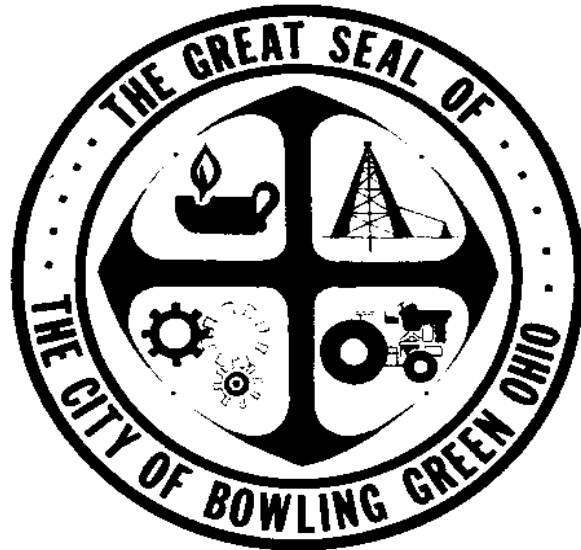


REVOLVING LOAN FUND Policy and Procedures Manual



For the
CITY OF BOWLING GREEN
304 North Church Street
Bowling Green, Ohio

DATE OF ADOPTION: February 11, 2009
DATE OF MOST RECENT REVISION: June 13, 2011

POLICY AND PROCEDURE MANUAL GENERAL STATEMENT OF PURPOSE

The purpose of the policies and procedures contained within this manual is to present the criteria for governing the economic development activities assisted with funds made available through the City of Bowling Green's Revolving Loan Fund (RLF) Program.

SPECIFIC PURPOSE OF THE FUND

The Revolving Loan Fund has been established to offer "gap financing assistance" for those small businesses who desire to create employment for low- and moderate-income persons within the city limits of Bowling Green.

RLF PROGRAM OBJECTIVE

Economic development activities assisted with funds made available through the RLF Program are intended to encourage the creation and retention of permanent jobs, which provide a wage, appropriate to the skills and experience of the local labor force and that is competitive. A minimum of 51 percent of the jobs created shall be made available to low- and moderate-income persons.

ADMINISTRATION

The Revolving Loan Fund Committee

The Revolving Loan Fund Committee (RLC) shall oversee the Revolving Loan Fund. This committee seeks to derive economic development benefits by filling the gaps in existing loan financing markets. The Revolving Loan Fund will be targeted to the industrial and commercial sections within the corporate limits of the City of Bowling Green in an effort to retain and expand employment opportunities. Some start-up monies will be available for new enterprises.

The Revolving Loan Approval Board

A five (5) member Revolving Loan Approval Board (LAB) shall administer the operation of the fund, review and approve applications for loan participation. The LAB shall be composed of various community representatives, including those from financial, real estate and legal institutions in the City of Bowling Green, who are actively involved in economic development activity.

The members of the LAB are:

1. Wendy Headley
A. A. Green Realty
1045 North Main
Bowling Green, OH 43402

2. John Eckel
First Federal Bank
1226 West Wooster Street
Bowling Green, Ohio 43402
3. Greg Bakies
Maurer Newlove & Bakies
224 East Wooster Street
Bowling Green, OH 43402
4. Ann Stott
725 Haskins Road, Suite B
Bowling Green, OH 43402
5. Sue Clark
Bowling Green Community Development Foundation
121 East Wooster
Bowling Green, Ohio 43402

Serving without compensation, members of the LAB serve a term of three (3) years and shall be appointed by the Mayor of the City of Bowling Green.

The LAB members will only approve loan applications for those activities that are compliant with Community Development Block Grant (CDBG) standards. The City's Grants Administrator and Finance Director are available to the LAB for the purpose of providing guidance in this regard. A majority of the Board may approve or disapprove loan applications, determine interest rates on loans as well as loan terms, and request the City Finance Director, in writing, to make disbursements. The LAB may also establish reasonable loan fees to be paid by the borrower at the time of closing and costs directly incurred in processing and closing of a loan, i.e., legal, and accounting services to be paid by the borrower.

