



**Buffalo and Erie County Regional Development Corporation
Meeting of the Membership
June 28, 2023
At 12:00 p.m.**

**701 Ellicott Street, Center of Excellence in Bioinformatics and Life Sciences (CBLIS)
The Event Space/Conference Room B2-205, located on the 2nd floor, Buffalo, New York 14203**

- 1.0 Call to Order**
- 2.0 Approval of Minutes**
 - 2.1 Approval of the April 26, 2023 Minutes of the Meeting of the Board of Directors (Action Item) (Pages 2-3)
- 3.0 Reports / Action Items / Information Items:**
 - 3.1 Financial Report (Informational) (Pages 4-7)
 - 3.2 Loan Status Report (Informational) (Page 8)
 - 3.3 Approval of Loan Administration Plan (Action Item) (Pages 9-38)
- 4.0 Management Team Reports:**
 - 4.1
- 5.0 Adjournment- Next Meeting July 26, 2023**

**JOINT ANNUAL MEETING OF THE
MEMBERSHIP AND BOARD OF DIRECTORS
OF THE
BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION
(RDC)**

DATE AND PLACE: April 26, 2023, at the Center of Excellence in Bioinformatics and Life Sciences (CBLIS), 701 Ellicott Street, The Event Space/Conference Room B2-205, located on the 2nd floor, Buffalo, New York 14203.

PRESENT: Denise Abbott, Rev. Mark E. Blue, Hon. Joseph Emminger, Hon. Howard Johnson, Tyra Johnson, Richard Lipsitz, Jr., Denise McCowan, Brenda W. McDuffie, Hon. Glenn R. Nellis, Hon. Mark C. Poloncarz and Kenneth A. Schoetz

EXCUSED: Hon. Diane Benczkowski, Hon. Bryon W. Brown, James Doherty, Dottie Gallagher, Michael P. Hughes, Hon. Brian Kulpa, Hon. Darius G. Pridgen and Paul Vukelic

OTHERS PRESENT: John Cappellino, President & CEO; Beth O’Keefe, Vice President of Operations/Secretary; Mollie Profic, Chief Financial Officer; Atiqe Abidi, Assistant Treasurer; Gerald Manhard, Chief Lending Officer; Grant Lesswing, Director of Business Development; Andrew Federick, Business Development Officer; Soma Hawramee, Compliance Portfolio Manager; Brian Krygier, Director of Information Technology; Carrie Hocieniec, Operations Assistant/Assistant Secretary; Laurie Hendrix, Administrative Coordinator; Robbie Ann McPherson, Director of Marketing & Communications and Robert G. Murray, Esq., General Counsel/Harris Beach PLLC

GUESTS: Alex Carducci on behalf of the City of Buffalo; Zachary Evans and Daniel Castle on behalf of Erie County; Josh Veronica on behalf of Buffalo Niagara Partnership; Ryan McCarthy and Mike Wopperer on behalf of Wood and Brooks; Dale Shoemaker and Garrett Looker on behalf of Investigative Post

There being a quorum present at 12:52 p.m., the meeting of the Buffalo and Erie County Regional Development Corporation (the “RDC”), was called to order by its Chair, Ms. McDuffie.

MINUTES

The minutes of the March 22, 2023, meeting of the members were presented. Mr. Nellis moved, and Mr. Johnson seconded, to approve of the minutes. Ms. McDuffie called for the vote, and the minutes were then unanimously approved.

REPORTS/ACTION ITEMS/INFORMATION ITEMS

Financial Report. Ms. Profic presented the March financial reports. The balance sheet shows that the RDC finished the month with total assets of \$22.4M, mainly cash and loans receivable. Liabilities reflect amounts due to ECIDA and some deferred revenue related to the CARES Act RLF administrative funds. Net assets are \$22.2M. The March income statement shows \$65,000 of revenue, mostly loan interest income, and \$45,000 of expenses, netting to income of \$19,000 in March. The year-to-date income statement shows revenues of \$176,000 and \$99,000 of expenses, for net income of \$77,000 through the first quarter of the year. Ms. McDuffie directed that the report be received and filed.

Loan Status Report. Mr. Manhard provided the report. Ms. McDuffie directed that the report be received and filed.

Annual Report of Directors. Ms. Profic reviewed the memorandum regarding RDC's Annual Report of Directors. She advised that New York State Not-For-Profit law requires certain information to be presented in a report annually to the RDC. As the memorandum outlines, the first four requirements were satisfied with the presentation of the audited financial statements. The final requirement is reporting that RDC continues to have 23 membership positions, consistent with the prior year's report. Ms. McDuffie directed that the report be received and filed.

Nominating Committee Update. Mr. Lipsitz confirmed that the Nominating Committee met last week and approved and recommends for approval the slate of officers and committee appointments presented to the members today.

Mr. Nellis moved and Rev. Blue seconded to approve the entire slate of officers and committee appointments. Ms. McDuffie called for the vote and the entire slate of officers and committee appointments were unanimously approved.

There being no further business to discuss, Ms. McDuffie adjourned the meeting at 12:58 p.m.

Dated: April 26, 2023

Elizabeth A. O'Keefe, Secretary

Regional Development Corporation

Financial Statements

As of May 31, 2023

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet

May 31, 2023

	May 2023	April 2023	December 2022
ASSETS:			
Restricted Cash**	\$ 4,278,540	\$ 4,053,600	\$ 5,256,480
Accounts Receivable	250,061	217,455	204,250
Direct Loans *	18,502,307	18,697,251	17,567,963
50/50 Bank Participation Loans *	38,480	43,040	60,989
Reserve for Loan losses	(524,886)	(524,886)	(524,886)
Total Loan Assets, net	<u>18,015,901</u>	<u>18,215,406</u>	<u>17,104,065</u>
TOTAL ASSETS	<u>\$ 22,544,502</u>	<u>\$ 22,486,461</u>	<u>\$ 22,564,795</u>
LIABILITIES & NET ASSETS			
Accounts Payable	\$ -	\$ -	\$ 1,518
Deferred Revenue	97,105	97,105	97,105
Due to ECIDA	135,929	108,869	291,289
Total Liabilities	<u>233,034</u>	<u>205,974</u>	<u>389,912</u>
Restricted Fund Balance	<u>22,311,469</u>	<u>22,280,487</u>	<u>22,174,884</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 22,544,502</u>	<u>\$ 22,486,461</u>	<u>\$ 22,564,795</u>

* Loan Portfolio Summary:	May 2023	April 2023	December 2022
# of Legacy RLF Loans	38	38	33
# of CARES Act RLF Loans	30	30	30
# of 50/50 Bank Participation Loans	1	1	1
	<u>69</u>	<u>69</u>	<u>64</u>

** Cash is invested in interest bearing accounts at M&T Bank. The maximum FDIC insured amount is \$250,000, with the remainder collateralized with government obligations by the financial institution.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Income Statement
 Month of May 2023

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 56,079	\$ 52,500	\$ 3,579
Interest Income - Cash & Inv.	6,530	58	6,472
Administrative Fees	-	1,250	(1,250)
Other Income	-	417	(417)
Total Revenues	62,609	54,225	8,384
EXPENSES:			
Management Fee - ECIDA*	23,400	23,800	(400)
Rent & Facilities Expenses	2,200	1,125	1,075
Professional Services	3,737	3,333	403
General Office Expenses	236	167	69
Other Expenses	2,054	2,248	(194)
Total Expenses	31,627	30,673	954
NET INCOME/(LOSS):	\$ 30,982	\$ 23,552	\$ 7,430

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2023 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Income Statement

Year to Date: May 31, 2023

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
REVENUES:						
Interest Income - Loans	\$ 255,713	\$ 262,500	\$ (6,787)	\$ 255,713	\$ 208,701	\$ 47,012
Interest Income - Cash & Inv.	36,598	292	36,306	36,598	497	36,101
Administrative Fees	11,250	6,250	5,000	11,250	9,500	1,750
Grant Income - CARES Act RLF	-	-	-	-	13,750	(13,750)
Other Income	269	2,083	(1,815)	269	1,019	(751)
Total Revenues	303,830	271,125	32,705	303,830	233,467	70,362
EXPENSES:						
Management Fee - ECIDA*	117,000	119,200	(2,200)	117,000	119,000	(2,000)
Provision for Loan Losses	-	112,500	(112,500)	-	32,390	(32,390)
Rent & Facilities Expenses	11,000	5,625	5,375	11,000	10,500	500
Professional Services	24,971	26,687	(1,715)	24,971	16,927	8,045
General Office Expenses	236	833	(597)	236	414	(178)
Other Expenses	14,037	11,240	2,798	14,037	278	13,759
Total Expenses	167,245	276,085	(108,840)	167,245	179,509	(12,264)
NET INCOME/(LOSS):	\$ 136,585	\$ (4,960)	\$ 141,545	\$ 136,585	\$ 53,958	\$ 82,627

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2023 budgeted figures.



