EDA CARES ACT
Recovery Assistance
Revolving Loan Fund Plan

Approved August
2020

Mercer Muscatine RLF Board August 7, 2020
Bi-State RLF Board August 10, 2020

I. REVOLVING LOAN FUND STRATEGY

A. ECONOMIC ADJUSTMENT OVERVIEW

1. Economic Adjustment Problems – The key economic adjustment problem being addressed by the Recovery RLF, in the near term over the next two years is the significant impact of the COVID-19 pandemic. Below are figures showing three fold or greater increases in unemployment between April 2020 and June 2020. While unemployment has lessened in June from March levels, they are still well above levels in January. National trends are similar with 2.5 times greater unemployment in June 2020 with a total 11.2, up from 4.5 percent in March.

Muscatine County, IA

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2020	3.6	3.2	3.6	11.0	13.3	8.8(P)							
P : Preliminary.													

Scott County, IA

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2020	4.3	3.7	4.1	13.5	13.0	9.8(P)							
P : Preliminary.													

Mercer County, IL

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2020	6.1	5.5	4.5	15.7	13.6	10.6(P)							
P : Preliminary.													

Rock Island County, IL

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2020	5.0	4.3	3.8	17.7	16.7	12.9(P)							
P : Preliminary.													

The significant economic and social impacts of the COVID-19 outbreak will be clearer as data and information is developed through the next months and even years. Many changes will occur in the Bi-State Region during this time and the Region will work together to become more resilient.

2. Plans and Strategies – The Bi-State Region's key plan for responding to the threats detailed The Bi-State Region's key plan for responding to the threats is the 2016 Comprehensive Economic Development Strategy (CEDS). Although it was adopted pre COVID, the guidance still provides direction during this turbulent time and the 2021 CEDS update will address COVID-19. The following excerpt summarizes the 2016 CEDS.

CEDS Vision. Through the collaborative efforts of the Region's public and private leaders, the implementation of the Bi-State Region Comprehensive Economic Development Strategy has created an economically resilient region that attracts and retains both businesses and a talented workforce.

CEDS Goals. The 2016 CEDS includes seven goals designed to enhance the economic growth of the Bi-State Region.

2016 CEDS Goals

Letter	Goal
1	Attract, retain, and expand businesses within the Region
2	Promote redevelopment of blighted, underused, or vacant and environmentally challenged sites with high market potential
3	Attract and retain a talented and diverse workforce by providing and improving quality of life in the Region
4	Make the Bi-State Region more economically-resilient to both natural disasters and economic downturns
5	Invest in infrastructure improvements, such as roads, bridges, sewer/water facilities, broadband, & multi-modal transportation systems that will strengthen/diversify the economy
6	Leverage resources available through the workforce development and university/ community college systems to address the growing skills needs of businesses
7	Foster public-private and intergovernmental partnerships to address economic development needs in the Region while emphasizing cooperation over competition

Source: Bi-State Regional Commission, 2016 CEDS.

The Recovery RLF will support economic adjustment in the Region by pursuing the specific objectives below, which are complementary to the 2016 CEDS Vision and Goals (stated above) especially goals 1, 2, 3, and 4.

3. RLF Economic Adjustment – It is the goal of the Recovery RLF to provide long-term, low or no interest financing to businesses impacted by the COVID-19 pandemic and to retain, expand and diversify businesses to improve the region's economic resilience to economic downturns by creating and/or retaining jobs. The following will be the business development objectives of the Recovery RLF:

- Assist eligible businesses in recovering from the economic downturn caused by the pandemic.
- Support development that generally strengthens the region's economy against future economic downturns.
- Retain/create jobs.
- Help businesses diversify product, service, and client base to strengthen their resilience.

The program goals are intended to leverage private capital investment in the four-county area to enable job retention and hopefully the creation of new jobs through retention, development, and expansion of existing businesses/industries. This aligns with Goals 1, 2, 3, and 4 of the current CEDS. Direct financial assistance to existing and new business enterprises expanding or developing in the area will be offered, making lower or no interest dollars available. This will allow diversification and expansion plans to be expedited and jobs to be retained/created. The program is designed to fill the gaps in existing local financial markets due to the wariness of conventional lending caused by the pandemic.

B. BUSINESS DEVELOPMENT STRATEGY

1.Objectives - Normally and in the long term, it is the goal of the RLF Program to provide longer term, low interest loans to start-up and expanding businesses in Muscatine and Mercer Counties and Rock Island and Scott Counties. **However in the initial response phase related to the impacts of the COVID pandemic, retaining jobs and helping small and medium size business, in industries that have a good chance of existing through the downturn will be emphasis.** Whenever possible, creating new jobs for the unemployed and underemployed and diversifying the economy will also be addressed.

2. Targeted Businesses/Characteristics - The top five industry sectors for each County as reported in the 2020 CEDS Report are based on Location Quotient (LQ) and total jobs. LQ is a measure of the concentration of a certain industry sector in an area relative to the concentration of that industry sector in the U.S.

Top Five Mercer County:

1. Farm Machinery, Equipment Manufacturing and Metal Finishing
2. Farm Supply, Commodities & Farm Support Activities
3. Paperboard Container Manufacturing
4. Animal Production (Proprietors)
5. Health Services and Eldercare

Top Five Industries in Muscatine County:

1. Office Furniture and Fixtures Manufacturing
2. Lighting Fixture Manufacturing
3. Plant-based and Animal-based Food Manufacturing
4. Iron and Steel Mills and Ferroalloy Manufacturing
5. Industrial Truck and Support Machinery Manufacturing

Top Five Industries in Rock Island County:

1. Military Manufacturing and Logistics
2. Agricultural and Garden Machinery Manufacturing
3. Animal Slaughtering
4. Packaging and Labeling Services
5. Nuclear Power Generation

Top Five Industries in Scott County:

1. Aluminum Manufacturing
2. Construction, Agricultural and Other Machinery Manufacturing
3. Animal-based Food Processing
4. Steel and Aluminum Foundries
5. Welding and Soldering Equipment Manufacturing

In the 2020 CEDS Report, Bi-State Regional Commission identified future job growth based on Woods and Poole, Iowa Workforce Development, and Illinois Department of Employment Security. While COVID may cause shifts in the top industry sectors, all three identified Health Care & Social Assistance as an industry that is predicted to face new job growth.

