MARIPOSA COUNTY
BOARD OF SUPERVISORS

DEPARTMENT: Administration/Economic Development

RECOMMENDED ACTION AND JUSTIFICATION:

PUBLIC HEARING

Adopt a Resolution approving the Mariposa County Business Assistance Program Guidelines; and, the Mariposa County Program Income ReUse Plan. Please see attached Report

BACKGROUND AND HISTORY OF BOARD ACTIONS

The purpose of this Public Hearing is for the governing board to adopt a resolution approving the Business Assistance Program Guidelines (Guidelines), the Program Income ReUse Plan (Plan) and to disseminate information and solicit citizen input on the above-mentioned Guidelines and Plan.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:

Not approving the Guidelines and Plan would cause the County to be ineligible for CDBG Block Grant funding.

Financial Impact? ( ) Yes (x) No Current FY Cost: $ ____________________________
Budgeted In Current FY? ( ) Yes ( ) No ( ) Partially Funded
Amount in Budget: $0
Additional Funding Needed: $ ____________________________
Source:
Internal Transfer
Unanticipated Revenue ______ 4/5's vote
Transfer Between Funds ______ 4/5's vote
Contingency ______ 4/5's vote
( ) General ( ) Other

List Attachments, number pages consecutively
Report, Attachment "1", pages 1-6
Resolution, Attachment "2", pages 7
Mariposa Co. Business Assist Guidelines
Attachment, "3", pages 8 - 57
Mariposa County Program Income ReUse Plan,
Attachment, "4", pages 58 - 63
Public Hearing Notice, Attachment "5", pages 64

CLERK'S USE ONLY:
Res. No.: ____________ Ord. No. ____________
Vote – Ayes: _______ Noes: _______ 
Absent: _______ Abstained: _______
Approved _______ Minute Order Attached ( ) No Action Necessary

The foregoing instrument is a correct copy of the original on file in this office.

Attest: MARGIE WILLIAMS, Clerk of the Board
County of Mariposa, State of California
By: ____________________________
Deputy

COUNTY ADMINISTRATIVE OFFICER:

Requested Action Recommended
( ) No Opinion
Comments:

CAO:

AGENDA Action Form 11.15.11_Pub Hearing_Approve BA Guidelines_ReUse Plan and Housing Guidelines.FINAL.a
RESOLUTION NO. 11-562

A RESOLUTION OF THE COUNTY OF MARIPOSA TO APPROVE THE MARIPOSA COUNTY BUSINESS ASSISTANCE PROGRAM GUIDELINES AND THE MARIPOSA COUNTY PROGRAM INCOME REUSE PLAN

WHEREAS, the County of Mariposa is required to have adopted and State approved Business Assistance Program Guidelines (Guidelines) that defines the parameters of the Business Assistance Loan Program under Economic Development Program; and,

WHEREAS, the County of Mariposa is required to have an adopted and State approved Program Income ReUse Plan (Plan) in order to retain and reinvest program income funds in its respective fund to benefit the local community; and

WHEREAS, the County of Mariposa wishes to establish the Mariposa County Business Assistance Program Guidelines and Mariposa County Program Income ReUse Plan in compliance with the State of California Housing and Community Development (HCD) standards, which will provide maximum flexibility in meeting the needs of the local community;

NOW, THEREFORE BE IT RESOLVED by the County of Mariposa as follows:

SECTION 1:
The County of Mariposa hereby approves the Business Assistance Program Guidelines, dated November 15, 2011, attached hereto as Attachment “3”.

SECTION 2:
The County of Mariposa hereby approves the Program Income ReUse Plan, dated November 15, 2011, attached hereto as Attachment “4”.

SECTION 3:
Upon approval of Business Assistance Program Guidelines (Attachment “3”) and the Program Income ReUse Plan (Attachment “4”), the County Administrative Officer or his designee is authorized to sign the Business Assistance Program Guidelines and the Program Income ReUse Plan and all administrative reports related to the above-mentioned documents.

PASSED AND ADOPTED at its regular meeting of the Board of Supervisors of the County of Mariposa was held on November 15, 2011, by the following vote:

AYES: STETSON, TURPIN, CANN, ALLEN
NOES: BERRY
ABSENT: NONE

Jim Allen, Chairman of the Board

APPROVED AS TO FORM

Steven W. Dahlem, County Counsel

ATTEST
Margie Williams, Clerk of the Board

Revised August 2011
MARIPOSA COUNTY BOARD OF SUPERVISORS

MINUTE ORDER

TO: RICHARD J. BENSON, CAO

FROM: MARGIE WILLIAMS, Clerk of the Board

SUBJECT: PUBLIC HEARING to Adopt a Resolution for the Mariposa County Business Assistance Program Guidelines and the Mariposa County Program Income ReUse Plan

RES. 11-562

THE BOARD OF SUPERVISORS OF MARIPOSA COUNTY, CALIFORNIA

ADOPTED THIS Order on November 15, 2011

ACTION AND VOTE:

2 Administration
PUBLIC HEARING to Adopt a Resolution for the Mariposa County Business Assistance Program Guidelines and the Mariposa County Program Income ReUse Plan

BOARD ACTION: Rick Benson and Marilyn Lidyoff/Business Development Coordinator, presented the staff report on the Business Assistance Program Guidelines. Steve Dahlem/County Counsel, responded to questions from the Board relative to the Loan Advisory Board and selection of members, and provided input on the Maddy Act requirements. Staff responded to questions from the Board relative to counting the number of employees for a business that starts as a partnership; whether administrative costs are sufficient to cover the time involved by County staff in the program; as to who will be responsible for the reporting requirements and filing of the liens; relative to the loan process and terms and interest rates, including creation of new jobs versus retention and review of the loans and determinations for funding and who ends up with the property if the business fails; relative to consideration of including the Auditor on the Loan Advisory Board; and whether the Hospital could quality for this program.

Marilyn Lidyoff continued with the staff report for the Income ReUse Plan. Staff responded to questions from the Board relative to covering costs for administration and environmental review and whether any General Fund dollars would be needed; relative to providing assistance to applicants in filling out the loan application – County Counsel clarified the definition of “contractor” as the “under writer” in the Plan; and relative to the loan requirements. Supervisor Bibby requested that the Board receive a copy of the reports that are submitted to the State. The public portion of the hearing was opened and input was provided by the following:
Eleanor Keuning referred to the micro-enterprise loan program and asked how many of the loan recipients are still in business; and she asked about the eligibility requirements and qualifications for this program.

The public portion of the hearing was closed and the Board commenced with deliberations. Chair Allen suggested that Eleanor Keuning contact Marilyn Lidyoff with her questions on the micro-enterprise loan program as that is not a part of this agenda item. Staff responded to questions from the Board clarifying legal counsel’s review of the loan and covering the costs; and relative to the guidelines for this program being consistent with the guidelines at the time of the application for the grant funds. (M)Cann, (S)Turpin, Res. 11-562 was adopted approving the Business Assistance Program Guidelines and the Income ReUse Plan as recommended. Supervisor Bibby asked whether the motion includes a condition that no General Fund costs are involved. Discussion was held, and Supervisor Cann advised that this condition was not included in the motion. Ayes: Stetson, Turpin, Cann, Allen; Noes: Bibby. The hearing was closed.