**Loan Status Report
June 2023**

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
None		\$0
<u>RDC Loans Closed Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Top Seedz	Buffalo	\$ 750,000
Total: 1 loan		\$ 750,000
<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
Perry's Ice Cream Inc. (manufacturer)	Akron	\$2,000,000
Total: 1 loan		\$2,000,000
<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
1 Loan	Hamburg	\$ 100,000

<u>2023 - Loans Closed</u>	<u>YTD Loan Total</u>	<u>Jobs to be Created</u>	<u>Retained Jobs</u>	<u>Dollars Leveraged</u>
5	\$2,450,000	34.5	107	\$6,300,000
MWBE Loans – 2				

Loan Portfolio Performance

Past Due Loans:

<u>Loan</u>	<u>Balance</u>	<u>Principal/Interest Amount Past Due</u>	<u>Days Past Due</u>	<u>Comments</u>
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Portfolio Delinquency Rate (90+ day Past Due Outstanding Loan Balance *divided by* Portfolio Balance):

\$0/\$18,542,005 = 0% Delinquency Rate (69 total loans in portfolio)

RDC Funds Available to Lend: \$1,385,026

Date: 6/28/2023
To: RDC Board of Directors
From: RDC Lending Team
Re: ***Proposed Changes: 2023 Loan Administration Plan ("LAP") Revision***

The RDC Revolving Loan Fund ("RLF") was established in 1979 and since its inception, has funded (through 2022) 671 loans totaling \$136.5 million, which has leveraged private local investment of over \$924 million ((1:7 community benefit) and created/retained over 3,562 jobs. The RLF currently has a fund balance of \$15.2 million and has loaned \$13.7 million.

The EDA's federal interest in the RLF was released in October 2021, giving the RDC flexibility to revise their 2017 Loan Administration Plan to offer different loan terms and products. The release of federal interest only applies to the legacy loan fund. The new \$5 million EDA CARES Act RLF is still subject to EDA oversight. It has been the best practice of the RDC to update the LAP every 5 years to align with the needs of the region as identified by the Comprehensive Economic Development Strategy ("CEDS") and business community.

As you are aware, our loan administrative plan serves as a guiding framework for managing and overseeing our lending activities. Over the past few months, our staff has conducted a thorough review of the existing plan, taking into consideration industry best practices, regulatory requirements, and feedback from stakeholders. Based on this analysis, we have identified areas to offer new products, expand industry targets, create efficiencies, and manage risk.

Some of the more significant changes proposed to the 2017 LAP are as follows:

- Additional targeted/priority industries: M/WBE businesses; Construction Contractors; Building Trades; Childcare; Agribusinesses.
- Lines of Credit from \$20,000 to \$100,000 with an emphasis on M/WBE's and priority industries.
- Interest rates will be set bi-annually (Jan 1st and July 1st)
- M/WBE business interest rates will be 2% less than the standard RDC interest rate.
- Increase minimum loan amount from \$10,000 to \$20,000.
- Borrowers must have 1 year of operating revenue (exception for Trade, Construction, Day Care and Agribusinesses.)
- Ineligible uses of RLF loan proceeds will include the purchase of real estate or land, leasehold improvements, and construction purposes.
- Loans over \$100,000 are subject to a ½% commitment fee.

We believe that these proposed changes will help create equity and inclusion, offer a wider array of products to meet the business community's needs, help mitigate risk, and improve operational efficiency. The RDC kindly requests your review and approval of the attached LAP changes.

**BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
RESOLUTION**

The meeting of the Buffalo and Erie County Regional Development Corporation was convened on Wednesday, June 28, 2023 at 12:00 p.m.

The following resolution was duly offered and seconded, to wit:

**RESOLUTION OF THE BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION (THE "RDC") TO AMEND AND REVISE THE
RDC'S LOAN ADMINISTRATION PLAN ("LAP")**

WHEREAS, the RDC was incorporated as an affiliate of the Erie County Industrial Development Agency (the "Agency") for the purpose of making direct loans to existing and new companies utilizing the resources from various Revolving Loan Funds (each, an "RLF"); and

WHEREAS, to establish a uniform lending policy with respect to the RLF funds, the RDC established a Loan Administration Plan, which was last revised in 2017 (the "LAP"); and

WHEREAS, the RDC was originally established with grants, in part, from the United States Economic Development Administration ("EDA"); and

WHEREAS, the federal interest associated with the RDC's Legacy Loan Fund ("LLF") was released by the EDA in October, 2021, giving the RDC flexibility to revise the LAP to offer different loan terms and products; and

WHEREAS, it has been the best practice of the RDC to update the LAP every five (5) years to align with the needs of the region as identified by the Comprehensive Economic Development Strategy ("CEDS") and business community; and

WHEREAS, the RDC's LAP Committee has proposed changes to the LAP in the form attached hereto as **Exhibit A**, to help promote and encourage equity and inclusion, offer a wider array of products to meet the business community's needs, help mitigate risk, and improve operational efficiency (the "2023 LAP"); and

WHEREAS, the RDC now desires to adopt the 2023 LAP as proposed by the LAP Committee, which shall supersede any and all prior LAPs.

NOW, THEREFORE, BE IT RESOLVED BY THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION, AS FOLLOWS:

Section 1. The RDC hereby approves and ratifies the 2023 LAP, in the form attached hereto as **Exhibit A**,

Section 2. The officers, employees and agents of the RDC are hereby authorized and directed for and in the name and on behalf of the RDC to do all acts and things required and to negotiate, execute and deliver all such certificates, instruments and documents, to pay all such fees, charges and expenses and to do all such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, desirable and proper to effect the purposes of the foregoing resolutions and to cause compliance by the RDC with all of the terms, covenants and provisions of the documents executed for and on behalf of the RDC.

Section 3. Any and all actions heretofore taken or authorized by the RDC and/or its officers, employees and agents with respect to this resolution are hereby ratified, approved and confirmed in all aspects.

Section 4. This resolution shall take effect immediately.

Dated: June 28, 2023

EXHIBIT A

2023 Loan Administration Plan

[Attached]

Legacy Revolving Loan Fund Plan

for the
Buffalo and Erie County Regional Development Corporation

Board Adoption Date: 06/28/2023

Part I: Revolving Loan Fund Strategy

A: Economic Adjustment Overview

1. Economic Adjustment

The Comprehensive Economic Development Strategy, (CEDS') plan lays out the strategic direction that ECIDA and its partners will pursue from 2022-2026, along with performance measures that will be used to evaluate outcomes, the impact of the CEDS' implementation on the County's economy. The Heart of the 2022 CEDS update was a broad strategic planning process that led to stakeholder consensus on goals, measurable objectives, and prioritized tasks. The process included a SWOT analysis, the development of an economic base report, a review of relevant regional and local plans, a capacity assessment, stakeholder information surveys and a series of workshops focused on opportunities, challenges, and resiliency, in addition to input from the CEDS Strategy Committee.

The CEDS is built around four key goal areas: infrastructure, business support, quality of life, and regional collaboration. These goals and objectives capture the elements of community and economic development that are critical to advancing economic growth, vitality, and resilience. Together with clear outcome measures to gauge progress and success, the strategic framework will provide direction to various partners and stakeholders over the next 5 years.