3. Business Needs - Business assistance, such as business planning, market development, small business information or transportation, are areas that the local Small Business Development Centers address. Companies are also looking for training for new employees and upgrading the skills of current employees. In addition, there are local companies looking for assistance with import/export/transportation issues, government procurement, energy assistance, and site development assistance. The needs of the businesses in the four-county area are being identified through local units of government, chambers of commerce, development corporations, utility companies, community colleges, including the Greater Muscatine Chamber of Commerce and Industry (GMCCI), the West Liberty Chamber of Commerce, which houses West Liberty Economic Development (WeLead), the Wilton Development Corporation, Mercer County Better Together, the North Scott Chamber of Commerce, the Milan Chamber of Commerce, the LeClaire Chamber of Commerce, and the Quad City Chamber of Commerce.

4. Other Programs &Activities - Currently, the four county area and their businesses and entrepreneurs are served by the Small Business Development Center (SBDC) at Western Illinois University and the Eastern Iowa Small Business Development Center. They provide a variety of economic development and technical assistance programs to assist local businesses. They also rely on volunteer assistance provided by the Service Corps of Retired Executives (SCORE). They offer one-on-one consulting in management, finance and marketing; information and referral services; and coordination of economic development assistance for small businesses. In administering the RLF, Bi-State will work closely with the Illinois and Iowa SBDCs, local communities, chambers of commerce, SCORE and other local economic development groups to attain the business development objectives.

C. FINANCING STRATEGY

1. Financing Needs and Opportunities – As a financing tool, the Recovery RLF will directly address the risk equity problem. This will be accomplished with relaxed federal requirements as allowed by EDA in the initial year of the Recovery RLF loan program. These reduced requirements are intended to jump start the sluggish economy in the Region by loaning to small and medium sized businesses that have had reduced business activity and less access to conventional loans due to the pandemic.

To address the need to market the RLF, Bi-State staff will continue its partnerships with the community colleges, chambers, and others so potential borrowers are aware of its availability including a stand-alone website . Partners who will assist in feeding the pipeline to disperse these dollars as soon as possible are the local governments in the service area, our banking partners and: Greater Muscatine Chamber of Commerce and Industry (GMCCI), the West Liberty Chamber of Commerce, which houses West Liberty Economic Development (WeLead), the Wilton Development Corporation, Mercer County Better Together, the North Scott Chamber of Commerce, the Milan Chamber of Commerce, the LeClaire Chamber of Commerce, and the Quad City Chamber of Commerce.

The RLF financing provided to businesses will complement several other economic recovery efforts underway in the Bi-State Region but will not duplicate previous funding received through other state and federal sources. Bi-State staff will work with regional partners who will identify opportunities for leveraging existing activities and investments. As for the underlying problem of lending restrictions among commercial banks, it is Bi-State Regional Commission's position that as the economy recovers, banks will again look to make higher risk loans to increase revenues.

As a general rule, demand for business loans always outweighs available funds. Cash is a limited commodity and banks are not able to approve every loan application. This is certainly true in the current economic downturn facing the Bi-State Region and the nation. With the availability of highly capitalized and flexible gap-financing tool, such as the Recovery RLF, private lending institutions will be able to effectively increase their loan acceptance rate, thus, meeting more of the demand for business loans in the market place. **The increased loan approval rate will be initiated by the RLF's ability to reduce the equity required by loan applicants and reduced cash equity for qualifying loans prior to July 27, 2022 or until initial funds are dispersed (whichever occurs first).** In subsequent years, every RLF loan recipient will provide a bank turn down letter as part of their application, proving that their loan wouldn't have been possible without the RLF.

2. Local Capital Market –
Private Financing: There are 50 FDIC-insured institutions in Mercer, Muscatine, Rock Island and Scott Counties according to the Federal Deposit Insurance Corporation (FDIC). The majority of these are local or regional banks, some with more than one site. The table below lists the totals by county as of June 2020.

Number of FDIC-Insured Banks in Four County Recovery RLF Region

County	# of Institutions	# of Offices	Total Assets(000's) of Headquartered Banks
Mercer	6	10	$ 269,437
Muscatine	8	15	$ 1,089,949
Rock Island	17	48	$ 1,806,739
Scott	19	55	$ 2,570,140
TOTAL	50	128	$ 5,736,265

Source: Federal Deposit Insurance Corporation. Assets current as of June 2020.

Public Financing: Currently, seven local Revolving Loan Fund Programs exist within Mercer, Muscatine, Rock Island and Scott Counties. They include: Davenport, Iowa; and East Moline, Keithsburg, Milan, Moline, Muscatine County, and Rock Island, Illinois. The City of East Moline and the Village of Milan initially received a grant from the Department of Commerce and Community Affairs to establish their programs. The Cities of Davenport, Moline, and Rock Island are HUD entitlement communities which receive a certain allocation annually from Iowa or Illinois Block Grant Programs. The City of Keithsburg manages a state-funded economic development RLF. Through the Greater Muscatine Chamber of Commerce and Industry, Muscatine County businesses have access to a privately capitalized economic development RLF.

Role of Public/Private Lenders: The Bi-State Regional Commission and regional partners will be responsible for the continued success of the Recovery Revolving Loan Fund Program including marketing, loan development, application review, and loan closing. Servicing/monitoring, programmatic reporting, and other fiscal responsibilities are managed by Bi-State staff. The RLF's Loan Administration Board is charged with application review for loan approval or denial, foreclosure actions, waivers, and/or modifications of loan terms, and the recommendation of changes of program policy. The Bi-State Regional Commission is responsible for compliance with all requirements imposed by the Economic Development Administration in conjunction with the RLF Program. Bi-State Regional Commission provides the local governments within the four counties with technical assistance which includes the dissemination of demographic material to be used in marketing the counties, the preparation of state/federal grant/loan applications for jurisdictions and communities, as well as economic development assistance provided under the Commission's planning grant activities.

The chambers of commerce within the counties, the Illinois and Iowa SBDCs, local communities, chambers of commerce, SCORE and other local economic development groups provide business support and technical assistance in the four county area. Also, the larger communities provide financial assistance to businesses in their respective communities. Their economic develop staff, chambers and other economic development organizations within the two counties work collectively to support the business strategies in the Region.