Cc: Marilyn Lidyoff, Business Development Coordinator
    Bill Davis, Auditor
    File
BACKGROUND AND HISTORY OF BOARD ACTIONS

On March 22, 2010, the County Board of Supervisors approved the submittal of a grant application in the amount of $500,000 to the State of California Community Economic Enterprise Fund to launch a Business Assistance Program under the Office of Economic Development.

On July 19, 2011, the County was notified of the grant award for full funding in the amount of $500,000. Grant Agreement Number 10-EDEF-7268 cites a 90-day Special Agreement condition, requiring that the local governing board approve the Business Assistance Guidelines (Guidelines) and the Program Income ReUse Plan (Plan), which establishes procedures for the Business Assistance Program.

In addition to the above-mentioned documents, the County’s governing board is also required to adopt the Housing Rehabilitation Guidelines (Guidelines) establishing parameters for the loan rehabilitation program under the Human Services Department. The following is a synopsis on the above-mentioned Guidelines and Plan.

Office of Economic Development

Highlights of the Business Assistance Program Guidelines
The Program is capitalized with Community Development Block Grant Funds (CDBG) provided by the State of California Department of Housing and Community Development (HCD) originated by the Department of Housing Urban and Development (HUD). The source of funds will be available to Mariposa County from 1) state grant awards that are administered under a state block grant contract; and, 2) from loan repayments made by existing CDBG loans called program income funds.

Businesses owners that qualify under the Business Assistance Program will be required to attend, or his designee, at least one or more technical assistance workshops presented by the local small business development center or other local private for profit/non profit business development agency.

Eligible Loan Applicants
Loan applicants for this Program must be existing legal businesses with proper business insurance and required permits per state and federal requirements. The business may be a tenant leasing space, expansion of an existing business or for business relocation whereby an owner wishes to relocate into the County.

Typical Use of Funds
1. Operating capital;
2. Acquisition of furniture, fixtures, equipment and tools (FF&E);
3. Rehabilitation of leased space or owned buildings (including engineering and architectural and local permits or fees);
4. Purchase of manufacturing equipment (with or without installation costs);
5. Refinancing of existing business debt when provided in conjunction with financing other eligible costs;
6. Purchase of real property;

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7. Required off site improvements; and  
8. Relocation grants for persons displaced due to funding the project.

_Ineligible Use of Funds_
Projects that do not create permanent full-time equivalent jobs are not eligible. Projects that do not meet the National Objective are ineligible. The Program will not reimburse expenditures incurred prior to loan approval. Projects must have reasonable assurance of repayment of loan funds. Moreover, the pay-off of personal debt of owners not associated with the business is an ineligible use of Program funds. Loan funds cannot be reallocated from one approved use to another without formal written approval. **Non profits are not eligible for assistance.**

_Loan Application Processing_
The Business Development Coordinator shall conduct the initial review of each application and forward the package to a sub-contractor who will screen for eligibility and prepare a pre-loan application package. The package will be forwarded to the senior Contractor who will complete documents according to Lender standards and shall abide by the requirements of the State Program found in the State CDBG Regulations, Title 25 of the California Code of Regulations, Section 7050, et seq. Applications that do not meet basic requirements of the program will be returned with an explanation in writing outlining the deficiencies of the submittal and a request for additional information.

Loan files will be set up as applications are received and information is gathered. Technical assistance will be provided by the Sub-contractor, as needed, to help the business provide proper information for loan underwriting. The business will be required to provide proper financial information and agree to have credit checks conducted as part of the loan approval process.

Loan applicants are responsible for providing accurate and timely information to the program administration staff as part of the loan process. This includes disclosing any other businesses owners have greater than a 20% ownership interest. All owners of the business, having a greater than 20% ownership position or a material interest in the operation of the business are required to provide information and will be subject to the underwriting process. Borrower(s) will be required to provide security for the loan. Borrower(s) shall provide historical financial information and provide explanations of special circumstances of past performance as needed. Owner(s) must provide information on equity invested in the business to date and any current assets available for equity investment into the project.

Once the Contractor has compiled the required credit, financial, and underwriting information and confirmed the loan is eligible under these guidelines, a Loan Approval Memo will be drafted. The Loan Approval Memo including all supporting documentation and the Loan Approval Checklist and instructions will be submitted to the Department for review. If the Department approves the loan’s underwriting the Lender may submit the loan request to the Loan Approval Board (LAB) for approval. Once the loan is approved by the LAB, loan documents may be prepared for loan closing.

_Program Loan Advisory Board (LAB)_
LAB members shall serve as volunteers and shall be comprised of three persons. The Lender’s staff shall seek LAB members to volunteer for this board.

_Loan Closing Process_
Upon approval by the CDBG Program, the Contractor will prepare all necessary loan closing agreements and documents including title and lien searches, and UCC-1 filings. Lender legal

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counsel will review all agreements and documents, as necessary. Upon execution of the loan documents the Lender may request funds from the Department.

Determination of Loan Amount
Under the Business Assistance Loan Program, an applicant may apply for a loan up to $250,000. Requests in excess of $250,000 must be formally approved by the Department’s Economic Development Advisory Committee (EDAC).

Loan amounts will be determined based on the number of jobs to be created or retained, the ability of the business to service the new CDBG loan payment, and the reasonableness of the costs paid for with CDBG funds. If there are not sufficient CDBG funds for the project the program Contractor can assist in locating other public or private funding to leverage the proposed CDBG financing.

Determination of Loan Term
The term of the loan will be based on the asset being financed. The term generally should not exceed the economic life of the asset being financed. Department Staff will confirm the term is appropriate based on the use of the CDBG funds.

Determination of Loan Interest Rate
The interest rate for the loan will be based on the underwriting analysis conducted by the Contractor. Some of the factors that will drive the interest rate are: 1) ability of business to service the loan; 2) rate of return the borrower will receive; 3) credit risk factors and management experience. By allowing interest rate flexibility the Lender can tailor the loans under this program to meet the specific needs of the individual businesses.

Loan Collection and Servicing:
The County will serve as the loan collection agency for its existing CDBG economic development loan program.

Collateral Requirements
All loans under this program will be collateralized using standard commercial lending underwriting guidelines. Collateral coverage will be assessed based on assets available as security. CDBG funding is typically in a subordinate position to banks and other lenders. It is the goal of the Program to obtain a favorable lien position to assist in ensuring loan repayments and permanent job creation. Types of collateral may include:

- Secured liens on real property,
- UCC liens on machinery, equipment, or other fixtures,
- Lease assignments, as appropriate,
- Personal and corporate guarantees, as appropriate, and;
- Life insurance and other collateral, as appropriate.