THE ECONOMY OF ERIE COUNTY

The County lost about 30,147 jobs from 2011-2021, but much of that loss can reasonably be tied to the impacts of the COVID pandemic, since the County had gained 17,862 jobs from 2011 – 2019. Over the next ten years, the County is projected to add 1,677 jobs overall, with the largest gains taking place in the Health Care and Social Assistance (7,671 jobs); Government (2,500 jobs); Finance and Insurance (2,004 jobs); and Transportation and Warehousing (1,803 jobs) sectors.

Amid this growth, which is lower than the projected statewide job growth rate, the County's retail Trade Sector is projected to shrink by 5,671 jobs.

Additionally, there have been a substantial job declines in Administrative and Support, Waste Management and Remediation Services and Governmental Services, losing over 6,000 jobs during the last 10 years. Accommodation and Food Services also have lost over 10,000 jobs but

the vast majority of those were lost in 2020 and likely because of the COVID pandemic. Although Erie County has seen Manufacturing job loss of 2,041 or 4.7%, this is substantially less than the NYS rate of 13% and manufacturing as a percentage of the workforce is higher than the state and national averages.

The Government sector accounts for 16.3% of jobs in Erie County, followed by Health Care and Social Assistance (14.9%); Retail Trade (10%); and Manufacturing (9%). The County has uniquely high concentrations of jobs in the Junior Colleges: Electrical Equipment Manufacturing; Nonferrous Metals Production and Processing industries. The tourism industry is also a sizable employment driver (32,395 jobs in 2019 according to Tourism Economics) when accounting for tourism-related positions across multiple industries. While these jobs were particularly hard hit during the pandemic, tourism will likely continue to be an important driver of the economy and is anticipated to fully recover over the next several years.

Because the Erie County economy is more diversified, it appears to be more resilient to economic dislocations, unlike the situation prior to 1980 when manufacturing employment was largely concentrated in the primary metals and transportation equipment sectors.

DEMOGRAPHICS

The 2020 Census showed a strong growth pattern for Erie County with 954,236 residents, up 2.9% from 2010. According to the American Community Survey, the County's median age is 42.2, almost 2 years older than NYS's median age. Over 20% of the County's residents possess a bachelor's degree (2% below the national average), and 11.9% hold an associate degree (6% above the national average).

The County's median household income is \$58,945 over \$13,000 lower than the NYS figure. However, there are large disparities in income in different parts of Erie County, with lower incomes in the City of Buffalo and higher incomes in Suburban and rural areas. Throughout Erie County, 14% of households live in poverty, roughly the same as the statewide figure of 13.9%. However concentrated areas of poverty, particularly in the City of Buffalo continue to be a pervasive and persistent concern. The coronavirus pandemic and related business shutdown impacts were not evenly felt across the community, those living in distressed census tracts and high poverty areas experienced more economic, social and health impacts. The pandemic also caused significant job losses impacting every economic sector, but especially leisure and hospitality. Unemployment stood at 4.7% in September 2021, up from the pre-pandemic rate of 3.6% in 2019, but down from a peak in 2020. (18.7% May 2020).

2. Plans and Strategies to deal with the economic adjustment problem

The CEDs committee took an asset-based approach to creating a strategy that promotes economic growth over the next five years, incorporating actions to address equity and the economic resiliency of the County. The CEDS builds on existing relevant planning documents and is grounded in the current capacities of the region.

The CEDS identifies performance metrics that will be used to evaluate outcomes of the CEDS' implementation on the County's economy. The plan organized around the four key goal areas prioritized actions, partner roles, general timeline, level of cost and potential funding sources.

Equity and inclusion concerns were a primary driver of the CEDs strategies recognizing the importance of allocating resources and initiatives that are intentional and targeted to advance diversity, equity and inclusion initiatives across the four key goal areas.

A few key policy items identified to be barriers to advancing economic development in Erie County including:

- Erie County must develop, retain, and compete for workforce to sustain and advance the economy. Economic and Community development activities need to be recognized as interdependent.
- Erie County is facing a critical shortage of shovel-ready industrial sites and buildings. Business attraction efforts are hampered by this shortage and prospects are being lost to communities that can offer industrial ready space. More speculative development of industrial sites and buildings is needed.
- Logistics infrastructure is critical to economic functioning. Supply chain disruptions have caused new challenges and increased costs for businesses across the country. Various logistical enhancements would improve Erie County's economic competitiveness and resiliency moving forward.
- Small business support and providing access to capital to small and mid-sized, minority and women owned businesses.
- Investment in community infrastructure - repairs, replacement, upgrading and modernizing.

3. How the Revolving Loan Fund, (RLF) will be used to support specific economic adjustment activities identified in the CEDS.

The strategic purpose of the Buffalo & Erie County Regional Development Corporation Revolving Loan Fund (RDC RLF) is to enhance the competitiveness of local businesses, promote local ownership of firms, creating employment opportunities for residents, and assist with the formation and expansion of new companies especially in the targeted industry sectors. Specifically, the RDC RLF will support projects consistent with the CEDS and other strategic regional plans:

- Provide Gap Financing to create and retain jobs - Assist in retaining and creating new jobs across all sectors of the workforce. To accomplish this, the RDC RLF is positioned to provide "gap financing" to bridge the gap between the amount of conventional financing available, and the amount of capital needed to fund business investments which support job retention and business creation activities.
- Act as a Community Development Partner- RDC staff will continuously work to establish, maintain, and grow relationships with public and private partners to build awareness regarding RDC RLF programs to ensure access to RDC financing is known and available. This is done through ongoing involvement with a wide range of community partnerships with other organizations such as chambers, cities, economic development partners, and a

variety of media (Radio, internet, social platforms). Scheduling meetings, presentations and attending events with various local lenders and professional partners to ensure that financing is available for projects that lenders have difficulties funding with traditional commercial lending programs.

- Provide financial assistance and literacy to underserved communities to assist in the development of businesses owned and operated by minorities, women, and other disadvantaged groups. The ECIDA staff will conduct ongoing efforts to advertise services to targeted community media, community organizers and groups, partnerships with community lenders and business organizations. Schedule presentations specifically designed to educate, provide resources and funding opportunities to create entrepreneurial opportunities for businesses and individuals in economically challenged areas.
- Act as a conduit for Erie County businesses needing access to capital and technical assistance to start-up or expand. The ECIDA has established working relationships with various municipalities, County, State, and non-profit agencies to assist businesses with special needs of local businesses.

B: Business Development Strategy

1. Objectives:

The purpose of the business development strategy is to enhance the business climate and the local economy by providing local businesses a financing source to grow, maintain and/or sustain their operations that will result in the addition of jobs and investment in the region.

Specific objectives include:

- To provide gap financing for businesses that seek to relocate or expand within the region, and to create or retain a wide variety of jobs in various industries.
- To expand business employment and ownership opportunities for Erie County residents through economic development that is compatible with and will enhance the area's existing regional strategies and build on our assets and target industries.
- To promote the economic well-being of the region by helping to finance projects which maximize private sector investment; assist businesses owned and operated by minorities, women, and members of other disadvantaged groups; and continually add value to the economic base of the region.
- To collaborate with the commercial lenders and business assistance organizations in the region to offer alternative financing and support to businesses unable to secure traditional loans.

2. Targeted Businesses:

The RDC RLF extends credit to companies in Erie County and targets certain businesses located in geographic areas that have suffered from disinvestment and under employment. These areas include but are not limited to distressed census tracts, the City of Buffalo, rural areas, and

geographic areas and industries prioritized by the RDC Board of Directors. While most Erie County businesses are eligible to apply for a loan, the RLF attempts to target certain industries including advanced manufacturing, movie and entertainment, export assistance, and logistics. Due to the COVID pandemic many industries are experiencing worker shortages causing difficulties for area companies to perform critical services for businesses and the residents of Erie County. To help reduce the employment challenges, the RLF will also be targeting lending programs efforts to promote business growth and formation in childcare, construction contractors, building trades, and agribusinesses. Traditionally, these industries have not previously been priorities for the RLF.