Financing Problems: The four county Region is served by a sufficiently large and diverse inventory of lending institutions to support the private investment requirements for EDA revolving loan funds. Discussions with bankers in the region have identified a wariness in the current pandemic climate to make loans.

In addition, though the four county Region has seven existing local RLFs, these funds have very limited capitalization and are unable to satisfy the funding requirement of a large project, requiring more than $50,000 in Muscatine County and $125,000 in Mercer County. The existing RLFs are best suited for smaller loans partnering with the Recovery RLF. With the Recovery RLF in place, the existing RLFs in the region should be able to increase the amount of loan closings.

D. FINANCING POLICIES

1. Lending Area – The eligible lending area includes all of Mercer and Rock Island Counties, Illinois and Muscatine and Scott Counties, Iowa.

2. Allowable Borrowers – The loan program shall be available to the private business only to include industrial, commercial/retail and service sectors. Private businesses in all stages of development shall be eligible for funding, so long as they meet the criteria specified herein. **However retention of existing businesses that have a proven track record but need assistance due to COVID will be the primary focus in the initial two years of the Recovery RLF.**

3. Allowable Lending Activities – The loan program shall be available to a wide variety of industry sectors, with priority given to those that create high skill and high paying jobs. Loans can be used for, but are not limited to, construction of buildings, reuse and modernization of facilities, purchase of machinery and equipment, and purchase of inventory. NOTE:

Construction of buildings will require federal environmental and labor regulations be met by the borrower at their cost.

4. Prohibited Lending Activities - The following will not be funded by the RLF:

- Speculative activities, such as land banking and the construction of speculative buildings, since they do not normally result in near-term job creation or retention.
- Loan activities and economic benefits resulting from these activities that are not located within the eligible area. RLF assistance must be withdrawn if for any reason the activity financed is moved from the eligible area.
- Loans which assist the movement of jobs within the Bi-State Region, without the consent of the departing and receiving communities.
- Loans that violate EDA rules regarding relocation of jobs.
- Loans for the purpose of investing in high interest accounts, certificates of deposit, or other investment.
- RLF loans used as a loan guarantee program.
- RLF loans used as a substitute for private capital. The RLF staff will prepare a written analysis within the loan summary and recommendation which is submitted to the Loan Administration Board for approval. The analysis will be placed in the loan file. The written analysis will include evidence, such as bank rejection letters or a list of banks contacted, the amount of funds requested and the banks' responses to show that the RLF is not substituting for private capital. The documentation will also show that credit is not available on terms and conditions which would permit completion and/or the successful operation or accomplishment of the project activities to be financed. **However, if the loan closing occurs before July 27, 2022 or until initial funds are dispersed (whichever occurs first), the requirement for a signed bank turn-down letter may be waived.**
- Loans which would create a potential conflict-of-interest for any officer or employee of Bi-State staff, or any current or former member of the Loan Administration Board, elected or appointed official, or staff who reviews, approves, or otherwise participates in decisions on RLF's. Loan activities which directly benefit these individuals or people related to them by blood, marriage, or law are prohibited in accordance with the terms of the plan.
- Loans will only be made to eligible borrowers when all credit/financing is not otherwise available from any source on terms and conditions which would permit completion and/or the successful operation or accomplishment of the project activities to be financed.
- Loans which will be used to acquire equity position in a private business.
- Loans which will be used to construct public buildings or infrastructure.
- Loans which will subsidize interest payments on an existing loan(s).
- Loans which will provide the equity contribution required of borrowers under other federal loan programs.

- Loans which will enable a borrower to acquire an interest in a business either through the purchase of stock or through the acquisition of assets, unless the need for RLF assistance is sufficiently justified.
- Loans which will refinance existing debt, unless in compliance with applicable program regulations.

5. Loan Size - The RLF Program is intended to provide various levels of loans. However the maximum loan shall be no more than 25% of the RLF capital base, based upon the qualifications of the applicant unless extenuating circumstances exist according to the Loan Administration Board. No loan shall exceed the outstanding balance of the RLF account. A borrower may only carry one revolving loan at a time.

6. Interest Rate - The minimum interest rate that may be charged is four (4) percentage points below the lesser of the current money center prime interest rate quoted in the Wall Street Journal, or the maximum interest rate allowed under state law, whichever is lower. **If the loan closing occurs before July 27, 2022 or until initial funds are dispersed (whichever occurs first), a zero (0) percent interest rate may be offered through the initial period of the loan to end on June 30, 2022. The rate will then be increase to three (3) percent for the remaining term of the loan.** The interest rate shall be established at the time of Loan Administration Board approval. The Loan Administration Board may vary the interest rate, within said limitations, as a function of the amount, equity, security, and purpose of that loan. Additionally, the Loan Administration Board may vary the interest for applicants that exceed job creation goals; hire displaced workers, women, minorities, disabled, long-term unemployed and underemployed, and/or low and moderate income people.

7. Terms - The term of a loan shall not exceed ten (10) years. The term will vary as a function of the amount, equity, security, and purpose of the loan. Loans made for fixed assets will generally have a longer term. Loans for working capital expenditures generally will not exceed three (3) years. Loans for machinery and equipment shall not exceed the established useful lifetime of the equipment. Payment shall be made on a monthly scheduled basis. Loans will be reviewed within a minimum of two (2) years, and may be callable at the time of review. In order to encourage early repayment of a loan, a borrower may repay a loan without incurring a prepayment penalty.

8. Fees - All approved borrowers will pay a loan servicing fee determined by the loan servicing bank which will be added to their monthly payments. There are no other fees associated with this program passed onto the borrower.

9. Equity and Collateral - The borrower will be required to provide a minimum of ten percent (10%) equity into the project. **If the loan closing occurs before July 27, 2022 or until initial funds are dispersed (whichever occurs first), the requirement for equity may be waived.** All loans shall be secured by collateral in an amount equal to the face value of the loan. Collateral requirements may vary as a function of the loan amount, equity, and purpose. A first position lien on fixed assets and property is preferred security, but a secured subordinate position to another lender may be permitted. Assets other than cash that are used for collateral must be documented by appraisals or other appropriate valuation techniques. In projects involving direct working capital loans, the RLF will obtain collateral, such as liens on inventories, receivables, fixed assets, and/or other available assets of borrowers. Such liens shall be subordinate only to existing liens of record and other loans involved in the project. When appropriate, the borrower will be required to

provide life insurance, fire hazard, or normal business insurance on all assets for the term and in the amount of the loan. Where required, the borrower shall also obtain flood insurance on property assigned as collateral. In the event that the Loan Administration Board determines it is necessary or desirable to take action to protect or further the interests of the RLF, the Board may take legal actions to sue, collect, liquidate, or otherwise recover on loans extended by the RLF. Modification of the terms under RLF financing may be approved by the Loan Administration Board to enhance the program goals and objectives and respond to changing economic needs.