Loan Servicing
Program loan repayments will be collected by Lender. Payments will be deposited by Lender’s into the proper CDBG program income revolving loan account(s) in accordance with the currently approved CDBG program income reuse plan. Lender will adhere to the Program Income Reuse Plan’s general administration annual allowable costs.

The Lender will require periodic financial statements from borrowers (typically annually) that will be reviewed by the loan servicing agent to determine the financial health of the business.

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This review will allow the Lender to be proactive in providing the business with technical assistance and effectively managing the status of the asset.

**Oversight of Program Contractor and Sub-contractor**
The Lender's staff, the Business Development Coordinator, will serve as the primary contact with the State CDBG program representative for the Program. Lender's staff will perform oversight of the Program and be responsible for securing services of a qualified Contractor(s) and Sub-contractor to perform eligibility and underwriting services. Both the Contractor and Sub-Contractor can be secured via proper CDBG procurement, a subrecipient agreement or a Non-profit Development Organization Agreement.

Both the Contractor and Sub-contractor will follow these adopted program guidelines. Both the Contractor and Sub-contractor will provide a monthly tracking sheet to the Lender's staff showing all applications received and the current status.

Upon completion of the loan underwriting by the Contractor, the Lender's staff will review the loan package and coordinate submittal to the State for review and approval. Upon State CDBG written approval, the Lender's staff will schedule a Loan Advisory Board (LAB) meeting. The Lender's staff will ensure all loan documents are properly reviewed by legal staff and meet CDBG requirements prior to borrower's execution of the documents and loan closing.

**Oversight of Loan Servicing Program**
The Lender's staff will be responsible for loan servicing. The Lender's staff will comply with local loan servicing policies when collecting payments. All loan repayments of past CDBG economic development loans will be serviced by Lender experienced in collecting and servicing business loans. The Lender's staff will monitor existing economic development loans.

At each LAB meeting the Lender's staff will brief the members on any problems or concerns regarding repayments of existing loans which may include decisions to foreclose and declare defaults. The governing body with direction and consultation provided by staff and legal counsel will make the final decision regarding troubled assets.

The Lender will complete the proper quarterly and annual program income reports to be submitted to the State CDBG program representative.
Highlights of the Mariposa County Program Income ReUse Plan

The purpose of the ReUse Plan is intended to satisfy the requirement specific in Federal statute and regulation at Section 104 (j) of HCD, as amended in 1992 and 24 CFR 570.489 (e) (3). These statutory and regulatory sections permit a unit of local government to retain program income for CDBG-eligible community development activities. Under Federal guidelines adopted State of California CDBG program, local governments are permitted to retain program income so long as the local government has received advance approval from the state of a local plan that will govern the expenditure of the program income. The Program Income ReUse Plan has been developed to meet that requirement.

Portfolio Management Costs:
Costs of managing the portfolio of CDBG funded loans may be charged to Program Income under General Administration or Activity Delivery within allowable limits by the HCD.

General Administration (GA) Cost Limitation
Up to eighteen percent (18%) of the total program income received on all activities during a single program year may be used for CDBG general administration expenses. With that said, the eighteen percent program income will be pro-rated in accordance with income generated respective to program type i.e. Housing Program, Business Assistance Program and Microenterprise Program.

Reuses of Program Income:
Program income must be: a) disbursed for an approved activity funded under an open grant prior to drawing down additional Federal funds; b) forwarded to the State of CA HCD; c) and distributed according to the Program Income ReUse Plan after it has been approved by HCD and adopted by the local governing board; and, d) by special request through HCD, may consider using Program Income for CDBG eligible non-revolving activities other than those for which the Revolving Loan Account was established.

The County’s program income will be used to fund eligible CDBG activities that meet CDBG national objective.

Planning Activity
As indicated above, the County may use program income within the 18 percent general administration annual cap, to fund planning for CDBG-eligible activities. Such planning activities may include: cash match for a State CDBG Planning and Technical Assistance grant; environmental review or other studies necessary for CDBG-eligible projects/programs; or application preparation for CDBG or other grant/loans to supplement funding for CDBG activities; and, shall be pro-rated from the respective fund. Thus, the cost of such planning activates may be charged to a Revolving Loan Account (RLA) if the planning is for the same activity as the RLA.

Distribution for ReUse of Program Income:

A. 100% of Program Income will be deposited into the Housing Assistance Revolving Loan Account (HR-RLA);

B. 100% of Program Income will be deposited into the Business Assistance Revolving Loan Account (BA-RLA); and

C. 100% of Program Income will be deposited into the Microenterprise Assistance Account (ME-RLA).
Reporting and Federal Overlay Compliance:
The County will comply with all State CDBG reporting requirements, including submittal of a single annual Grantee performance Report that reports on all of the County's Revolving Loan Accounts and Program Income Waiver activities.

Revising the Plan
The County has the authority to amend this document with a properly noticed County Board of Supervisor meeting and approval by HCD.

A copy of the Public Hearing Notices (Attachment "5") for the Business Assistance Program Guidelines, Housing Rehabilitation Guidelines and Program Income ReUse Plan, is attached.
A RESOLUTION OF THE COUNTY OF MARIPOSA TO APPROVE THE MARIPOSA COUNTY BUSINESS ASSISTANCE PROGRAM GUIDELINES AND THE MARIPOSA COUNTY PROGRAM INCOME REUSE PLAN

WHEREAS, the County of Mariposa is required to have adopted and State approved Business Assistance Program Guidelines (Guidelines) that defines the parameters of the Business Assistance Loan Program under Economic Development Program; and,

WHEREAS, the County of Mariposa is required to have an adopted and State approved Program Income ReUse Plan (Plan) in order to retain and reinvest program income funds in its respective fund to benefit the local community; and

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PASSED AND ADOPTED at its regular meeting of the Board of Supervisors of the County of Mariposa was held on November 15, 2011, by the following vote:

AYES: 
NOES: 
ABSENT:

Jim Allen, Chairman of the Board

APPROVED AS TO FORM

Steven W. Dahlem, County Counsel

ATTEST

Margie Williams, Clerk of the Board

Revised August 2011
Guidelines

For

Business Assistance Loan Program

Funded By

County of Mariposa

With

Community Development Block Grant

Adopted: November 15, 2011
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COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
BUSINESS ASSISTANCE LOAN PROGRAM GUIDELINES  
FOR MARIPOSA COUNTY

1.0 INTRODUCTION

The County of Mariposa here after call “Lender” has established a Business Assistance Loan Program, here after called “the Program”. The Program is designed to stimulate economic growth and create jobs that will improve the living conditions of residents in the community. The Program provides affordable non-conventional financing to eligible businesses and development projects. Businesses and development projects receiving these funds will be required to develop a sufficient number of net new jobs, or in the case of business preservation, retain existing jobs. These Program guidelines have been formally adopted by the Lender and shall be approved by the state CDBG program.