RLF Project characteristics include:

- Creation or retention of jobs.
- Business development, including expansion and start-up.
- Encourage entrepreneurship and innovation.
- Support for industries in highly distressed areas.
- Assist in the development of businesses owned and operated by minorities, women, and other disadvantaged groups.
- Support projects that enhance local and regional priorities as identified in the CEDs
- Business acquisitions that assist with preventing a company from relocating out of Erie County.

3. Business Needs:

The most common business needs listed below were identified from various sources including meetings with potential clients, interaction with local small business lenders, and participation with regional business assistance organizations. Typically, the types of assistance needed by targeted businesses for our region are:

- Access to knowledge/services available through other community members (mentorship, technical assistance, legal help, accounting/cash flow projections, patent services, procurement & exporting, etc.);
- Access to potential investors and partners
- Access to a variety of funding sources (startup financing, inventory, working capital, equipment, real estate, construction, etc.);
- Access to financial and support services for women-owned and minority owned businesses.
- Attracting and hiring qualified employees.

The RDC staff works with many economic development and business assistance organizations regularly to identify potential clients as well as supporting organizations in providing services needed by local businesses. A variety of programs and activities are offered by public and private sector economic development organizations to address the needs of targeted businesses, including:

Business Assistance

- SBA
- SCORE
- SBDC
- Chambers of Commerce

Entrepreneurship & Capital

- Launch New York
- 43 North
- Start-Up-NY
- Excelsior Jobs Program Credit
- WNY Impact Fund

Alternative Lending Options

- Westminister Economic Development Initiative (WEDI)
- Erie County Microenterprise Loan
- RDC Revolving Loan Fund
- Path Stone Enterprise
- NYS Bridge to Success
- Pursuit Lending

Services for Women-Owned & Minority Businesses

- Beverly Gray Center
- WEDI
- Canisius College Women's Business Center

C: Financing Strategy

1. Financing Needs:

The Buffalo and Erie County Regional Development Corporation (RDC) is the administrator of the area's EDA-funded Revolving Loan Fund (RLF). The RDC, as noted above, is a member of the ECIDA's Financing and Development Group. The RDC is a not-for-profit local development corporation, established to provide financial assistance to growth-oriented companies in Erie County. The Erie County RLF administered by the RDC is one of the oldest and largest, EDA-assisted RLFs in the country. The RDC/RLF began in 1979 and, since its inception, has funded (through December 2021) more than 659 loans totaling more than \$128 million, which has leveraged private local investment of over \$875 million and created/retained over 2,778 jobs. The primary use of RLF funds in support of retention and expansion has been through the provision of working capital for both existing and startup businesses since fixed asset financing has been more widely available in the local financial marketplace.

In addition to a pronounced concentration on working capital loans, most of RLF's past financings have been subordinated to private lenders so that borrowers can use their assets to leverage the maximum amount of commercial loan funds. Additionally, RDC/RLF loans have traditionally been at fixed rates to give borrowers a predictable level of debt service. Principal payments are

sometimes deferred at the beginning of a loan (particularly for leveraged buyouts, larger expansions and M/WBE businesses) to help preserve company cash flow. The RLF has been successful at addressing the issue of inadequate working capital and acquisition financing. The RLF has not been able to reverse the national trend of loss of manufacturing jobs and workforce shortages, however, the RLF has assisted with stabilizing the loss of local manufacturing firms by assisting the financing of start-up and growth stage manufacturers as well as business acquisitions associated with the transfer of ownership.

The ECIDA/RDC received notice from the EDA of new federal legislation allowing the release of federal interest in the agency's existing Revolving Loan Fund (RLF). The recently enacted Reinvigorating Lending for the Future Act (the Act) authorizes EDA to release its federal interest in certain RLF awards that have operated satisfactorily for seven years beyond the disbursement of grant funds. By authorizing EDA to release its federal interest in certain RLF awards, the Act will reduce RLF recipient administrative burden and allow RLF award funds to be used for broader economic development purposes. Some of the more specific benefits from the EDA's release of interest in the RDC RLF include:

- Allow more flexibility of RLF interest rate and terms.
- Use of RLF funds can be expanded to include the refinance of debt, non-profits, etc.
- Waive requirement of a bank declination letter.
- Establishment of more targeted loan funds to various sectors of the community including minorities, women, start-ups, industry specific, etc.

2. Local Capital Market:

Despite the fact local banks have been aggressively marketing and growing their commercial loan portfolios, RDC/ILDC lending activity increased over the preceding 5 years due to the overall economic growth both locally and nationally, emerging industries, business ownership transitioning, and most recently the onset of the COVID pandemic. Overall, conventional lenders have been more aggressive with their lending activity as businesses have been seeking low-cost capital to assist with their growth. Additionally, thru the third quarter of 2022, interest rates in the private sector have been at historically low levels and near or below the lowest interest rate (4%) the RLF can offer. The RDC has remained attractive to smaller businesses due to commercial lender's credit policies generally limiting the funding of 100% of loan requests, collateral concerns, and access to technical assistance.

The RDC's RLF is designed to be a tool to fill the gap that exists in local financing programs; therefore, it is expected to be a complement to commercial financing and provide financing when other sources are not available or practical. Most RDC projects require a public-private partnership to qualify for funding. The RDC works with public and private lenders to leverage resources and share risks to support business expansion and attraction, provide employment opportunities and ensure continued economic advancement.

Since the onset of the COVID pandemic in 2019, several significant new Federal, State and County funded initiatives have been set in place to address some of the challenges faced by businesses,

creating more access to capital for established businesses. Erie County and Western New York have other avenues of public financing directed toward disadvantaged businesses with varying terms and rates. These public financing options include:

WEDI Loan: Micro loan program offers small (up to \$25,000), targeted loans for business creation or expansion in the west side area of the City of Buffalo that can directly result in increased income and wealth generation. WEDI also provides technical training for inexperienced borrowers.

Erie County Microenterprise Loan: A “Microenterprise” is a business having five or fewer employees, one or more of whom owns the business. The Microenterprise Loan can be for as little as \$5,000 and up to \$35,000. The loan can be used for working capital or the purchase of machinery & equipment. Loans are restricted to businesses located in Erie County’s block grant consortium community.

Path Stone Enterprise: Provide guidance to low-to-moderate income individuals who wish to start or expand their business and provide credit to businesses that provide jobs to low-to-moderate income individuals in New York State.

Pursuit Lending (formerly known as the NYBDC): promotes economic development and job creation in New York State by providing streamlined access to small business loans and business advisory services. Pursuit Lending is a not-for-profit 501(c)(3) and certified by the U.S. Department of Treasury as a Community Development Financial Institution (CDFI). The signature SmartLoan™ product is available through a secure online portal and has a maximum loan amount of \$100,000. Pursuit Lending offers a few other lending products for businesses seeking higher loan amounts.

NYS ESD: Promote a growing state economy, encourage business investment, and job creation, and support diverse, prosperous local economies across New York State through the efficient use of loans, grants, tax credits, real estate development, marketing, and other forms of assistance. Programs vary, are strategic in nature and change depending on funding availability and need.

3. RLF Financing Niche

The niche for the Buffalo and Erie County Regional Development Revolving Loan Fund (“RDC”) is still important and viable. The number of financial institutions in the area has continued to decline since 2000. Several large and locally headquartered banks have merged, providing fewer financing options for small businesses. The Financial Crisis (2008-2012), the COVID pandemic (2019), and the start of a U.S and Global economic slowdown (Q4-2022) has reinforced a focus on credit quality and aversion for certain loans to companies that lack the necessary collateral, capital and equity support to secure traditional bank loans. The US Federal Reserve has elected to increase interest rates to help curb the ramped inflation the US economy is experiencing and reduce demand for goods and services. This monetary policy will significantly increase the cost of capital for businesses seeking to grow and prohibit many businesses from expanding. The U.S. Congress has recently passed an infrastructure bill that will provide \$1 Trillion dollars for the nation’s roads, bridges, and other community needs,

spurring various local construction projects. The improving local economy coupled with increased Government investment in our community and infrastructure has resulted in an increased demand for short-term working capital to assist with the completion of contracts, most notably in the construction fields. As a result, the RDC will be offering additional lending products to address the growing needs of certain industries including building trades/construction industries, daycare facilities and agriculture.