10. Moratoria - The Loan Administration Board shall have the authority to approve industry recognized special financing techniques such as moratoria on principal, balloon payments, loan subordination, **temporary deferral of payments**, amortization at a longer term, repayment based on profitability, and blends with other federal, state, local, and private capital. RLF's may be restructured to accommodate expansion of the business or to prevent loss of jobs. Proposed restructuring will be provided by staff to the Loan Administration Board for review and approval.

11. Start-ups - Funds will be available to any size business and may fund start-ups or expansions. The policies for start-ups will be considered on a case-by-case basis dependent on the apparent risk. **However retention of existing businesses that have a proven track record but need assistance due to COVID will be the primary focus in the initial two years of the Recovery RLF.**

12. Working Capital - The loan program shall be available to private industrial, commercial, or service business borrowers needing fixed asset and/or working capital financing to locate, expand, or retain their operation within with in the four county area. Loans will also be made available to commercial retail business activities. Loans will primarily be for fixed asset financing, although working capital loans may be made. RLF's shall not subsidize or refinance existing business loans. Working capital loans are preferred not to exceed twenty-five percent (25%) of the portfolio.

13. Credit Not Otherwise Available – To be approved, borrowers must provide a 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. **If the loan closing occurs before July 27, 2022 or until initial funds are dispersed (whichever occurs first), the requirement for a signed bank turn-down letter may be waived.**

14. Non-Duplication of Federal Support - RLF borrowers may not obtaining funding from multiple federal funding sources (including federal grants, federal loans, and federally guaranteed loans) for identical expenses. Loan applicants must (1) disclose any other federal funding sources that the applicant has applied for or received for purposes related to the purpose for which the RLF loan is being sought and (2) certify that no RLF loan proceeds will be used to fund expenses for which the applicant has received other federal funding. Should the Loan Administrators determine that a borrower has received federal funding from multiple sources for identical expenses, the Loan Administrators will demand immediate repayment of the portion of the RLF loan allocable to those expenses and may take any other action against the borrower permitted by applicable law and this loan plan.

E. PORTFOLIO STANDARDS AND TARGETS

1. Target Percentages - RLF loans will be used to finance industrial and commercial activities,

including assistance for light manufacturing and some service industries, and some retail businesses, where opportunities for private sector jobs are greatest. The business/project must be located in Mercer or Rock Island Counties, Illinois or Muscatine or Scott Counties, Iowa. Priority will be given to businesses/projects that employ high skill, high paying jobs. Typically these jobs are associated with the manufacturing, technology, finance, and professional services sectors and seventy five percent (75%) or more up to one hundred percent (100%) of the portfolio will be targeted to these sectors. Projects that create low skill and semiskilled jobs will be considered for funding, but may not be reviewed favorably. **Loans for restaurants are preferred not to exceed ten percent (10%) of the portfolio but in extenuating circumstances may.** Funds will be available to any size business and may fund start-ups, expansions and retentions, with the emphasis on expansions and retentions. The policies for start-ups will be considered on a case-by-case basis dependent on the apparent risk. Loans will primarily be for fixed asset financing, although working capital loans may be considered. RLF's shall not subsidize or refinance existing business loans. Working capital loans are preferred not to exceed twenty five percent (25%) of the portfolio.

2. Private Sector Leverage - The portfolio shall average a ratio of 2:1 private to public dollars. **If the loan closing occurs before July 27, 2022 or until initial funds are dispersed (whichever occurs first), the requirement for an individual project to have a 2:1 ratio of private to public dollars may be waived.** No funds shall be advanced from the loan fund if sufficient funds are available from other sources at terms which will permit the project to operate with satisfactory income and cash flow to sustain the business in a profitable manner. The loan will be the minimum necessary to assure project success. The applicant will be required to document, by correspondence from a lending institution, that they cannot otherwise finance the amount requested from the RLF. **If the loan closing occurs before July 27, 2022 or until initial funds are dispersed (whichever occurs first), the requirement for a signed bank turn-down letter may be waived.** Private investment can be classified as leveraged if it is made within 12 months prior to approval of an RLF loan and as part of the same business development project, and may include capital invested by the borrower or others. Other investors may include financing from private entities, or the non-guaranteed portion and ninety percent (90%) of the guaranteed portion of SBA 7(A) loans and 504 debenture.

3. Job Cost Ratio - High skilled, high paying jobs are the most preferred investment. Semi-skilled and low skill jobs may be funded, but generally will not be as favorably reviewed. Manufacturing, technology, and professional service sectors are the target industries, but this does not preclude funding of other businesses such as retail. The following job cost ratio standard will be used to inform decisions regarding loan applications:

Average Wage Rate:	Created/Retained FTE:
110 % County Average Wage Rate	$20,000
100 % County Average Wage Rate	$15,000
90 % County Average Wage Rate	$10,000
80 % County Average Wage Rate	$ 7,500

F. RLF LOAN SELECTION CRITERIA

The economic development staff, organizations and/or banks in the originating community will work with a business to complete an initial review of each application. The RLF Program staff will assist in the initial review process, and will complete the review if the originating community does not have an economic development staff person. The review shall include an assessment of the business' capacity to operate successfully, the extent to which the proposal meets the stated purposes of the plan, credit and collateral analysis, cash flow analysis, and market feasibility of the proposed business. The credit analysis of the loan application will be based upon credit ratio standards utilized by the Small Business Administration. This criteria will serve as a basis to determine if an applicant is eligible for loan funds.

In the initial response phase related to the impacts of the COVID pandemic, retaining jobs and helping small and medium size business, in industries that have a good chance of existing through the downturn will be emphasized. Whenever possible, creating new jobs for the unemployed and underemployed and diversifying the economy will also be addressed.