The LAB may adopt policies and procedures to implement the objectives of the Fund so long as such actions are in accordance with the general and special terms and conditions of the grant agreement between the City of Bowling Green and the U.S. Department of Housing and Urban Development.

LAB Meetings

LAB meetings shall be held on an as-needed basis. The Bowling Green Community Development Foundation will coordinate with Committee members and City staff to schedule meetings as needed. Pursuant to state law, all meetings are open to the public. All Committee members and the public shall be provided with prior notice of each meeting. The City's Grants Administration Division is responsible for sending meeting notices to the local newspapers as well as to any persons who have requested such notice. A majority of the Committee in attendance at a meeting constitutes a quorum, and shall be required for official Committee action. Vacant positions on the Committee shall be counted in determining the total number of

Committee members. In accordance with requirements from the U.S. Department of Housing and Urban Development, written records of any meetings must be prepared and maintained. The Bowling Green Community Development Foundation will generate and distribute the meeting minutes. Copies of the minutes will be maintained on file with the City of Bowling Green Grants Administration Division.

Other Administrative Duties

The City Grants Administrator and the City Finance Director will help to coordinate various Fund activities. As requested by the LAB, the City Finance Director shall report upon the status of the Fund and any outstanding loans.

A special Fund will be established to receive payments on loans made by the Fund. It will be the responsibility of The City Finance Director to hold these funds and any other funds that may be deposited in the trust account and to administer, invest and account for all funds received in accordance with the written direction of the LAB. Uncommitted funds from loan payments may be invested in accordance with accepted City practices.

It shall be the duty of the LAB to process all applications. The City Grants Administrator shall provide technical assistance to the Board upon request and/or updates from the U. S. Department of Housing and Urban Development.

Records

Written records of all program activities, including program meetings, loan applications and related documents, shall be maintained in the appropriate files. All files shall be kept in a secure place with limited access by authorized personnel. As necessary, the City Attorney shall be consulted in regard to compliance with state and municipal open records laws.

The following items shall be established and maintained on file by the City of Bowling Green for each loan recipient:

1. The Application: This will be kept on file in the Grants Administration Division and includes the application, business financial statements, personal financial statements, credit reports, business plan documents and other supporting loan information submitted along with the application, including all applicable correspondence.
2. Loan Recommendation Documents: This paperwork would be kept on file in the Grants Administration Division and would include a copy of the minutes of the LAB meeting summarizing action taken on the loan request as well as the letter of approval to the applicant.
3. Loan Closing Paperwork: The Grants Administration Division will keep copies of these documents including all loan-closing documents such as the legal documents from the loan closing, security instruments, the note and other

applicable correspondence. Originals will be kept in a locked, fireproof safe in the Finance Department.

4. Job Monitoring Documentation: The Grants Administration Division will ensure that the annual job monitoring is conducted and documented within each loan recipient's file.

ELIGIBILITY CONSIDERATIONS

Eligible Area

The area served by the RLF Program shall be the corporation limits of the city of Bowling Green. All RLF loan recipients must in be private, for-profit enterprises located in the city or planning to locate within the city's limits.

Eligible Applicants

1. Applications may be submitted by the sole proprietor or Chief Executive Officer of any business wishing to establish a new operation or expand an existing operation in Bowling Green.
2. Applicants must be able to demonstrate that the Revolving Loan Funds will not be used to facilitate the relocation of a business from another community (outside of Bowling Green, Ohio) to Bowling Green, Ohio; wherein said relocation would adversely impact the economy of the originating community.
3. No member of the governing body, loan review board or any other official, employee or agent of the City of Bowling Green, who exercises decision-making functions or responsibilities in connection with the implementation of this program is eligible for financial assistance under the program.
4. No program loans will be made which are in conflict with R.C. 102.03(D) of Ohio law (private interest in public contracts prohibited).
5. Applicants shall not be disqualified based on age, race, religion, color, handicap, sex, physical condition, developmental disability, sexual orientation or national origin.