RDC's subordinate lending position has continued to be a valuable tool to encourage area lenders to make loans they otherwise would not have made for various projects. The RLF has been able to leverage private funds at a rate exceeding 7:1. The subordinate lending position has allowed the RDC to participate with most local financial institutions to help fund business acquisitions, expansion projects, equipment and provide working capital to growing businesses. Credit policies at most of the lending institutions restrict the amount of financing these types of projects receive due to collateral constraints, project risk, length of loan, lack of required equity, etc. The RDC's ability to provide this type of Gap financing has been critical to many companies looking to grow and solidify their industry market share.

There are significant and an increasing number of challenges to businesses in Erie County. We have recently identified a significant, pressing, and growing need for the following:

- Additional public lending capacity.
- Increased need for short term financing resources, such as lines of credit.
- Tiered incentives targeted to growth sectors and to the more distressed areas of Erie County; and
- Better coordination of all local loan programs to ensure adequate collaboration.

D: Financing Policies

1. Eligible Lending Area:

The Buffalo and Erie County Regional Development Corporation's ("RDC") lending footprint includes businesses located within the borders of Erie County in Western New York with priority given to those located in and contiguous to highly distressed census tracts.

2. Eligible Borrowers Include:

- a. For profit entities (Corporations, S-Corps, Limited Liability Corporations, Partnerships, Sole Proprietors) including targeted start-ups.
- b. Eligible sectors include all NAICS codes, excluding those prohibited by federal guidelines and/or Small Business Administration.
- c. In general, Borrowers in business with more than 1 year of operating revenue will be eligible to apply for a loan. However, startup businesses may be targeted for specific programs under the RLF and would generally include contractors, building trades, childcare, agribusinesses and minority and women owned businesses in targeted sectors.

Ineligible Borrowers Include:

- a) Not For Profits, religious organizations, political organizations, or any other businesses prohibited by the Small Business Administration.
- b) Borrowers involved with the purchasing of real estate, investment property, or renovations and leasehold improvements to a property.

RLF assistance is targeted to the following general types of businesses:

- a) Growth (expansion) sectors and targets for attraction - those that have been identified through various studies and analysis as growing or likely to grow within the State, region and/or County or as likely candidates for attraction (e.g., from Canada).
- b) Retention targets: Industries which, although not specifically identified as growth industries, historically and currently represent significant sectors of the Buffalo area economy (i.e., transportation equipment, restaurants, retail, service) and which may require assistance to stabilize, stem losses, increase competitiveness, modernize, etc.
- c) Smaller and/or disadvantaged (M/WBE) companies within target sectors should be given high priority for RLF assistance. These businesses have relatively greater difficulty accessing conventional capital markets. These firms have historically been targeted by the RLF, however, the RDC must also consider assisting small (under 10 employees) and early-stage businesses to the extent that the overall portfolio will permit an increased level of risk. Small manufacturing companies in public industrial incubator facilities and companies located or locating in designated development areas are examples of operations to be targeted by the RLF.
- d) Local Buy-Outs: The RLF will continue to assist with acquisitions or buy-outs of going concerns to retain operations in the County. Assistance will be offered to those companies in which immediate closure is apparent or there is a threat of the company or jobs relocating elsewhere.
- e) Minority Entrepreneurs: Minority-owned businesses have historically found it difficult to access capital for start-up and/or business expansion. As such, the number of successful minority-owned businesses in the area is lower than average. The RLF has identified a need to provide long term, patient capital to support these businesses to foster minority business formation and development.

3. Eligible Use of Proceeds:

- Working capital (including lines of credit)
- Machinery and equipment purchases.
- Pollution control and related equipment.
- Key man hiring/salary expenses.

- To effect a change in ownership where the company employment base is in jeopardy from closure or relocation.
- Generally, refinance of existing debts is prohibited unless sufficient justification is provided to warrant the substitution of debt (bridge loan, Loans significantly above market interest rates).

4. Ineligible use of RDC loan Proceeds:

- Acquire an interest or equity position in a business either through the purchase of stock or acquisition of assets, that does not result in the complete (100%) transfer of ownership to the new owner(s), unless sufficient justification is provided. Justification includes acquiring a business to avoid imminent closure or to facilitate a significant expansion which coincides with job creation.
- Subsidize interest payments on an existing loan.
- Provide for borrower's required equity contribution under the other Federal Agencies' loan programs.
- Investing in an interest-bearing account, certificate of deposit or any other type of investment.
- Purchase of real estate.
- Improvements and renovations to real estate.

5. Loan Size:

Loan amounts will generally range from a minimum of \$20,000 to a maximum of \$2,000,000:

- RDC Business Loans: from \$20,000 - \$2,000,000
- Lines of Credit: from \$20,000 - \$100,000. Contractors, Building Trades, Day Care Facilities (home based day cares are prohibited) and Agribusinesses will be targeted. Priority will be given to MWBE companies.

6. Interest Rate:

Interest Rates for all RDC loan programs will be fixed rates set biannually on January 1st and July 1st of each year by the ECIDA management team and staff, based on current market conditions. A pre-determined fixed interest rate will allow borrowers to obtain a better understanding of interest costs and cash flow and better promotion of RDC loan products. Interest rates are as follows:

- RDC Business Loans: Generally, fixed interest rate (as set above).
- MWBE Loans/Lines of Credit: Generally, fixed interest rate (as set above) less 2%.
- Lines of Credit ("LOC"): Generally, fixed interest rate (as set above).

7. Terms:

Loans:

- RLF Loan terms will generally range from 1 year and not exceed 10 years (120 months).
- Generally, loan amortization will not exceed 10 years (120 months).

Lines of Credit (LOC):

- LOC's will be approved with a four (4) year revolving period from the closing date. After the fourth (4) year, the LOC will mature and the outstanding balance at that time will term out into a three (3) year fully amortizing loan. The prevailing interest rate at that time will be fixed and set by the RDC annually (as per #6 above). Other conditions associated with the approved Line of Credit will be based on the RDC Lending department's discretion and generally require the following conditions:
 - All Borrower LOC advances will be made by email or in writing to the RDC and approved by the RDC Lending Staff.
 - Generally, the minimum advance on the LOC will be 10% of the approved amount.
 - All required annual financial documentation is received on a timely basis.
 - All RDC lending facilities have been paying as agreed.
 - Maximum LOC term will not exceed seven (7) years from the date of the loan closing.
 - MWBE contractors, MWBE day care centers and agribusinesses will be given priority for LOC.

8. Fees: *(Subject to change based on complexity of loan request)*

- RDC Business Loans \$20,000 - \$100,000:
 - Applicant responsible for cost of credit reports, filing fees and all required legal formation documents (good standing certificate, biennial statement, etc.) Loans will be closed internally, by the RDC Staff
- M/WBE Loans \$20,000 – \$100,000 (same as above).
- RDC Business Loans \$100,001 - \$2,000,000:
 - Application Fee: \$250 (Fee may be applied to Commitment Fee upon approval)
 - Generally, commitment fee: one half (½) of one (1) percent of Approved Loan Amount on all loans \$100,001 to \$2 million.
 - Generally, the applicant will be responsible for all closing costs. The RLF's approved loan counsel will charge a pre-negotiated hourly rate based on their approved Legal RFP bid, plus all filing fees and other costs associated with the loan.
- LOC's: 20,000 - \$100,000:
 - Applicant responsible for cost of credit reports, filing fees and all required legal formation documents (good standing certificate, biennial statement, etc.) Loans will be closed by internally closed by the RDC Staff
 - LOC annual servicing fee of \$100.00

9. Equity & Collateral:

- **Equity:** Minimum equity contribution from borrower is generally 10%.
- **Collateral:** The RDC will generally require a lien on all business assets. Best efforts will be made to adequately collateralize the loan request and may include liens on assets including but not limited to personal property, real estate, assignment of financial accounts/tax credits, life insurance policy assignment. Generally, the RDC is participating with a lead lender and will be in a subordinate position.