Although not required for loan closings prior to July 27, 2022 or until initial funds are dispersed (whichever occurs first), following this date staff will also obtain support documentation in the form of bank rejection letters or other outside documentation to determine if a financing gap exists and whether RLF financing is necessary. However, loans that have a gap letter in the initial phase of the Recovery RLF may be more favorably received. The staff will have the option of returning application packages which lack critical documentation or assurances, such as a loan commitment for the private share of the financing or compliance with all applicable federal and state regulations. The staff and/or the technical assistance staff will also provide appropriate referral assistance for firms ineligible under the RLF Program.

After the review, staff will present the application to the Loan Administration Board for action. The staff presentation to the Board will include a discussion of the strengths and weaknesses and any recommendations/suggestions they may wish to submit on each project.

The Loan Administration Board shall review each application for financial feasibility, security, and ability to satisfy the purposes and priorities of the RLF Plan. The Board shall approve, by majority vote of the full Board, applications that meet program guidelines and that are financially sound. The Board shall not approve any application, either tentatively or conditionally, if there are not sufficient funds currently in the program account. The decisions of the Board are final and without right of appeal.

G. PERFORMANCE ASSESSMENT PROCESS

Annually, the Loan Administration Board and the Bi-State Regional Commission staff will review the goals and objectives of the RLF Program to verify if the program is meeting its objectives. Also, staff will prepare semi-annual reports which will be submitted to the Economic Development Administration (EDA). Finally, periodic progress reports will be presented to the Bi-State Regional Commission. If, after the review of the objectives, the Loan Administration Board decides to modify the RLF Plan, staff will prepare the modifications based upon the Loan Administration Board's recommendations. The written modifications will be presented to the Loan Administration Board for their consideration. If approved, staff will forward to EDA for their approval. At a minimum the RLF Plan will be updated every five (5) years.

II. REVOLVING LOAN FUND OPERATIONAL PROCEDURES

A. ORGANIZATIONAL STRUCTURE

1. Critical Operational Functions – Bi-State Regional Commission will administer the RLF Program. Marketing, loan screening and development, and loan portfolio management will be conducted by the participating local governments with assistance from Bi-State staff. Loan portfolio management will include: loan processing, credit analysis, loan write-up and recommendation, loan closings, collection and servicing, handling of defaulted loans and foreclosures, and compliance with grant requirements. Local government staff and economic development partners will also market the program and will advise businesses on types and sources of business assistance in the four county Recovery RLF Region. Local government staff will substantially be the initial loan applicant contact but may also include economic development partners, lenders and Bi-State. The participating local government oversight and loan applicant (for funding) will be responsible for environmental reviews and federal labor regulations if required. Bi-State staff will work closely with the servicing bank for the program, and oversee the fiscal responsibilities of the program.

Due to reduced staffing at Bi-State Regional Commission, during the initial phase of the Recovery RLF Bi-State will rely on partner support. In an effort to expedite the RLF funding disbursement in the first and second quarters, Bi-State will call upon its partners to assist in application review and writing with potential borrowers, loan closing documentation, and legal review of a new loan instrument. It is anticipated that each of these activities could be funded with small subcontracts in the amount of $400 per activity and would be dispersed throughout Bi-State partners, as needed, in the four-county area depending on the geographic location of the borrower. When Bi-State is fully staffed, within several months, work would be conducted in-house.

RLF Tasks

Task	Primary
Marketing	BSRC, Local Governments, EDP's
Initial Loan Applicant Contact	Local Governments, EDP's, BSRC
Business Assistance and Advisory Services	Local Governments, EDP's, BSRC
Environmental Review	Local Governments, Loan Applicant
Loan Decision	Loan Administration Board
Loan Processing (Application Review, Credit Analysis, Loan Document, Recommendations)	Local Governments, BSRC
Loan Closing	Local Finance Partners, BSRC
Loan Servicing (Filing of Liens and Maintenance of Collateral Positions, Collections and Handling of Delinquencies/Defaults)	BSRC (with local lender assistance)
Organizational Administration (Site Visits, EDA Required Financial Reports and Audits, General Compliance)	BSRC

BSRC = Bi-State Regional Commission, EDP's = Economic Development Partners such as Chambers, ED Corporations, etc.

2. Loan Administration Board - The RLF shall be administered by two Loan Administration Boards. One for Mercer and Muscatine Counties and one for Rock Island and Scott Counties. The existing Mercer-Muscatine Loan Administration Board will consider projects in Mercer and Muscatine Counties. They are a seven (7) member Loan

Administration Board established as a delegated authority group of the Bi-State Regional Commission, and authorized through a joint agreement between the Counties and the Commission. This agreement is authorized under Chapters 34, 85, and 127 of the Illinois Revised Statutes, and Chapters 28E and 473A of the Code of Iowa. The seven members include three from each county area, and the Executive Director of the Bi-State Regional Commission. Muscatine, Iowa has one mayoral appointment to the Board. Aledo, Illinois has one mayoral appointment to the Board. The Chairpersons of the Muscatine County Board of Supervisors and the Mercer County Board each appoint two additional representatives. Each Board member serves two-year terms and may be reappointed or continue to serve. Loan Administration Board members have skills and experience in business and/or financial management.

The existing Bi-State Loan Administration Board will consider projects in Rock Island and Scott Counties. They are a nine (9) member Loan Administration Board established as a delegated authority group of the Bi-State Regional Commission, and authorized through a joint agreement between the Counties and the Commission. This agreement is authorized under Chapters 34, 85, and 127 of the Illinois Revised Statutes, and Chapters 28E and 473A of the Code of Iowa. The nine members include four from each county area, and the Executive Director of the Bi State Regional Commission. Davenport, Iowa has two mayoral appointments to the Board. Bettendorf, Iowa; East Moline, Moline, and Rock Island, Illinois each have one mayoral appointment. The Chairmen of the Scott County Board of Supervisors and the Rock Island County Board each appoint one additional representative. Each Board member serves a two-year term and may be reappointed at the end of the term or continue to serve. Loan Administration Board members have skills and experience in business and/or financial management.

The appointing Chairmen and Mayors shall consider nomination of individuals to the Boards so that qualified women and minority persons have adequate opportunity to serve. The Loan Administration Boards meet as necessary to approve or deny loan assistance. A majority vote of each Board is required for loan approval in their respective two county area. The Loan Administration Board's responsibilities include the approval or denial of loans and foreclosure actions, waivers and/or modifications of loan terms, and the recommendation of program policy.