2.0 BUSINESS ASSISTANCE PROGRAM OVERVIEW

2.1 Program Contractor
The Lender will secure the services of a qualified program underwriter here after called “Contractor” who has experience in originating business assistance loans and is familiar with state CDBG requirements. The Contractor’s detailed scope of services will be negotiated and included in a formal agreement for services executed between the Lender and Contractor. In general, the Lender will accept and process applications, underwrite and recommend approval of loans, and ensure proper loan closing. The Contractor will follow and ensure compliance with these guidelines.

2.1-1 Program Sub Contractor
The Lender will secure the services of a qualified person/ or entity here after called “Sub-contractor” who has experience in the collection of all documents relative to loan packaging for originating business assistance loans and is familiar with state CDBG requirements. The Sub-contractor’s detailed scope of services will be negotiated and included in a formal agreement for services executed between the Lender and Sub-contractor. In general, the Sub-contractor will accept, package and pre-qualify applications and forward to the Contractor to write and recommend approval of loans, and ensure proper loan closing.

2.2 Program Service Area
Financing under this Program is available to all eligible businesses located in the jurisdictional limits of the Lender. State CDBG funds may not be used in urban areas that receive CDBG funds annually from the federal Department of Housing and Urban Development (HUD) entitlement program. Further, Sub-contractor will provide training to businesses, as necessary.
2.3 Source of Program Funds
The Program is capitalized with CDBG funds provided by HUD to the State of California Department of Housing and Community Development (Department). CDBG funds are federal funds and as such have a number of federal requirements that must be met, as described below. CDBG funds come to the Lender from two sources: 1) Department awards grants to the Lender that are administered under a state grant contract; 2) loan funds repaid from previous CDBG activities (grant and program income loans), called CDBG program income funds, administered under a Lender adopted program income reuse plan. As loans are originated under this program the repayments from those loans are returned and re-loaned out again to other eligible businesses.

2.4 Eligible Loan Applicants
Loan applicants for the Program must be existing legal businesses with a proper local business license, proper insurance and required permits per state and federal requirements. The business may be a tenant leasing space or the owner of the property where the business is located. The existing business must create new permanent full time equivalent (FTE) jobs. The business may also qualify by showing job retention and sufficient documentation the business will be closing down or reducing staff if not for the investment of CDBG funds. Retention applicants are businesses that will be shutting down permanently or moving operations to another labor market as defined in HUD guidelines.

Loan applicants may also be commercial developers or commercial property owners constructing a new building or completing tenant improvements in an existing commercial space. Funds can also be used to pay for off-site infrastructure costs of a new construction development project. For these projects, the developer must be underwritten and each business locating in the development must be underwritten in accordance with these guidelines.

3.0 CDBG PROGRAM REQUIREMENTS

3.1 Eligible Activities
Funds under this program are restricted to certain eligible costs. Some common eligible costs are: 1) operating capital; 2) furniture fixtures and equipment (FF&E); 3) rehabilitation of leased space or owned buildings (including engineering and architectural and local permits or fees); 4) purchase of manufacturing equipment (with or with out installation costs); 5) refinancing of existing debt in conjunction with financing other eligible costs; 6) purchase of real property; 7) required off site improvements; or 8) relocation grants for persons displaced due to funding of the project. Loan funds will be disbursed on a reimbursement basis incrementally as eligible costs are verified.

Funds under this Program are provided to eligible businesses as loans. Eligible loans are underwritten with the similar standards and documentation as used by private commercial lenders including review and analysis of credit capacity, equity contributions, historical income and expenses, projected income and expenses,
available collateral, and debt coverage. CDBG underwriting may be more flexible in some instances depending on the business and requested loan amount. The terms of the loan are typically more favorable than conventional commercial lenders with lower interest rates and longer terms for repayment. The Contractor will work closely with the eligible businesses to ensure they understand the requirements of the Program and the benefits of participating.

3.2 Ineligible Use of Funds
Projects that do not create permanent full time equivalent (FTE) jobs are not eligible. Projects that are primarily housing in nature are not eligible. Projects not meeting a CDBG national objective or public benefit or federal CDBG underwriting standards are not eligible. Projects must have reasonable assurance of repayment of loan funds.

Funds under this Program will not pay for reimbursement of expenses incurred prior to Department and local loan approval and/or completion of project’s environmental review. Pursuant to HUD regulations regarding job pirating, program funds may not be used to facilitate the relocation of a business from one local labor market area to another local labor market area. Once approved, loan funds may not be reallocated from one approved use to another without formal written approval. Non-profit organizations are not eligible to use funds for furniture fixtures and equipment (FF&E) or working capital. Funding a project without Department review and written approval will deem the project ineligible.

3.3 Meeting A National Objective
All CDBG funded loans must meet a CDBG “National Objective” as described in the federal regulations and statutes. Furthermore, state regulations require CDBG economic development funds to meet one of the three CDBG national objectives described below.

Use of funds meeting the National Objective of “benefit to low income households” will require the business receiving CDBG financing provide fifty one percent (51%) of the jobs created to low income persons. In order to meet this requirement, a third party designated by the Lender must certify family income levels of newly hired or retained employees to document that over half are qualified as low income. To ensure this requirement is met, the Lender will require low income job creation language and covenants in the loan closing documents. All employee information is confidential and will not be released.

Use of funds meeting the National Objective of “elimination of slums and blight” must show the business being assisted is located in an area designated as blighted. The designated area in which the activity occurs must meet the definition of a slum, blighted, deteriorated or deteriorating area under state or local law. These designated areas of blight must be approved by Department staff. Documentation of meeting this national objective shall include a resolution formally designating the area of the location of the business as blighted and that the investment of CDBG funds will assist in the prevention
and/or elimination of slums and blight.

To comply with the national objective of meeting community development needs having a particular urgency, an activity must be designed to alleviated existing conditions which the local government certifies and State determines:

- Pose a serious and immediate threat to the health or welfare of the community,
- Are of recent origin or recently became urgent,
- The state grant recipient is unable to finance the activity on its own, and
- Other sources of funding are not available to carry out.

A condition will generally be considered to be of recent origin if it is developed or became critical within 18 months preceding the state grant recipients certification. 

Reference: 24 CFR 570.483(d).

3.4 Meeting Proper Public Benefit Requirement
In order to meet the Public Benefit Requirement, CDBG regulations require the business to create or retain full time equivalent jobs. HUD federal regulations require that one full time equivalent (FTE) job must be created for each $35,000 in CDBG assistance provided. In order to qualify as an FTE, 1750 hours per year must be worked and up to four (4) part time staff may be combined to make up one FTE.

To ensure this requirement is met, the Lender will require low income job creation language and covenants in the loan closing documents. All employee information is confidential and will not be released. The loan agreement shall require the business to provide payroll documentation to the Lender or the Contractor showing job creation sufficient to meet the $35,000 per FTE requirement. Upon review, and confirmation by the lender and the Department that the required number of jobs have been created or retained the business will have satisfied the Public Benefit Requirement. CDBG loans are meant to create long term employment opportunities but ongoing long term monitoring is not required.

All employees retained or hired as a result of CDBG financing must complete a self certification form. The form shall be provided to the Lender and all demographic and income information will be included in the Annual Grantee Performance Report submitted to the Department.