10. Moratoria:

To help diminish RLF losses and avoid imminent closure of the business, RLF principal payments generally can be deferred for up to 36 months (at lenders discretion) and will be applied on a case-by-case basis. The minimum monthly payment will default to interest accrued on the outstanding principal balance.

11. Start-Ups:

Providing Lending to start-up businesses with more than 1 year of revenue will be encouraged, but will be considered at the RDC's discretion to help advance the mission of the agency. Start-up businesses for construction contractors, building trades, childcare, and agribusiness will be eligible to apply for RLF funding.

12. Credit Not Otherwise Available:

RLF financing should not be a substitute for available private capital. Discussions with the applicant and lending institution should occur to determine the reason and need for RDC financing.

E: Portfolio Standards and Targets:

1. Target Percentages:

While all businesses in Erie County will be eligible for RDC funding, the following industries will be the focus of business development efforts as identified in the CEDS and by the ECIDA/RDC. Industry concentrations will be limited to no greater than 25% of the RLF portfolio balance to help reduce the overall credit risk. RDC staff will review loan portfolios to determine industry concentrations. This may lead to a moratorium on specific industry clusters until outstanding loan balances are reduced below the 25% concentration benchmark (i.e., breweries, restaurants, etc.).

Detailed below are the targeted industries identified for the RLF program:

- Advanced Manufacturing
- Agriculture/Agribusinesses
- Logistics/Distribution
- Contractors
- Building Trades
- Day Care facilities

- Regional/Cultural Tourism
- Other

2. Private Sector Leverage:

RLF Financing will generally leverage private sector funds with each financing project. It is desired that the RLF portfolio as whole leverage private sector funds at a rate of 2:1 but is not required for each individual financing request. Other factors when considering RLF financing for an applicant is not limited to and include job creation, job retention, industry competitiveness, etc.

F: RLF Selection Criteria:

All eligible loan applications received by the RDC will be considered. However, priority will be given to loans that assist with:

- 1) Business growth that result in job creation or retention with an emphasis on living wage jobs.
- 2) Prevention of eminent business closure and/or business relocation.
- 3) Business acquisitions resulting in new ownership. Generally, partial ownership change is not eligible unless business closure or relocation is eminent.
- 4) Investment into MWBE businesses and businesses located in highly distressed and targeted areas.
- 5) Maximizing private investment at a desired rate of 2:1
- 6) Targeted industries.
- 7) Projects that would not otherwise come to fruition without RFL's assistance.

G. Performance Assessment Process:

- Performance is evaluated on an annual basis by an Audit (with agreed upon procedures) performed by an unaffiliated, third-party CPA firm to ensure the RDC complies with the Loan Administration Plan and federal and state regulatory statutes and standards. Audit findings are reviewed by both the RDC Loan Committee and the Board of Directors with recommendations as needed.
- The EDA released their federal interest in the RDC's RLF due to the successful operation of the lending program for more than 10 years and are no longer subject to federal regulations stated in the CFR. The only oversight the EDA will maintain over the loan fund is the adherence to Davis Bacon regulations and reporting of loan funds granted for construction purposes.
- The Loan Administration Plan is reviewed and revised as needed, or minimally every five years. Any changes to LAP including any/all revisions should be approved by both the RDC Loan Committee and the RDC Board of Directors for final review and acceptance.

Part II: Revolving Loan Fund Operational Procedures

A. Critical Operational Functions

1. Organizational Administration Functions

- Organizational administration is performed and maintained by in-house ECIDA/RDC staff. Specifically, all bookkeeping is administered by the accounting and finance department and includes, but not limited to, disbursement of loan funds, monthly billing, payment processing, monthly accounting reports, scheduling of audits, etc. Maintaining compliance with any Federal or NYS regulations is overseen by the internal RDC Compliance Officer.

The Buffalo and Erie County Regional Development Corporation ("RDC"), an affiliate of the ECIDA administers the RLF. The RDC was established under Section 402 of the Not-For-Profit Corporation Law of New York and is a local development corporation under Section 1411 (see Appendix 1 for RDC Corporation of Incorporation and By-laws). The RDC has 501(c)(3) tax-exempt status under the IRS Tax Regulations.

2. Marketing:

- Marketing is coordinated/executed by the ECIDA/RDC Marketing Director, Business Development and Lending Staff. Active participation in local business events, chambers of commerce, business associations, SBA Events and presentations to local area lenders are conducted throughout the fiscal year with hopes of gaining quality leads and referrals.

The RLF recruit's borrowers in many ways, including:

- Referrals from the area's major financial lending institutions.
- Companies seeking assistance through the ECIDA's other financial services and technical assistance programs are internally referred to the RLF program.
- Referrals from other economic development organizations including municipal business outreach officials and the area's regional marketing entities.
- The Business Development staff of the ECIDA providing program information to prospective companies and their professional advisors through its marketing and outreach efforts.

3. Business Assistance and Advisory Services to Prospective Borrowers:

The Buffalo and Erie County Regional Development Corporation has partnered with several key organizations to offer guidance, mentoring and support services to prospective and current borrowers. Examples of such partnerships and services offered include, but are not limited to:

- The Small Business Development Center: Business Plan Development, Research, Mentoring.
- The Small Business Administration: Financial Assistance, Mentoring, Research, Training.
- SCORE: Business Development, Mentoring, Training.
- Workforce Investment Board: Staffing, Training.
- Local Chambers of Commerce: Networking, Research, Training.
- Beverly Gray Business Exchange Center: Training, Access to Capital
- Pursuit Lending: Financial Assistance, Training.

4. *Loan Processing (Application Review):*

Loan Processing is performed by the RDC Lending Staff with the following actions:

- Reviewing Application and supporting documents
- Initial due diligence searches on the business applicant and guarantor(s)
- Credit Analysis
- Preparing Loan Write Up/Analysis
- Packaging loan case
- Recommendations to Loan Committee
- Closing/Funding of loans

5. *Loan Closings:*

Loan Closings are prepared/administered by RDC Loan Counsel and/or by the RDC Lending staff, depending on the size of the loan request.

- All loans under \$100,000 are eligible to be closed by the RDC staff.
- Loans from \$100,001 to \$2 million will be closed by approved RDC Loan Counsel.

6. *Loan Servicing:*

Loan servicing is performed by RDC Lending Staff and generally takes place throughout the duration of the loan term. Actions include but are not limited to:

- Loan servicing requests.
- Modification of loans.
- Collection of financial documents.
- Payment processing.
- Collections and work out scenarios.
- Liquidation of borrower assets.
- Foreclosure and Judgments.

B. Loan Administration

1. Loan Approval Process:

A. RDC Loan Committee:

The primary activities of the Loan Committee, a subcommittee of the RDC Board of Directors are as follows:

- Authority to approve/decline loans up to \$500,000.
- Make a recommendation to the RDC Board of Directors for loans ranging from \$500,000 to \$2 million.
- Initiate and approve all procedural changes in the day-to-day RLF operation documentation.
- Advises and recommends policy guidance and changes as needed.

B. RDC Loan Committee Composition:

The RDC Loan Committee is comprised of a maximum of seven members, including:

- No more than five members of the RDC Board of Directors.
- Two members appointed by the Mayor of the City of Buffalo.
- One member of the corporation appointed and designated by the Erie County Executive; and such individuals as may be appointed by the Board from time to time.
- The Board may also establish or appoint other Loan Committee members with specific commercial lending or business experience.

Historically, the loan committee has been comprised of local bankers, Board Members, and partner lenders. Loans over \$500,000 need approval from both the loan committee and RDC Board of Directors.

C. Terms, Vacancies, and Organizations:

Loan Committee members serve at the pleasure of the RDC Board. A Loan Committee member who misses two consecutive meetings without reasonable cause may be relieved of this responsibility. All members of the Loan Committee will be re-appointed or newly appointed at the Joint Annual Board of Directors and Membership meeting.