<u>3. Conflicts of Interest</u> - All Loan Administration Board members, RLF staff, and loan applicants must submit in writing to Bi-State staff that they will follow EDA’s conflict-of-interest rules as shown in Attachment 1 of this plan. Attachments 2 represents the applicant and Loan Administration Board/RLF staff Conflict-of-Interest disclosure agreements. Through inspection of these documents, the RLF staff and Loan Administration Boards will attempt to discover any conflict-of-interest.

B. LOAN PROCESSING PROCEDURES

<u>1. Standard Loan Application Requirements</u> - The following is a list of information which will be required of the applicant in order for the application to be considered for approval.

- Completed and signed application. (See Attachment 3 for an example of the application and checklist.)
- Balance sheet for last two (2) years, dated within ninety (90) days of application.

- Income statement for the last two (2) years, dated within ninety (90) days of application.
- Income and expense projections for at least two (2) years.
- Aging of Accounts Receivable and Payable.
- Personal balance sheets for each principal(s) owning twenty percent (20%) or more of company.
- Cost estimates for machinery and equipment purchases and new construction and/or renovations.
- Appraisal for purchase of building and/or land.
- Commitment letter for private financing **except with loan closings prior to July 27, 2022 or until initial funds are dispersed (whichever occurs first)**.
- Ten percent (10%) equity injection **except with loan closings prior to July 27, 2022 or until initial funds are dispersed (whichever occurs first)**.

2. Credit and Financial Analysis - Bi-State and the communities work with the participating lending institution by utilizing information provided by the institution. Upon receipt of a complete application, staff in the originating local government will complete a review of each application based on the requirements of this plan and industry accepted credit and financial analysis techniques. The staff may enlist the assistance of legal and financial professionals to complete the review. The credit and financial analysis may include the following:

- Review of business plan
- Review of profit and loss statement
- Review of balance sheet
- Review of personal financial statement
- Credit check
- Operating Cycle Analysis
- Ration Analysis
- Capital Expenditures Analysis
- Reconciliation of Net Worth

3. Environmental Review - Prospective borrowers must submit data concerning all environmental impacts of activities to be financed. The Loan Administration Board, through appropriate staff, shall assess the significance of environmental impacts, in compliance with the National Environmental Policy Act of 1969 and other federal environmental mandates, as required to include, but not limited to 13 C.F.R. § 302 and 314. The Board shall make any required mitigation measures part of the loan conditions. No activities shall be financed that will have a significant adverse environmental impact that cannot be mitigated.

The Loan Administration Board shall not finance any loan activity which results in development other than underground utilities in the 100 year floodplain as defined by the Federal Emergency Management Agency unless all capacity removed from such floodplain is to be restored by excavation or other appropriate means. Floodplain determination will be a function of the local government with zoning authority over the project location. It is the applicant's responsibility to seek a floodplain determination and provide the determination to the Loan Review Board. The Board shall not approve any project that would result in alteration of any wetland or in any adverse impact on any wetland without prior consultation with, and consent of, the U.S. Department of the Interior Fish and Wildlife Service.

An environmental review will be completed by the participating local government for applications involving construction. A form entitled *Project Level Environmental Review for the Revolving Loan Fund* (see Attachment 4) will be used for each application. The review will include; analysis of adverse impact, determination whether the project is in the 100-year floodplain, determination of proximity of wetlands, review as appropriate from the State Historic Preservation Office (SHPO), and information regarding the presence of hazardous materials. The review will be placed in the loan recipient's file.

4. Loan Write-Up - Following the submission of a loan application, staff will prepare a Loan Summary for submittal to the Loan Administration Board. Information in the summary includes:

- Project description/use of RLF funds
- Type of business
- Number of jobs to create/retain
- Job/cost ratio
- Private:public leverage ratio **(2:1 Private:Public not required for loans prior to July 27, 2022 or until initial funds are dispersed (whichever occurs first))**
- Collateral and RLF position
- Source and use of funds
- Staff recommendation for loan application
- Commitment letter for private financing (attachment to Loan Summary) **(Letter not required for loans prior to July 27, 2022 or until initial funds are dispersed (whichever occurs first))**

The Loan Administration Board receives the Loan Summary and Loan Application prior to the meeting.

5. Loan Approval Procedures - Staff will present the application and loan summary to the Loan Administration Board for action. The staff presentation will include a discussion of the strengths and weaknesses and any recommendations/suggestions they may wish to submit on each project. The Loan Administration Board shall review each application for financial feasibility, security, and ability to satisfy the purposes and priorities of the RLF Plan. The Board shall approve, by majority vote of the full Board, applications that meet program guidelines and that are financially sound. The decisions of the Board are final and without right of appeal. Loan Administration Board decisions are documented in minutes of the meetings.

Following the approval of a loan by the Loan Administration Board, staff will contact the applicant in writing to explain the Board's decision and to review the conditions of the loan. A copy of the letter is also sent to the participating financial institution and the program's servicing bank.

C. LOAN CLOSING AND DISBURSEMENT PROCEDURES

Loan recipients will receive draft closing documents prior to the loan closing. Bi-State staff requests that the documents be reviewed by a company representative and the company's legal representative for accuracy. A Closing Document Certification is signed by the company and attorney following review. Also, the recipient will need to provide evidence of private financing **(not required for loans prior to July 27, 2022 or until initial funds are dispersed (whichever occurs first)).**

This will generally be in the form of a commitment letter from the participating financial institution. The loan recipient shall also provide evidence of their equity injection into the project, such as a copy of the check deposited at their financial institution **(not required for loans prior to July 27, 2022 or until initial funds are dispersed (whichever occurs first))**. Loan recipients will be asked to provide the documentation to the grant recipient seven days prior to the loan closing.

1. Loan Closing Documents - Standard documents that are required for the closing of a loan through the RLF Program include the following:

- Original Signed Loan Application
- Contract/Agreement
- Meeting Minutes Approving the Loan
- Personal and/or Corporate Guarantee/Promissory Note
- Security Agreement(s)
- Deed or Mortgage as Applicable
- Agreement from Prior Lien Holders as Applicable
- Signed Gap Letter **(not required for loans prior to July 27, 2022 or until initial funds are dispersed (whichever occurs first)).**

2. Loan Agreement Provisions - The contract and security agreement are executed by the loan recipient and Bi-State staff. All other documents are executed by the loan recipient. These documents are completed for all loans involving the purchase of fixed assets, machinery/equipment, inventory, and/or working capital.