Other Federal Requirements
There are a number of other federal laws and requirements that are triggered with the use of CDBG funds. The Lender and Contractor will take the lead and ensure compliance with all CDBG regulations in conformance with standards set by HUD.

National Environmental Policy Act (NEPA) regulations require an Environmental Review Record (ERR) be submitted for each project / business funded by CDBG. The Lender is required to complete the proper NEPA review and include in the Loan package. The ERR level of review is based on the type of project proposed and ALL aggregated
activities to be undertaken. The Contractor may complete the ERR for the Lender however the Lender must sign the document and take legal responsibility for the review. State CDBG staff must review and approve the ERR prior to commencement of the project and loan approval.

Applicants will be informed of any additional time required for loan processing due to the NEPA review. The ERR will be completed as soon as the Contractor determines the project is eligible for funding. No costs will be charged to the borrower for this process. Once an application is submitted, activity on the project must cease until completion and approval of the ERR. Commencement of a project or additional work performed on a project prior to the approval of the ERR would be a choice limiting action under NEPA regulations and would deem the project ineligible for CDBG financing.

Davis Bacon Federal Prevailing Wage Compliance is required when CDBG funding is used to pay for construction costs. In addition, state prevailing wage may be triggered with the use of CDBG funding. Loan processing staff will work with loan applicants to ensure projects are in compliance with HUD federal prevailing wage regulations and federal procurement standards. Any additional costs resulting from this regulation will be incorporated into the business loan and may be financed with CDBG funds.

Acquisition and Relocation laws may be triggered when using CDBG funds (24 CFR 570.606). Acquisition laws, both federal and state, must be followed when CDBG funds are used to assist in the purchase of real property. Loan processing staff will work with loan applicants to ensure the business is in compliance with all state or federal acquisition /relocation laws triggered by the project. Applicants will be informed of any additional costs or administrative work required due to acquisition or relocation regulations.

Applicants are required to provide a Data Universal Numbering System (DUNS) number. A DUNS number may be obtained on line at no cost. Prior to funding, the Lender will confirm the business and all owners are not on the federal debarred list. Applicants will be required to obtain all proper licenses and insurance to operate legally in the community. In addition, HUD also requires that the Department and the Lender collect certain income and demographic data from the business and any new hires resulting from the investment of CDBG funds.

3.5 Required Loan Review By Department Staff
Department staff must review each business assistance loan for procedural compliance with federal regulations and adopted program guidelines. Upon review and approval by the Department of local loan underwriting conducted by the Lender or a third party Contractor, a formal written approval letter will be issued by the Department.
4.0 LOAN PROCESSING AND APPROVAL

4.1 Program Marketing
Program marketing will be conducted by Lender staff. The designated staff for the Lender will arrange local media coverage with ads in local papers. Marketing brochures will be distributed to the local chamber of commerce and business networking organizations. Presentations will be scheduled for rotary and real estate organizations in the area. Local commercial lenders will be contacted and information will be provided. Flyers will be sent to all local business owners in the program's service area. Lender staff will ensure that maximum outreach and program education takes place in the service area and applications are processed in accordance with these locally adopted program guidelines.

4.2 Fair Lending Compliance
This program will be implemented in ways consistent with the Lender’s commitment to fair lending laws. No person or business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with Program funds on the basis of his or her religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause. All personal information of loan applicants will be kept confidential.

4.3 Loan Application Processing
Loan applications will be processed on a first come first served basis. The Sub-contractor will accept loan applications, review for eligibility and prepare a pre-loan application package. The package will be forwarded to the senior Contractor who will complete documents according to Lender standards and shall abide by the requirements of the State Program found in the State CDBG Regulations, Title 25 of the California Code of Regulations, Section 7050, et seq. Applications that do not meet basic requirements of the program will be returned with an explanation in writing outlining the deficiencies of the submittal and a request for additional information.

Loan files will be set up as applications are received and information is gathered. Technical assistance will be provided by the Sub-contractor as needed to help the business provide proper information for loan underwriting. The business will be required to provide proper financial information and agree to have credit checks conducted as part of the loan approval process. The Contractor may provide sample financial forms (ie; balance sheets/ cash flows, profit and loss statements, personal financial statements, pro forms) but in no instance will the Contractor’s or Lender’s staff prepare or complete the financial forms for the applicant. The applicant must be referred to local supporting resources such as local business assistance development organizations that are available to assist applicants in producing proper financial statements, formal business plans, market study or provide financial accounting classes as needed.

Loan applicants are responsible for providing accurate and timely information to the
program administration staff as part of the loan process. This includes disclosing any other businesses owners have greater than a 20% ownership interest. All owners of the business, having a greater than 20% ownership position or a material interest in the operation of the business are required to provide information and will be subject to the underwriting process. Borrower(s) will be required to provide security for the loan. Borrower(s) shall provide historical financial information and provide explanations of special circumstances of past performance as needed. Owner(s) must provide information on equity invested in the business to date and any current assets available for equity investment into the project. Borrower will be required to provide financial projections for the business that are reasonable and consistent with the past performance of the business.

Once the Contractor has compiled the required credit, financial, and underwriting information and confirmed the loan is eligible under these guidelines, a Loan Approval Memo will be drafted. The Loan Approval Memo including all supporting documentation and the Loan Approval Checklist and instructions will be submitted to the Department for review. If the Department approves the loan's underwriting the Lender may submit the loan request to the Loan Approval Board (LAB) for approval. Once the loan is approved by the LAB, loan documents may be prepared for loan closing.

4.4 Program Loan Advisory Board
The Loan Advisory Board (LAB) shall be made up of three persons. The Lender’s staff shall ask LAB members to volunteer for this board. The LAB members may be from local financial institutions, the Lender, or other interested parties who demonstrate the professional capacity to review and evaluate commercial loans.

LAB loan review and approvals will take place after Department review and approval. If the LAB makes significant changes to the approval the loan must be resubmitted to the Department for a second review and final approval prior to funding. LAB meetings will be scheduled by Lender staff in conjunction with Contractor staff once a loan has been underwritten and is ready for review and approval. LAB members are responsible for reviewing each loan application funding proposal and making recommendations to the Lender. The LAB may request additional information or add conditions to the loan request prior to final loan approval.

4.5 Loan Applicant Confidentiality
Persons serving as the Contractor, Lender, and serving on the LAB for this Program will not disclose any of the Borrowers personal confidential information. All confidential information of businesses will only be disclosed to persons required to view the information as part of loan review and approval process. All personal and business confidential information of loan applicants will be kept in a locked secured storage facility and is not available to persons outside of the program. If the Lender, Contractor, or Department receive a request for public records only non-confidential information, as determined by legal counsel, may be provided.
4.6 Applicant Dispute Resolution/Appeals Procedure
Any business applying for assistance through the CDBG program has the right to appeal if their application is denied. The appeal must be made in writing to the Contractor and the Lender. The LAB will schedule a meeting for the appeal to be heard. If the application is denied a second time then the person may ask to have their appeal presented to the Lender's governing body for a final decision.