Eligible Activities

Program loans shall be available to eligible applicants for the following activities:

1. Fixed asset loans to manufacturers, industry and commerce in Bowling Green, Ohio for acquisition of an existing business, land, building, inventory and equipment

2. Working capital.

Ineligible Activities

Program loans shall not be available for the following activities:

1. Refinancing or consolidating existing debt.
2. Reimbursement for expenditures prior to loan approval.
3. Specialized equipment that is not essential to the business operation.
4. Building construction or reconstruction.
5. Routine maintenance.
6. Professional services such as feasibility and marketing studies, accounting, management services, and other similar services. *Legal services incurred in the closing of a RLF loan are eligible.*
7. Rolling stock.
8. To fund the relocation of business operations from outside of Bowling Green; wherein the relocation is likely to result in a significant loss of jobs in the labor market from which relocation occurs.
9. Other businesses not serving the interests of Bowling Green as determined by a majority of the LAB.
10. Projects, which involve any temporary or permanent displacement of persons or personal property as a direct result of funding used from this program.

Ineligible Businesses

Program loans shall not be available for the following businesses:

1. Speculative investment companies.
2. Real estate investment companies.
3. Lending institutions.
4. Gambling operations.
5. Non-public recreation facilities.

6. Other businesses not serving the interests of Bowling Green as determined by a majority of the LAB.
7. Non-profit organizations.
8. Any business relocating from outside of Bowling Green wherein the relocation is likely to result in a significant loss of jobs in the labor market from which relocation occurs.

Minimum Requirements

To be eligible for funding, a proposed project must meet all of the following minimum requirements:

1. Private Funds Leveraged: Requiring a minimum of 50% participation by alternative lending sources before consideration by the LAB. Higher leverage may be required at the discretion of the LAB.
2. Cost per Job Created: At least one (1) full-time permanent position or full-time equivalent (2,080 hours annually) must be created for every \$20,000 of program funds requested.
3. Financial Feasibility and Business Vitality: The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to repay the funds.
4. Low- and Moderate-income (LMI) Benefits: The project shall provide increased permanent employment or will retain existing jobs, which would have been lost locally. Of the jobs created or retained, 51 percent must be made available to low- to moderate-income persons (as defined by the most recent household incomes published by the U.S. Department of Housing and Development).
5. Compliance with Applicable Laws: Applicants shall comply with all applicable local, state, and federal laws and codes.
6. Project Completion: Job creation shall be completed within 36 months from the date of the loan approval.
7. The borrower(s) may not have any delinquent federal or state debts at the time the loan is issued. Debts may include VA-guaranteed mortgages, Title I loans, Federal Student Loans, Small Business Administration loans, and/or delinquent federal and/or state taxes.

TERMS AND CONDITIONS

Minimum standards for loan terms and conditions include the following:

1. Loan amounts are subject to the availability of program funds;
2. Standard amortization terms will be 3-5 years.
3. Interest rates will be fixed at 2/3 of prime interest as quoted by the Wall Street Journal on the day of closing for the duration of the loan.
4. Special financing terms may allow interest only payments for up to the first six (6) months. Payments will be based on a schedule, at maturity of the note.
5. Collateral will be required to guarantee security for the loan.
6. Interest and profits earned will be used for:
 - a. Administrative costs
 - b. Loans
7. Loan origination fees shall be:
 - a. All applicants who are issued RLF loans must pay a fee covering the general administrative costs associated with the loan's processing and servicing. This fee is collected from the loan applicant at the time of the RLF loan closing.
 - b. Assumption of all other usual and customary fees associated with loan processing and servicing.
8. Loan payments will be made as an automatic withdrawal from a LAB-approved financial institution selected by the borrower.

LOAN SELECTION AND APPROVAL PROCESS:

Program Marketing

As funds are made available to the Revolving Loan Fund (RLF) program, the Revolving Loan Administration Board (LAB) will advertise the program via the following methods:

1. News articles and advertisements in local newspapers;
2. Informational items in the Chamber of Commerce Newsletter;
3. Visits with area business/industries;
4. Luncheon and speaking engagements sponsored by area organizations; and

5. Brochure distribution.

Application Procedures

Applications may be submitted at any time during the calendar year. Prior to submitting an application, the applicant shall discuss the program with staff at the Bowling Green Community Development Foundation. The staff may assist the applicant, as is reasonably necessary, in completing the application. All financial information shall be kept in a secured place with limited access by authorized personnel only.