In addition, a mortgage is completed and filed for businesses that receive funds for the purchase/renovation of land and/or building(s). Also, a Uniform Commercial Code (UCC) form is filed for those loans that utilize program funds for the purchase of machinery/equipment, inventory, and furniture and fixtures. Staff works with the participating lender in conducting UCC searches, if needed. The mortgage and UCC are executed by the loan recipient and Bi-State staff. Following the recording of the loan documents by the first party collateral holder, the mortgage and the UCC documents are filed with the appropriate parties by Bi-State staff. These documents are recorded as soon as possible by Bi-State staff in order to secure the collateral position.

3. Loan Disbursement Requirements – Funds will be disbursed by check at a loan closing set by all parties involved in financing the project or another date after private financing has been disbursed. Once all RLF loan closing documents are signed then the check will be given to the loan recipient. Loan recipients will provide invoices/documentation of the purchases to Bi-State staff.

D. LOAN SERVICING PROCEDURES

1. Repayment – Loan recipients will receive monthly statements from the program's servicing

bank ten days prior to the loan payment due date, the first day of each month. Monthly payment amounts and collection procedures are detailed in the note executed by the loan recipient. Bi- State staff also will receive a copy of the monthly statement of each loan from the servicing bank. Current loan status information will be included in the statement with the unpaid principal balance and payment status. The repayment is first credited to loan servicing fee, then daily interest and then principal. If the loan recipient is delinquent on payments, the amount and the delinquent months will be indicated on the statement.

2. Monitoring - Bi-State staff will monitor job creation/retention of the loan recipient every six months or as required by EDA. At the loan closing, the loan recipient job creation reports. Each six months or as required by EDA, the loan recipient transfers the information to the job creation report and forwards it to Bi-State staff. This procedure will be completed during a two (2) year monitoring period. This information will be utilized for the Employment/ Funding Report which is provided to the Loan Administration Board and EDA. This contact with the loan recipient also allows Bi-State staff to respond to questions the loan recipient may have and to inquire about any problems that may be occurring, such as delinquent payments.

A "tickler" system has been established for the RLF Program, and incorporates information about the loan recipient (address, phone number, and contact person), financial statements, insurance renewals, UCC re-filings, and site visits. The loan recipient's file includes their annual financial statements and the tickler system records the company's fiscal year end date. Bi-State staff will contact the loan recipient if the financial statements/year-end audit is not received within thirty (30) days following the specified date.

Insurance renewal dates are placed in the tickler system one month following the policy's expiration date. The initial insurance policy is received from the loan recipient, and is requested at the time of closing. If Bi-State staff does not receive the policy within thirty (30) days, a follow-up letter will be sent. Subsequent insurance renewal policies are submitted to Bi-State staff directly from the loan recipient's insurance agency. If the agency does not forward the renewal policy and thirty (30) days have passed since the expiration date of the existing policy, a letter will be forwarded to the insurance agency requesting a copy of the policy.

Ticklers to refile UCC forms are placed in the tickler system four and one-half (4-1/2) years following the recording date. This enables Bi-State staff to prepare and submit the proper forms prior to the five (5) year expiration period.

Bi-State staff conducts site visit(s) to each loan recipient, which is noted in the program's tickler system. Bi-State staff verifies job creation figures and utilization of program funds by the loan recipient. An opportunity is also provided to discuss the progress of the business and to answer any questions the loan recipient may have.

3. Loan Files - Standard documents that are required for the closing of a loan through the RLF Program include the following:

- Contract (see Attachment 5)
- Note (see Attachment 8)
- Personal and/or Corporate Guarantee (see Attachment 10)
- Security Agreement (see Attachments 11a and 11b)

- Form ED 501A, Certification of Non-Relocation (see Attachment 12)
- Form ED-503, Compliance with the Civil Rights Act of 1964 and Public Law 92-65 (see Attachment 13)

The contract and security agreement are executed by the loan recipient and Bi-State Regional Commission. All other documents are executed by the loan recipient. These documents are completed for all loans involving the purchase of fixed assets, machinery/equipment, inventory, and/or working capital.

In addition, a mortgage is completed and filed for businesses that receive funds for the purchase/renovation of land and/or building(s). Also, a Uniform Commercial Code (UCC) form is filed for those loans that utilize program funds for the purchase of machinery/equipment, inventory, and furniture and fixtures. Staff works with the participating lender in conducting UCC searches, if needed. The mortgage and UCC are executed by the loan recipient and Bi-State Regional Commission. Following the recording of the loan documents by the first party collateral holder, the mortgage and the UCC documents are filed with the appropriate parties by Bi-State Regional Commission. These documents are recorded as soon as possible by Bi-State Regional Commission in order to secure the collateral position.

The RLF loan files contain all pertinent information of the loan recipient and their project. A loan summary is completed by staff and is placed in the front of the loan file. This summary provides the terms and conditions of the loan, including a description of the project, in a format that is accessible for program staff. The loan file also includes the RLF monthly statements that are received from the servicing bank.

The original loan application that was submitted to the Loan Administration Board is placed in the loan file. Documents that are incorporated in this file section include: project description, private lender commitment letter, proposed project costs, description of collateral, personal financial statements of any individual owning twenty percent (20%) or more of the business, and historical and projected financial statements. A copy of Bi-State Regional Commission's commitment letter to the loan recipient is the final item in the loan application section.

The original loan closing documents are an integral portion of the loan file. This includes: contract, note, personal guarantee(s), mortgage (if applicable), UCC (if applicable), security agreement, certification of non-relocation, and Civil Rights compliance. As part of the loan contract e Attachment 5), borrowers agree to comply with these and all other applicable regulations. Failure by the borrower to comply with such laws is grounds for termination of the loan contract. The loan recipient provides invoices/documentation of all purchases made utilizing program funds. Original contracts and notes are also provided to the loan recipient and the originating community. The loan recipient also receives a copy of the remaining documents for their company's files.