The Contractor is responsible to the Lender to assure that the Program is implemented in compliance with state and federal regulations. In addition, loans must be underwritten in accordance with proper program guidelines in a timely and responsible manner including developing accurate and professional files, work write-ups and contract documents. The Contractor or their representatives will ensure the funded activities are completed and the jobs are created in accordance with federal regulations.

4.7 No Conflict Of Interest Allowed
In accordance with Title 24, Section 570.611 of the code of federal regulations, no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program. Exceptions to this policy can be made only after public disclosure and formal approval by the governing body and authorized in writing by Lender's legal counsel. In the event representatives from the financial community serving on the LAB have a financial interest (excluding regular checking and savings accounts) in a loan application the member will not participate in any discussion or conversation relative to the application or participate in any aspect of the loan the approval process.

4.8 Exceptions / Special Circumstances
Exceptions are defined as any action, which would depart from policy and procedures stated in the guidelines. For example, if the cost of rehabilitation for critical code deficiencies exceeds 100% of the after-rehabilitation value of the property, the LAB can, on a case-by-case basis, accept a partially secured loan.

The Lender or its agent may initiate consideration of an exceptional/special circumstance. A report on the situation will be prepared. This report shall contain a narrative, including the staff's recommended course of action and any written or verbal information supplied by the applicant. The Loan Committee shall make a determination of the exceptional/special circumstances request at a regular or special meeting.

Loan payments may, on a case by case basis, be deferred for a period of time to allow for the start up or expansion of a business.
4.9 Loan Closing Process
Upon approval by the CDBG Program, the Contractor will prepare all necessary loan closing agreements and documents including title and lien searches, and UCC-1 filings, if appropriate. Lender legal counsel will review all agreements and documents, as necessary. Escrow companies should be used for the loan closing process. Upon execution of the loan documents the Lender may request funds from the Department.

5.0 DESCRIPTION OF LOANS

5.1 Determination of Loan Amount
Loans in excess of $250,000 must be formally approved by the Department's Economic Development Advisory Committee (EDAC).

Loan amounts will be determined based on the number of jobs to be created or retained, the ability of the business to service the new CDBG loan payment, and the reasonableness of the costs paid for with CDBG funds. If there are not sufficient CDBG funds for the project the program Contractor can assist in locating other public or private funding to leverage the proposed CDBG financing.

5.2 Determination of Loan Term
The term of the loan will be based on the asset being financed. The term generally should not exceed the economic life of the asset being financed. Department Staff will confirm the term is appropriate based on the use of the CDBG funds.

5.3 Determination of Loan Interest Rate
The interest rate for the loan will be based on the underwriting analysis conducted by the Contractor. Some of the factors that will drive the interest rate are: 1) ability of business to service the loan; 2) rate of return the borrower will receive; 3) credit risk factors and management experience. By allowing interest rate flexibility the Lender can tailor the loans under this program to meet the specific needs of the individual businesses.

5.4 Loan Processing Fees
The CDBG program provides general and administration and activity delivery funds to pay for loan processing costs. No direct loan fees will be charged; however, the borrower may be charged a loan servicing fee. Loan servicing fees may not be charged for costs covered and paid for with activity delivery funds. There are no loan pre-payment penalties allowed under this program.
6.0 LOAN UNDERWRITING STANDARDS

6.1 Initial Loan Evaluation
Each project / business will be evaluated based on historical performance and financial projections. Specifically the following questions are examples of some of the questions that may be asked upon receipt of a loan application.

- Will the business create or retain jobs?
- Will project meet a CDBG national objective?
- Is the proposed use of funds CDBG eligible?
- Are the business and all owners’ credit worthy?
- If a start up, does business have management capacity?
- If a start up does business have solid business plan and document market demand?
- Does the owner of the business have the financial expertise to operate the proposed business?
- Is the owner(s) contributing a reasonable amount of equity?
- Is the owner able to obtain conventional bank financing, if not, why?
- Has the business been financially viable in the past?
- Are there reasonable financial assumptions for future viability/success?
- Is there enough collateral available to secure the loan funds?

These questions will assist the Contractor in determining what additional information/documentation may be needed to assess the viability of the project and demonstrate the need for CDBG funds.

The following represents some basic underwriting requirements for a typical loan applicant.

6.2 Personal and Business Credit Requirements
A personal credit report will be obtained for all owners of the business with 20 percent or more interest. A Dunn and Bradstreet report will be obtained for the subject business and all associated businesses wherein the borrower(s) have a 20% or more ownership position.

Most credit reporting services will provide credit scores. If a credit score is not provided a detailed analysis and narrative supporting the credit worthiness of the borrower shall be submitted.

6.3 Personal and Business Financial Information
Personal financial statements will be required for each person who owns 20% or more of the business. Financial statements must include all assets and liabilities. In addition, three (3) years personal federal tax returns are required.

Historical financial information for the business will be required including profit and loss statements and balance sheets. The business will also need to provide three (3) years
of financial projections. These will consist of pro formas showing projected revenue and costs for the business on a monthly basis for each fiscal year. Start up businesses will be required to provide projections until the business shows a profit. The cash flow projections will include an analysis comparing the use of CDBG funds versus conventional financing and the impact on the profitability of the business. The pro formas must also show the increase in the costs to the business due to the new jobs created and include the additional debt service associated with CDBG financing. A sources and uses form must be provided indicating all funding required to complete the proposed project including owner’s equity, private bank financing and all other sources of project financing.

Using the information in the financial statements along with any back up documentation required will allow the Contractor to conduct the project’s underwriting analysis.

6.4 Collateral Requirements
All loans under this program will be collateralized using standard commercial lending underwriting guidelines. Collateral coverage will be assessed based on assets available as security. CDBG funding is typically in a subordinate position to banks and other lenders. It is the goal of the Program to obtain a favorable lien position to assist in ensuring loan repayments and permanent job creation. Types of collateral may include:

- Secured liens on real property,
- UCC liens on machinery, equipment, or other fixtures,
- Lease assignments, as appropriate,
- Personal and corporate guarantees, as appropriate, and;
- Life insurance and other collateral, as appropriate.

Appraisals may be required in determining the value of collateral used to secure CDBG financing. Combined loan to value ratio on collateral for the typical CDBG loan should not exceed ninety percent (90%). Equipment and inventory secured should be properly discounted to reflect actual liquidation value.

6.5 Business Experience And Management Capacity
The Contractor will obtain and review resumes determining the level of experience of the business owners and their management staff and their ability to operate the proposed business.

7.0 LOAN SERVICING
Lender and Contractor shall abide by the requirements of the State Program found in the State CDBG Regulations, Title 25 of the California Code of Regulations, Section 7050, et seq.

7.1 Loan Servicing Agent
Program loan repayments will be collected by Lender. Payments will be deposited by Lender’s into the proper CDBG program income revolving loan account(s) in accordance with the currently approved CDBG Program Income Reuse Plan. Lender will adhere to the Program Income Reuse Plan’s general administration annual
allowable costs.

