highlight on Community and Economic Development loan programs/clients
- Ad in the Journal of Business

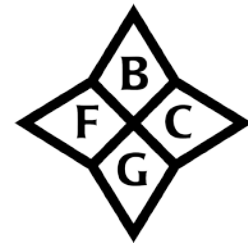
OCTOBER 2014

- Meet/schedule two-four meetings with commercial lenders
- Lenders' Roundtable, tentative Oct. 23, 2014
- Exhibitor booth at Grow Manufacturing Luncheon on October 15, 2014
- Exhibitor booth at the business expo on October 22, 2014
- Meet with Conselo de Pasco to hand out Spanish and English flyers with Felix Vargas
- Newsletter highlight on Community and Economic Development loan programs/clients
- Attend Pasco, West Richland Chamber and Benton City luncheons
- Case Management Monthly Meeting
- Makerspace Collaboration Meeting October 6th, 2014
- Small Cities Meeting, October 22, 2014
- Update marketing materials and distribute at local agencies (Cities, libraries, counties, ports, TRIDEC, etc)
- Hispanic Chamber of Commerce event October 15, 2014
- Ads in the Journal of Business, TRIDEC Annual Tourism Book, etc.

NOVEMBER 2014

- Case Management Meeting
- Meet/schedule two-four meetings with commercial lenders
- Update RRLF Management Plan and present to Committee and Board for approval
- Update all other loan management plans and present to Board for approvals
- Export 101 Course November 6th, 2014 Sponsorship/Collaboration
- Staff strategic planning session (communication and outreach efforts updated)
- Newsletter highlight on Community and Economic Development loan programs/clients
- Attend Pasco, West Richland Chamber and Benton City luncheons
- Small Cities Meeting, November 26th, 2014
- Review website drafts for loan program sub-pages, update information at various agencies' webpages

Benton-Franklin Council of Governments Marketing and Outreach Plan - 2014-2015



- Ads in the Connell Newspaper and Journal of Business

DECEMBER 2014

- Profit Mastery Class sponsorship coordination with SBDC
- Newsletter highlight on Community and Economic Development loan programs/clients
- Meet/schedule two-four meetings with commercial lenders
- Ad in the Journal of Business and Connell Newspaper
- Lenders Roundtable
- Attend TRIDEC, TCVCB, Pasco, West Richland Chamber and Benton City luncheons
- Small Cities Meetings
- One on one with Port and City Economic Development Staff
- Yearly loan updates/recap to community (loans closed, approved, availability)- emailed and mailed

JANUARY 2015

- Newsletter update
- Case management and various meetings within community
- Meet with various chambers and entities on yearly plans for finance/lending discussion panels
- Meet with two-four commercial lenders in area
- Annual City and Port Addresses to the Community events
- Ads in various publications
- Exhibitor booth at Bridging Partnerships
- Finalize strategic agency and individual performance goals

FEBRUARY 2015

- Case management, small cities, etc meetings
- Lenders Roundtable coordination
- Attend Benton City, Pasco, West Richland Chamber luncheons
- Ads in various publications
- Newsletter updates
- Exhibitor booth at Women in Business Expo

MARCH 2015

- Case management, small cities, etc meetings
- Lenders Roundtable
- Attend Benton City, Pasco, West Richland Chamber luncheons
- Ads in various publications
- Newsletter updates
- Meet with various underground/grassroots entrepreneur's groups (i.e. Startup Weekend)
- Potentially sponsor next Startup Weekend here in the Tri-Cities
- TRIDEC Annual Meeting

Benton-Franklin Council of Governments Marketing and Outreach Plan - 2014-2015



APRIL 2015

- Case management, small cities, etc meetings
- Attend Benton City, Pasco, West Richland Chamber luncheons
- Ads in various publications
- Newsletter updates
- Walla Walla Business Summit (tentative)
- Small Businesses Symposium

MAY 2015

- State of the Cities Luncheon
- Profit Mastery Sponsorship
- Attend Benton City, Pasco, West Richland Chamber luncheons, case management, small cities meetings
- Ads in various publications
- Newsletter updates

JUNE 2015

- TC Chamber Luncheon
- Ad for the Tri-Cities Map update
- Lenders Roundtable
- Meet with two-four commercial lenders in area
- WEDA Conference
- Ad in the Journal of Business and other publications

JULY 2015

- Port of Pasco Annual BBQ- Tenants and Community Partnership Appreciation
- Port of Kennewick Annual BBQ - Tenants and Community Partnership Appreciation
- Various partnership meetings
- Midyear visits with ports, cities, counties, and other regional partners
- Profit Mastery sponsorship/coordination

AUGUST 2015

- Port of Benton Annual BBQ - Tenants and Community Partnership Appreciation
- Lenders Roundtable
- Attend Benton City, Pasco, West Richland Chamber luncheons, case management, small cities meetings
- Ads in various publications
- Port of Benton/City of Kennewick Annual Update Meeting
- Newsletter updates
- Case management, small cities, etc meetings

*** Various meetings, events, and one-on-ones added as the year progresses. We're actively pursuing different outreach mechanisms as activity picks up.