The loan file also devotes a section to job creation/retention monitoring. The detailed quarterly job reports that are received from each loan recipient is included in this section, as are the quarterly telephone contact reports that the program staff makes to each business to determine their job creation. Finally, the loan file contains the annual financial statements of the loan recipient and their insurance certifications. The insurance company representative and certification expiration date is then readily available to program staff when the policy is to be renewed and a new certification is requested.

All loan files are stored in a fireproof filing cabinet in the office of Bi-State Regional Commission's program staff. A similar container is utilized to hold the additional closing documents in Bi-State Regional Commission's administrative office.

4. Job Creation - Bi-State staff will monitor job creation/retention of the loan recipient each quarter. At the loan closing, the loan recipient receives employee certification forms and job creation reports. The employee certification forms are to be completed by new employees and existing employees if the program funds are to be used for the retention of the business. Each quarter, the loan recipient transfers the information to the job creation report and forwards it to Bi-State staff.

5. Defaulted Loans Up To 90 Days - Loan payments are due on the first day of each month to the servicing bank. Loan recipients are informed of the procedures used for delinquent payments at the time of closing. The information is also included in the contract and note, which the loan recipient receives. The Loan Administration Board is informed of any loan recipient that is delinquent on loan repayments. The following are the procedures for the RLF Program including current loan servicing fees which may be amended as needed:

a. After a delinquency of five (5) days, the servicing bank contacts the borrower to notify.
b. After ten (10) days, the bank will notify Bi-State staff and the borrower in writing, and Bi-State staff will forward a copy to the appropriate community.
c. A twenty dollar ($20.00) late fee is charged to the borrower at the ten (10) day notification, to be divided equally between the servicing bank and Bi-State staff for services related to delinquency processing costs.
d. Upon receipt of the copy of the written notice, community staff will contact the business, determine the degree of the problem, and take the necessary steps for payment compliance. If no resolution is made, a Loan Administration Board meeting may be called with staff recommendation(s) for action.

Bi-State staff will assist the loan recipient that is delinquent with their loan payments. The Loan Administration Board may approve the restructuring of the loan or suspension of principal payments, with interest only payments, or deferral of all payments for a specified time period.

6. Procedures for Handling Loans Over Ninety (90) Days Delinquent - Loan recipients that continue to be delinquent on loan payments, even following assistance from the Loan Administration Board and staff, shall be considered in default of the terms of the loan. The Loan Administration Board must approve to initiate default proceedings against the loan recipient. Bi-State staff shall give ten (10) days written notice of default to the loan recipient. If an attorney is needed to process the necessary documents and initiate the process, the loan recipient is responsible to pay for the legal fees and expenses to enforce collection. In accordance with EDA Regulations, when the City receives proceeds on a defaulted RLF loan that is not subject to liquidation, such proceeds shall be applied in the following order of priority:

a. First, towards any costs of collection;
b. Second, towards outstanding penalties and fees;
c. Third, towards any accrued interest to the extent due payable; and
d. Fourth, towards any outstanding principle balance.

7. Write Off Procedures - If a loan is in default and proper legal efforts have been taken to collect but are unsuccessful, the Loan Administration Board can decide to write-off the loan. The loan will become a Bad Debt Expense in the month the Board acts on writing off the loan.

E. ADMINISTRATIVE PROCEDURES

1. Accounting - The servicing bank provides Bi-State staff with a monthly statement on each loan. This report separates the principal and interest portion of the payment, as well as provides information on payment fees. Then, information is compiled into a monthly financial summary, which is supplied to the Loan Administration Board for their approval. The summary also includes information on the interest earned on the account and the amount of interest to be used to cover administrative expenses. The Board will insure that the RLF is operating in accordance with Generally Accepted Accounting Principles (GAAP).

2. Administration Costs - Administration costs will be paid from interest earned on the invested recaptured loans and loan closing fees. The loan closing fee will be assessed at $500 for approved loans of less than $50,000. For approved loans of greater than $50,000, the closing fee will be $750. It is Bi-State Regional Commission’s intention to use only fifty percent (50%) of the interest earned for administrative costs. However, the Commission reserves the right to use more of the interest earned, should conditions warrant. The interest income not used for administrative costs is returned to the revolving fund. Should annual RLF administrative costs exceed the amount collected from interest and loan closing fees, the overages will be covered by Bi-State Regional Commission’s members.

The contracted servicing bank will provide Bi-State Regional Commission with a monthly statement on each loan. This report will separate the principal and interest portion of the payment, as well as provides information on payment fees. Then, information is compiled into a monthly financial summary, which is supplied to the Loan Administration Board for their approval. The summary also includes information on the interest earned on the account and the amount of interest to be used to cover administrative expenses.

3. Capital Utilization – RLF capital will be secured and accounted for in an interest bearing bank account separate from all other funds and accounts owned or managed by the Bi-State Regional Commission. Proper monitoring of the RLF portfolio will be ensured by the preparation of the semi-annual reports submitted to the EDA. The Bi-State Regional Commission will provide that at all times the appropriate amount of RLF capital is loaned or committed per EDA Regulations.

4. EDA Reporting - Bi-State staff will comply with any and all EDA RLF reporting requirements. Administration costs will be paid from interest earned on the invested recaptured loans. It is Bi-State's intention to use only 50 percent (50%) of the interest earned for administrative costs. However, the Commission reserves the right to use more of the interest earned, should conditions warrant.

5. Allowable Cash Percentage

Effective Jan. 2, 2018, EDA replaced the Capital Utilization Rate of 25 percent with region-specific Allowable Cash Percentage (ACP) that is updated annually. The ACP is the average cash available for RLFs in the Chicago EDA region and is used for risk rating RLFs according to the Risk Analysis System.

Lending activity will be managed so that the cash available for lending is less than the current ACP in effect for the Chicago Region. However, if the Cash Available for Lending is greater than 50% of the RLF Capital Base for 24 consecutive months, EDA may take action to disallow the persistent excess cash.

6. Audits - – RLF funds are subject to annual audit per 2 CFR Part 200 Subpart F. The RLF must be shown every year on Bi-State Regional Commission's *Schedule of Expenditures of Federal Awards (SEFA).* If the dollar amount of the RLF qualifies the RLF as a major federal program, Bi-State Regional Commission will ensure that the auditor performs the required federal audit procedures. Bi-State will follow GAAP and the provisions outlined in 2 CFR Part 200 Uniform Guidance as applicable.