The Lender will require periodic financial statements from borrowers (typically annually) that will be reviewed by the loan servicing agent to determine the financial health of the business. This review will allow the Lender to be proactive in providing the business with technical assistance and effectively managing the status of the asset.

7.2 Loan Servicing Policies
The Lender has adopted a loan servicing policy that outlines how the loan servicing agent will proceed under varying circumstances. The policy also outlines how loan files will be set up and protected. These policies are available upon request from the Lender.

8.0 PROGRAM OVERSIGHT BY LENDER

8.1 Oversight of Program Contractor and Sub-contractor
The Lender’s staff, the Business Development Coordinator, will serve as the primary contact with the State CDBG program representative for the Program. Lender’s staff will be responsible for securing services of a qualified Contractor(s) and Sub-contractor for implementation of this Program. Both the Contractor and Sub-Contractor can be secured via proper CDBG procurement, a subrecipient agreement or a Non-profit Development Organization Agreement.

Both the Contractor and Sub-contractor will follow these adopted program guidelines. Both the Contractor and Sub-contractor will provide a monthly tracking sheet to the Lender’s staff showing all applications received and the current status.

As per the agreement between the Lender and Contractor and Sub-contractor, the Lender will complete all required reports for the program including financial reports.

Upon completion of the loan underwriting by the Contractor, the Lender’s staff will review the loan package and coordinate submittal to the State for review and approval. Upon State CDBG written approval, the Lender’s staff will schedule a Loan Advisory Board (LAB) meeting. The Lender’s staff will ensure all loan documents are properly reviewed by legal staff and meet CDBG requirements prior to borrower’s execution of the documents and loan closing.

8.2 Oversight of Loan Servicing Agent
The Lender’s staff will be responsible for loan servicing. The Lender’s staff will comply with local loan servicing policies when collecting payments. All loan repayments of past CDBG economic development loans will be serviced by Lender experienced in collecting and servicing business loans. The Lender’s staff will monitor existing economic development loans.

At each LAB meeting the Lender’s staff will brief the members on any problems or concerns regarding repayments of existing loans which may include decisions to
foreclose and declare defaults. The governing body with direction and consultation provided by staff and legal counsel will make the final decision regarding troubled assets.

The Lender will complete the proper quarterly and annual program income reports to be submitted to the State CDBG program representative.

Enterprise Grant 2010-11: Guidelines_Business Assist 2011
Exhibit A
Underwriting Standards

Initial Loan Evaluation

Lender (County) and Contractor (Loan Underwriter) shall abide by the requirements of the State Program found in the State CDBG Regulations, Title 25 of the California Code of Regulations, Section 7050, et seq.

Each project / business will be evaluated based on historical performance and financial projections. Specifically the following questions are examples of some of the questions that may be asked upon receipt of a loan application.

- Will the business create or retain jobs?
- Will project meet a CDBG national objective?
- Is the proposed use of funds CDBG eligible?
- Are the business and all owners’ credit worthy?
- If a start up, does business have management capacity?
- If a start up does business have solid business plan and document market demand?
- Does the owner of the business have the financial expertise to operate the proposed business?
- Is the owner(s) contributing a reasonable amount of equity?
- Is the owner able to obtain conventional bank financing, if not, why?
- Has the business been financially viable in the past?
- Are there reasonable financial assumptions for future viability/success?
- Is there enough collateral available to secure the loan funds?

These questions will assist the Contractor in determining what additional information/documentation may be needed to assess the viability of the project and demonstrate the need for CDBG funds.

The following represents some basic underwriting requirements for a typical loan applicant.

Personal and Business Credit Requirements
A personal credit report will be obtained for all owners of the business with 20 percent or more interest. A Dunn and Bradstreet report will be obtained for the subject business and all associated businesses wherein the borrower(s) have a 20% or more ownership position.

Most credit reporting services will provide credit scores. If a credit score is not provided a detailed analysis and narrative supporting the credit worthiness of the borrower shall be submitted.
Personal and Business Financial Information
Personal financial statements will be required for each person who owns 20% or more of the business. Financial statements must include all assets and liabilities. In addition, three (3) years personal federal tax returns are required.

Historical financial information for the business will be required including profit and loss statements and balance sheets. The business will also need to provide three (3) years of financial projections. These will consist of pro formas showing projected revenue and costs for the business on a monthly basis for each fiscal year. Start up businesses will be required to provide projections until the business shows a profit. The cash flow projections will include an analysis comparing the use of CDBG funds versus conventional financing and the impact on the profitability of the business. The pro formas must also show the increase in the costs to the business due to the new jobs created and include the additional debt service associated with CDBG financing. A sources and uses form must be provided indicating all funding required to complete the proposed project including owner’s equity, private bank financing and all other sources of project financing.

Using the information in the financial statements along with any back up documentation required will allow the Contractor to conduct the project’s underwriting analysis.

Collateral Requirements
All loans under this program will be collateralized using standard commercial lending underwriting guidelines. Collateral coverage will be assessed based on assets available as security. CDBG funding is typically in a subordinate position to banks and other lenders. It is the goal of the Program to obtain a favorable lien position to assist in ensuring loan repayments and permanent job creation. Types of collateral may include:

- Secured liens on real property,
- UCC liens on machinery, equipment, or other fixtures,
- Lease assignments, as appropriate,
- Personal and corporate guarantees, as appropriate, and;
- Life insurance and other collateral, as appropriate.

Appraisals may be required in determining the value of collateral used to secure CDBG financing. Combined loan to value ratio on collateral for the typical CDBG loan should not exceed ninety percent (90%). Equipment and inventory secured should be properly discounted to reflect actual liquidation value.

Business Experience and Management Capacity
The Contractor will obtain and review resumes determining the level of experience of the business owners and their management staff and their ability to operate the proposed business.
LOAN SERVICING
Lender and Contractor shall abide by the requirements of the State Program found in the State CDBG Regulations, Title 25 of the California Code of Regulations, Section 7050, et seq.

Loan Servicing Agent
Program loan repayments will be collected by Mariposa County. Payments will be deposited by Lender’s into the proper CDBG program income revolving loan account(s) in accordance with the currently approved CDBG program income reuse plan. Lender will adhere to the Program Income Reuse Plan’s general administration annual allowable costs.

The Lender will require periodic financial statements from borrowers (typically annually) that will be reviewed by the loan servicing agent to determine the financial health of the business. This review will allow the Lender to be proactive in providing the business with technical assistance and effectively managing the status of the asset.

Loan Servicing Policies
The Lender has adopted a loan servicing policy that outlines how the loan servicing agent will proceed under varying circumstances. The policy also outlines how loan files will be set up and protected. These policies are available upon request from the Lender.

PROGRAM OVERSIGHT BY LENDER
Oversight of Program:
The Lender’s staff, the Business Development Coordinator, will serve as the primary contact with the State CDBG program representative for the Program. Lender’s staff will be responsible for oversight of the Program.

All required reports for the Program will be reviewed and approved by the Lender’s staff prior to any signatures.