D. Meetings, Quorum, and Voting of Members:

The Loan Committee will hold meetings on an as needed basis as determined by loan application volume. Special meetings may be called by the RDC's Executive Director with the concurrence of the Loan Committee. A quorum is required to approve/decline all loan requests.

E. RDC Board:

The RDC is governed by a 19-member Board of Directors, which also serves as the ECIDA Board. The composition of the Board was designated by New York State when the ECIDA was established. The current ECIDA/RDC 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 the 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 RDC Board, with respect to the RLF, are as follows:

- Reviews, amends, and adopts RDC/RLF Management Plan.
- Provides overall policy guidance to the RDC/RLF Loan Committee and staff.
- Appoints and/or replaces members of the RLF Loan Committee.
- Makes final decisions on all loans ranging from \$500,001-\$2,000,000.

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 RDC loan, the representative/board member/Loan Committee member shall so notify RDC Board and be excused from its review function with respect to the proposed RDC/RLF 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 ECIDA/RDC staff or Board of Directors, , or any other person or entity which advises, approves, recommends, or otherwise participates in decisions concerning loans or the use of RLF 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.

In the event of such a conflict, the write-up, or minutes from the RDC Board or RDC Loan Committee meeting will contain a standard notice and disclaimer and the conflicted member(s) of *Loan Committee shall not vote on or participate in the discussion of the loan request.*

2. Loan Processing Procedures

A. Standard Loan Application Requirements:

Items required to apply for RDC Financing generally include, but are not limited to:

- RDC Loan Application.
- Personal Financial Statement(s) for each guarantor.
- Most recent 3 years of personal tax returns for each guarantor.
- Interim financial statements for the subject business.
- Most recent 3 years business tax return for subject company (as applicable).
- Projections.
- Business plan/description (as necessary).
- Other documents deemed necessary.

B. Credit and Financial Analysis (Loan Writeup):

Staff will prepare a loan write-up identifying the key aspects of the loan including risk analysis, mitigants and the public benefit reasons for RLF involvement in the project. Minimum analysis will include but is not limited to the following:

- Company's background/history
- Description of Product/Service
- Management experience
- Project Sources and Uses of Funds, including equity contribution from borrower
- Financial Analysis/repayment ability (cash flow)
- Collateral analysis
- Guarantor analysis including comments on credit report
- Job creation/retention
- Borrower's present banking relationship
- Staff recommendations
- Terms and conditions of the loan
- Private funds leveraged.
- Reason for RLF loan (non-substitution of funds)
- Environmental determination associated with the project (if applicable)

C. Loan Approval Requirements:

- **Credit Reports:** Credit reports will be generated for each borrower/guarantor, the subject business/borrower, with a summary of the credit report listed in the loan analysis. The RDC will have no minimum credit score requirement. If an applicant has a low credit score or derogatory remarks, reasons for the credit issues should be documented.

- **Collateral Requirements:** The RDC will make best efforts to secure loan requests. Collateral considerations include but are not limited to liens on business assets, collateral mortgages on personal property and *commercial property, assignment of life insurance policies, and personal assets.* Generally, the RDC is a subordinate lender and will have a subordinate lien on all business assets.
- **Personal Guarantees:** A personal guarantee is required on any individual owning 20% or more of the business. Additionally, a Corporate Guaranty may be required if the Corporation owns 20% or more of the business.
- **Equity Contribution:** Borrowers are generally required to contribute a minimum of 10% equity into the total project cost. Equity can be in the form of previously purchased equipment, tangible and intangible items, cash, and subordinated loans.
- **Verify loan request/credit is not otherwise available.**
- **Appraisal Reports:** Appraisals are generally required for any commercial or residential real estate being pledged as collateral for a loan to confirm the value of the property and available equity.
- **Environmental Report:** The RDC will engage a third-party environmental firm to perform environmental assessments as applicable for commercial properties being considered as collateral. The review ensures compliance with National Environmental Policy Act of 1969 and other Federal Environmental mandates. The following are the minimum requirements of compliance. Receipt of a bank's environmental assessment report is also acceptable.

Appraisal and environmental reports are only required if the RDC loan is being secured by commercial real estate.

3. Procedures for Loan Approvals:

Reviewing Applications:

- Credit analysis and recommendations are provided to the RDC Loan committee and RDC Board of Directors (if necessary) generally no less than 7 days prior to the scheduled review meeting. During the loan review meeting, lending staff will present the loan analysis findings/recommendation and address any questions, concerns, or comments the Loan Committee or Board of Directors may have. Upon commencement of the loan review, the approval or declination of the loan is voted upon by the Loan Committee and Board of Directors. The meeting is documented by way of recording the dialogue in meeting minutes which is prepared by RDC counsel and archived accordingly.
- ***Loan Approval Levels:***
 Loan Committee (only): \$20,000-\$500,000
 Loan Committee and Board of Director: \$500,001-\$2,000,000

C. Loan Closing/Disbursement Procedure

1. Required Loan Closing Documents:

- Loan Application
- Personal Financial Statement
- Loan Agreement
- Promissory Note
- Security Agreement
- Unlimited Guaranty
- Inter-Creditor Agreement (as applicable)
- Collateral Mortgage Assignment (as applicable)
- Assignment of Life Insurance (as applicable)
- Assignment of Insurance Certificates (Property, Liability, Mortgage as applicable)
- ACH Agreement
- Loan Committee Approval
- Board of Director Approval (for loans over \$500k)

2. Loan Agreement Provisions:

- *The RDC will ensure RLF Funds are used as stated in the loan approval by requiring borrowers to furnish invoices for significant equipment purchases, re-imburements, purchase orders or an itemized list for purchases/expenditures made with loan proceeds. Advances for working capital generally will not require invoices. Failure to provide such documentation could prohibit the advance of loan funds or may be considered an event of default, and possibly cause the loan to be immediately payable in full.*

3. Loan Disbursement Requirements:

The following will occur before any funds are disbursed to any applicant:

- For all advances on an approved loan, the applicant must submit request in writing or by email. If the loan is for specific equipment or a specific purpose, a copy of the vendor's invoice should be attached to the request. Such invoice(s) should give a *sufficient description of the equipment for proper UCC filing purposes. Advances for working capital typically will not require an invoice.*
- Loan officer verifies availability of the requested loan amount.
- Loan officer verifies that all required terms and conditions of the approval have been, and remain, satisfied.
- Loan officer verifies to his/her satisfaction that there have been no significant changes which alter the purpose, use or risk of the loan as approved by the RDC Board/Loan Committee.
- Loans for the purchase of equipment may be disbursed by check or ACH, payable to the applicant and/or the equipment supplier. Working capital loans will be paid by check or ACH directly to the applicant.

- Line of Credit disbursements will require a formal written request by email or US mail from the borrower stating the use of the proceeds and requested amount. Generally, there will be a minimum draw request of \$5,000.00. Requests will be processed and considered by RDC Lending Staff to ensure compliance with all loan terms, conditions, and Line of Credit availability. Delinquent payments on other RDC facilities may prohibit advances on the borrower's Line of Credit.

D: LOAN SERVICING PROCEDURES

1. Loan Payment & Collection Procedures:

- a) Each month (currently at the end of the month), a billing report is generated by the ECIDA's bookkeeper which lists each loan, the principal balance remaining, cumulative principal and interest payments made to date and the last payment received.
- b) The bookkeeper prepares a report indicating the monthly payment due from each borrower and forwards the report to the RDC Lending Staff to confirm the monthly payment amount is correct. If there is a special payment arrangement made with a borrower, it will be noted on this report and returned to the bookkeeper to make any billing adjustments noted.
- c) From the monthly payment report, invoices are generated and mailed to the respective borrowers for payment. In addition, the monthly invoice indicates the current payment due, the current principal balance, the last payment received and any past due amounts.
- d) Generally, payments are automatically debited from the borrower's pre-authorized bank account per the ACH forms signed at closing. At the direct request of a borrower or in the event of a workout, payments will be accepted via a check.
- e) All payments received are immediately deposited in a commercial bank account and applied to borrower's loan as follows: past due interest, current interest, past due principal, and current principal.