Review and Approval Process

Applications shall be reviewed in the order received and based on readiness for the proposed project to proceed. In the event that loan funds requested exceed available funds, the following criteria will be used to determine which business(es) will be awarded the loan(s):

1. Eligibility of the applicants;
2. Eligibility of the project to be undertaken;
3. The extent to which private funds are to be leveraged;
4. The extent to which the loan can be secured;
5. The extent to which jobs are to be created, the typed of jobs and wages;
6. Evidence of the ability to repay the loan;
7. Timing of the proposed expenditures;
8. Completeness of the application; and
9. Other relevant factors as deemed appropriate by a majority of the LAB.

Review Process

1. Preliminary Review: Staff from the Community Development Foundation will review the application for completeness and verify the proposed project meets the minimum requirements provided for in this manual. If the application is not complete, the applicant will be informed of the deficiencies.
2. Credit Analysis Report: Prior to the Committee's review of the application, the City of Bowling Green will prepare a credit analysis report for each principal owner or officer of the business currently with or proposing to have at least 20 percent ownership of the business.

3. Formal Review: The LAB will meet to review an application. The LAB has the ability to determine if a proposal is acceptable for funding or not.
4. Notice of Award/Terms: If the application is approved, the Environmental Review Record for the project is completed. Thereafter, a loan commitment letter will be sent by the City Grants Administrator detailing the conditions that must be met for the loan. At that point, staff from the Community Development Foundation will schedule a closing to execute the necessary loan documents.
5. Rejection of Award: If the applicant(s) is not approved, the Grants Administration Division will send a letter to the applicant stating the reasons for rejection.

A blank copy of the RLF loan application form is included at the back of this manual.

Loan Procedures

Prior to releasing funds, the following documentation must be in place or provided at the appropriate time during the term of the loan:

1. Notice of Award: The LAB must have reviewed and approved a complete application for an eligible applicant.
2. Loan Agreement: A loan agreement shall be executed by a member of the LAB.
3. Cognitive Note: A cognitive note shall be signed by the principal owner(s) or officer(s) of the business. The note must be dated; it must reference the agreement between the City and the business; and it must specify the amount and terms of the loan funds delivered.
4. Security: Mortgage or lien instruments must be executed at the time of the loan closing. The City Attorney shall record the instrument and place the original in the project file which is kept in the Finance Department.
5. Amortization Schedule: An amortization schedule shall be prepared by the Grants Administration Division. A copy is provided to the borrower. Copies are also retained on file with the Finance Department and the Grants Administration Division.
6. Evidence of Permits: Documentation must be provided by the applicant prior to the release of program funds.
7. Other Documentation: As appropriate or necessary, the borrower may be asked to provide other types of documentation such as evidence of having secured other funds necessary for the project.

With the above documentation in place, the Community Development Foundation will schedule a loan closing. All documents will be executed, and mortgages shall be recorded.

POST-CLOSING AND MONITORING

General Procedures

1. When a loan closing is completed and the funds are disbursed, the City's Finance Department under the direction of the Finance Director, will establish a loan servicing file to contain:
 - a. All closing documents; and
 - b. A log of all conversations and correspondence relating to the loan.
2. The loan will be recorded in a master follow-up file to ensure loan monitoring functions are performed on a timely basis. The master file is to be kept by the City Finance Director.
3. The financial institution or the City's agreement for collection, posting calculation of principal and interest, and monthly payment reports will be executed at the time of the loan closing and will be forwarded to the City's Finance Director when appropriate.

Monitoring Compliance with Loan Conditions

The City will be responsible for collecting and maintaining evidence of ongoing compliance with loan requirements, including job creation and retention, insurance, financial reporting and special conditions including civil rights, environmental concerns, relocation/displacement, etc.

The City will monitor the number of jobs created or retained on an annual basis. Refusal to provide the information will constitute a loan in default.

The attached Loan Servicing/Monitoring Checklist illustrates those items which the LAB must review for compliance at least on an annual basis.