2. Loan Monitoring Procedures:

- Generally, Annual site visits are conducted by the RDC Lending Staff to all active loan customers or on an as needed basis. Most borrowers will receive one (1) site visit per year or receive emails and phone calls regarding their business.
- Monthly portfolio reports are generated and reviewed to determine if borrowers are past due on their monthly payments.
- Borrowers receive annual letters and calls to provide required annual financial documentation stated in the loan approval and loan closing documents.
- Receipt of annual financial statements, proof of insurance coverage and other documentation is tracked internally to assist with compliance of loan conditions.
- As part of the closing process, UCC financing statements securing collateral are filed with the appropriate State and local offices, and generally expire in 5 years. UCC expirations are tracked by RLF legal counsel to assist with renewing the RDC's security interest in the borrower's assets.

- Employment levels are recorded at the time of application and verified at the end of each fiscal year with the execution of a Employment Survey to be completed by each borrower.

3. Loan Files:

Loan files are maintained electronically on an in-house server and backed up offsite. In addition to saving the loan documents electronically, all original notes, loan agreements, personal guarantees and security agreements are placed in a fireproof file cabinet. The original signed promissory notes are stored off-site in a bank's safety deposit box. Loan files generally include but are not limited to the following:

- Loan Application
- Personal Financial Statement(s)
- Approved Loan Analysis
- Loan Agreement
- Promissory Note
- Security Agreement
- Unlimited Personal Guaranty
- Inter-Creditor Agreement (as applicable)
- Collateral Mortgage Assignment (as applicable)
- Assignment of Insurance(s) (Liability, Property)
- Assignment of Life Insurance (if applicable)
- ACH Agreement
- Financial Documents submitted with application
- Loan Committee Approval
- Board of Director Approval (for loans over \$500k)
- Applicable UCC Filings
- Collateral Mortgage Assignment (as applicable)
- Detailed use of Funds/Invoices
- Employment Survey(s)
- Tax Returns (personal and corporate)

In addition to the electronic file system, hard copies of loan closing binders are secured on site in the event they are needed for legal dispute.

4. Job Creation/Retention:

Employment levels are recorded at the time of application and updated each year with a Certified Employment Survey to be completed by each borrower. Generally, the RDC looks to create 1 job for every \$75,000 lent. The RDC job creation is measured on the whole portfolio and not on each borrower. Job creation and retention levels should be clearly stated in the loan writeup.

5. Collection Procedures & Defaulted Loans:

I. Collection Procedures:

- a. Within the First five days of every month, the bookkeeper processes all ACH requests and checks received from borrowers and generates a monthly billing report that indicates which borrowers did not make their payments.
- b. The RDC Lending Staff reviews the report and contacts the borrowers that are past due either by email or a phone call to notify them of the issue and make satisfactory payment arrangements.
- c. If no contact is made with the borrower after 15 days, a collection letter is mailed to the borrower and guarantor(s). Periodic phone calls or emails will continue to the borrower and guarantors. Generally, a site visit will be made to the borrower to resolve the payment issue and determine if business is operating.
- d. If after 30 days no contact has been made with the borrower and guarantor(s), a certified letter will be sent to the borrower and guarantors requesting immediate payment of past due amounts and/or contact the RDC immediately to make satisfactory payment arrangements. Additional site visits may be necessary to assist with next course of action, including preservation of collateral. If a bank was involved with the project, contact their RM to discuss the matter and next steps.
- e. After 45 days with no contact, Lending Staff will contact RDC counsel to facilitate a plan to collect the overdue balances and preserve the outstanding loan balance, including repossession of equipment, foreclosure, judgments, etc.
- f. All loans that are greater than 90 days past due will be reported to the RDC Board of Directors next scheduled meeting on the Portfolio Status Report.

If the RDC Lending staff determines the borrower is in default of any loan documents regardless of their payment status, they may contact RDC counsel at any time to commence legal action to collect and preserve the outstanding loan balance.

RLF loans have a late payment penalty provision. The provision includes the following statement: If any payment due hereunder shall not be received within five (5) calendar days of its due date (or by the first business day thereafter if such date should not be a business day), a late charge of five percent (5%) of the amount of each overdue payment may be charged by the Lender to defray the expenses incident to handling such delinquency. This clause is acknowledged in both the Commitment Letter and the Promissory Note.

II. Defaulted Loans:

- When proceeds are received on a defaulted loan that is not subject to foreclosure, proceeds shall be applied in the following order of priority:
 - First, to the cost of collection
 - Second, to the outstanding penalties and fees
 - Third, any accrued interest to the extent due and payable/
 - Lastly, any outstanding principal balance

6. *Write-Off Procedures:*

The decision to charge off a given loan is a matter of judgment on the part of RLF management. That decision is predicated on the facts and circumstances of each account reviewed and is discussed internally. The decision to charge off a loan may be triggered by non-payment, a specific event, a Bankruptcy, or by the passage of time without change or improvement.

All loan charge-offs are documented by evaluating relevant factors including, but not limited to amounts outstanding, payment history, collateral, and collateral position, secured or unsecured guaranties, net worth of guarantor, senior debt balances, and most recent and historical financial information.

On a quarterly basis, all portfolio loans are reviewed to determine risk of loss associated with each loan. Risk ratings range from 25% to 100% of the outstanding loan balance and is based on borrower's circumstances. Accordingly, a loan loss reserve is established, and assets are set aside to cover estimated losses in the loan portfolio. At the end of each calendar year, the Controller of the RDC calls an internal loan review meeting to determine appropriate write off recommendations. The staff recommendations are then presented to the Loan Write Off Committee annually for approval.

The administrative accounting function of charging off a loan does not end the effort to collect on the loan. Most post-charge off recoveries, however, are from secondary or tertiary sources rather than from the original borrower's assets and operations. The possible sources of charge-off recoveries include personal guarantees, liquidation of collateral proceeds, judgments, sale of preferred stock taken in workouts, royalty payments on patent assignments and court ordered payments during and after bankruptcy. All loan write-offs are disclosed to the RDC Loan Committee and the RDC Board of Directors.

E: ADMINISTRATIVE PROCEDURES

1. Accounting:

The RDC has created several separate interest-bearing bank accounts for RLF funds so that repayment and interest income are clearly identifiable and auditable. It should be noted that each sub fund of the RLF will be housed in separate accounts and managed by Generally Accepted Accounting Principles (GAAP).

2. Administrative Costs:

RLF administrative costs are covered from dedicated bank accounts housing accrued interest income. Generally, RLF administrative costs will not exceed interest earned by the RLF Capital Base and associated fee income. Any eligible and reasonable administrative costs associated with the RLF operations in excess of RLF income will be covered by an affiliated entity (ECIDA). RLF administrative costs will be tracked through proprietary accounting system and by maintaining adequate accounting records, source documentation to substantiate the amount and percent of the RLF income expended for eligible administrative costs. Records of expenses incurred for activities and equipment relating to administration of the RLF will be maintained for 3 years from the date of the last audit.

3. EDA Reporting:

The recently enacted Reinvigorating Lending for the Future Act (the Act) authorizes EDA to release its federal interest in certain Revolving Loan Funds (RLF) that have operated satisfactorily for seven (7) years beyond disbursement of grant funds. The RDC has successfully operated their RLF since 1979 and has doubled the original investment. Due to the good historical performance of the RLF, the EDA has released their federal interest in the RLF on September 30, 2021. No further EDA reporting is required.

4. Audits:

The RDC engages an independent accounting firm to perform an annual audit of the entity's financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. In accordance with GAS, RDC's internal control over financial reporting is tested for compliance. The Governmental Accounting Standards Board (GASB) also requires that the management's discussion and analysis be presented to supplement the basic financial statements.

5. Public Information:

The RDC Board and Loan Committee meetings are open to the public and press. The RDC adheres to all NYS laws and policies regarding open meetings, including the Freedom of Information Law. All requests for information will be forwarded to the Senior Management Team and Marketing Director to determine the appropriate response and action.