POST-APPROVAL REQUIREMENTS OF LOAN RECIPIENT

In addition to the terms and conditions of the loan, all borrowers shall agree to comply with the following:

1. The creation or retention of the agreed-upon number of jobs within 36 months of the date of the execution of the loan agreement with the City.
2. Not to discriminate on the basis of age, race, religion, color, handicap, sex, physical condition, developmental disability, sexual orientation or national origin in any employment activity related to the use of the business loan. Loan agreements shall incorporate CDBG language pertaining to equal employment

opportunity. A review of formal or informal employment practices will be incorporated in the application process.

3. To use the loan money only to pay the cost of services and materials necessary to complete the project or activity for which the loan funds were awarded.
4. To permit inspections by persons authorized by the City of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections, which include, but may not be limited to, materials, equipment and conditions of employment. Requests for inspection shall be complied with by the borrower.
5. To maintain records on the project as may be requested by the City. These files shall be maintained as long as the loan is active or for at least three (3) years after completion of the work for which the loan has been obtained, whichever is longer.
6. To submit job creation progress reports to the City of Bowling Green's Grants Administration Division as requested. These reports shall report on project progress including number of jobs created or retained during the loan agreement.
7. To maintain fire and extended coverage insurance on the project property required during the term of the loan. The City of Bowling Green shall be listed as Loss Payee, Mortgagee, or "additional" insured on the policy. Term life insurance may be required of the applicant to cover the loan balance through the life of the loan.
8. To abide by all federal laws, when applicable. These include, but are not limited to: The Civil Rights Act of 1964; the Age Discrimination Act of 1975; and all regulations pursuant to these Acts.
9. The business must maintain an actual physical presence within the corporation limits of the city of Bowling Green.

Subordination of Business Revolving Loan

Requests to subordinate the position of a loan held by the City of Bowling Green will be considered based on the following criteria:

- The post-subordinated position of the City's loan shall not be lower than the third position.
- Collateral must be sufficient to cover the unpaid amount of the loan at the time of the request for subordination. "Sufficient" is defined as an amount of money equal or greater than the unpaid portion of the loan. Documentation of equity or valuation in real estate must be provided by the borrower to evidence this fact.

All requests and accompanying documentation will be forwarded to the Finance Director for initial review and approval. The Finance Director will make a recommendation to the Municipal

Administrator as to whether or not the request should be approved or denied, based upon the criteria set forth above. The Municipal Administrator will make the final determination regarding the Subordination Request approval or denial.

If approved, the Municipal Administrator and Finance Director will sign the Subordination Agreement.

In the event that the Finance Director is expected to be absent for more than a one-day period, members of the LAB with legal, banking and/or real estate expertise may be consulted to provide a recommendation as to whether or not the request for subordination should be granted. The Grants Administrator shall conduct these consultations, gather LAB members' recommendations and forward them to the Municipal Administrator for his review and decision. If approved, the Municipal Administrator and Acting Finance Director will sign the Subordination Agreement.

PERFORMANCE MONITORING

Private Leverage Commitments

The City of Bowling Green reserves the right to monitor the use of funds and expenditure of private leverage commitment. Documentation may include invoices or receipts for materials and supplies, letters from lenders, final bills of sale, and canceled checks.

Hiring of New Employees

The City of Bowling Green shall monitor the borrower's progress in meeting agreed-upon job creation or retention goals. Failure of the business to provide the targeted number of LMI-level jobs may be a condition for default unless the business can show it made a good faith effort to create the targeted number of LMI jobs, but did not succeed due to reasons beyond its control.

Default

In the event the business is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties, shall, at the City of Bowling Green's option, become due and payable. To exercise this option, the City Attorney shall prepare a written notice to the business. The notice shall specify the following:

1. The default.
2. The action required to cure the default.
3. A date, not less than thirty (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other corrective action.
4. Any penalties incurred as a result of the default, inability to create jobs, etc.

The City of Bowling Green shall use its discretion in terms of when and how to collect and liquidate secured collateral.

USE OF LOAN REPAYMENTS AND REPORTING

Repaid loans shall be re-deposited into the Revolving Loan Fund account and used in a manner consistent with this policies and procedures manual. A separate accounting record for each loan shall be kept to account for all funds loaned. The City shall submit annual reports as prescribed by the U.S. Department of Housing and Urban Development.