Upon completion of the loan underwriting by the Contractor, the Lender’s staff will review the loan package and coordinate submittal to the State for review and approval. Upon State CDBG written approval, the Lender’s staff will schedule a Loan Advisory Board (LAB) meeting. The Lender’s staff will ensure all loan documents are properly reviewed by legal staff and meet CDBG requirements prior to borrowers execution of the documents and loan closing.

At each LAB meeting the Lender’s staff will brief the members on any problems or concerns regarding repayments of existing loans which may include decisions to foreclose and declare defaults. The governing body with direction and consultation provided by staff and legal counsel will make the final decision regarding troubled assets.
INSTRUCTIONS FOR COMPLETION OF CHECKLIST:
1. All loans must have PART ONE AND TWO COMPLETED AND IN PROJECT FILE.
2. If loan amount is $70,000 or less - complete and submit PART ONE ONLY.
3. If loan amount is greater than $70,000 and less than $250,000 - complete and submit PART ONE AND TWO.
4. All documents submitted in support of loan package must be organized and presented in the order of the checklist and MUST INCLUDE page numbers. A loan request package received with incomplete documentation will not be reviewed or considered for approval and will be returned to the jurisdiction for completion and re-submittal.
5. Refer to the INSTRUCTIONS and NOTES for completing the checklist.

<table>
<thead>
<tr>
<th>GRANTEE</th>
<th>LOAN PROCESSOR</th>
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<tbody>
<tr>
<td>Jurisdiction:</td>
<td>Organization Name:</td>
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<tr>
<td>Contact Name:</td>
<td>Contact Name:</td>
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<tr>
<td>Phone:</td>
<td>E-Mail:</td>
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<td>Phone:</td>
<td>E-Mail:</td>
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PART ONE: CDBG Federal Overlay Requirements

<table>
<thead>
<tr>
<th>1. GENERAL LOAN DOCUMENTATION:</th>
<th>YES</th>
<th>NO</th>
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<tbody>
<tr>
<td>a. Is Loan Committee Memo with all supporting documents attached including a detailed Project Description?</td>
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<tr>
<td>b. Is a completed/signed NEPA review attached?</td>
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<tr>
<td>c. Is Prevailing Wage Monitoring triggered?</td>
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<tr>
<td>d. Is Real Property to be acquired using CDBG Funds?</td>
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<td>e. If yes, is proper CDBG acquisition process followed?</td>
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<td>f. Is Real Property Acquisition part of the project?</td>
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<td>g. If yes, is proper option to purchase in place that would allow sufficient time to obtain NEPA clearance?</td>
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<tr>
<td>h. Will Project cause Displacement of any persons or businesses?</td>
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<tr>
<td>i. Is Business or any Business Owner(s) on Federal Debarred List? (<a href="http://www.epis.gov">www.epis.gov</a>)</td>
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<tr>
<td>j. Is project within jurisdictional boundaries? If no, explain</td>
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<tr>
<td>k. Dunn &amp; Bradstreet Number (DUNS). Required for HUD Performance Measurements. #:</td>
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<td>l. Date of Most Recent Program Guideline Approval:</td>
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<tr>
<th>2. NATIONAL OBJECTIVE (Complete A or B):</th>
<th>YES</th>
<th>NO</th>
</tr>
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<tbody>
<tr>
<td>A. Documentation of Elimination of Slums or Blight (See Notes and Instructions 2.A)</td>
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<tr>
<td>B. Documentation that Full Time Equivalent (FTE) TIG jobs will be created or retained. (51% of jobs must be TIG).</td>
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<td></td>
</tr>
<tr>
<td>i. Is Employment Agreement for job creation and FTE TIG Certifications prepared and ready for execution?</td>
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<tr>
<td>ii. Total number of FTE jobs created/retained (FTE = 1750 Hours Per Year. See Notes and Instructions 2Bii)</td>
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<tr>
<td>iii. Proposed number of FTE TIG jobs created</td>
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<tr>
<td>iv. Proposed number of FTE TIG jobs retained</td>
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<tr>
<td>v. Percentage of FTE TIG jobs created and/or retained</td>
<td></td>
<td>%</td>
</tr>
</tbody>
</table>
3. PUBLIC BENEFIT:
   a. Total number of FTE jobs created ☐ ☐ Total number of FTE jobs retained ☐ ☐
   b. Does total number of FTE jobs support the loan? (One FTE required for each $35,000 of funds)

4. SOURCES OF FUNDS:
   a. CDBG Open Grant $ ☐
   b. CDBG Program Income $ ☐
   c. Local Public Funds (RDA or Other) $ ☐
   d. Borrowers Contribution (cash or cash equivalent) $ ☐
   e. Private Loans (Bank or Other) $ ☐

   Total Project Cost $ ☐

5. PURPOSE OF LOAN (Choose One):
   Start Up ☐  Expansion of Existing Business ☐  Business Preservation/Job Retention ☐

PART TWO: LOAN UNDERWRITING (Loans Greater than $70,000 and Less than $250,000)

6. UNDERWRITING CRITERIA (See 5 above): Based on the Purpose of Loan noted above see Notes 6a, 6b, and 6c on Instructions and Notes page for additional information.

7. UNDERWRITING DOCUMENTATION:
   a. Documentation of Site Control ☐ ☐
   b. Description of Use of CDBG Funds ☐ ☐
   c. Detailed Sources and Uses Table ☐ ☐
   d. Credit Report Review – Business and Personal ☐ ☐
   e. Tax Returns – Business and Personal ☐ ☐
   f. Debt Coverage Ratio Calculation (DCR) ☐ ☐
   g. Loan Terms and Conditions ☐ ☐
   h. Electronic Files (ie; MSEexcel) – Balance Sheets, Profit & Loss, Pro Forma P&L and Balance Sheets, DCR Calculation, ROI Calculation. Include ALL financial calculations.

8. COMPLIANCE WITH HUD UNDERWRITING GUIDELINES:
   a. Documentation that project costs are reasonable (570.482(e)(2)(i)). Provide third party cost estimates.
   b. Documentation that all sources of project financing are committed (570.482(e)(2)(ii)). Provide third party loan approval letters and documentation.
   c. Documentation that, to the extent practicable, CDBG funds are not substituted for non-Federal financial support (570.482(e)(2)(iii)). Provide documentation the owner is not able fund activities solely with other financing.
   d. Document that the project is financially feasible (570.482(e)(2)(iv)). If CDBG funds are invested will the projected profits allow for job creation? Has market demand been verified?
   e. Documentation that, to the extent practicable, the return on the owner’s equity investment will not be unreasonably high (570.482(e)(2)(v)). Provide ROI calculation with CDBG Loan Terms and with conventional financing terms.
   f. Documentation that, to the extent practicable, CDBG funds are disbursed on a pro rata basis with other finances provided to the project. (570.482(e)(2)(vi)).

H:\Templates\Business Loan Review Checklist Rev 10.6-12-2009
### CDBG ECONOMIC DEVELOPMENT BUSINESS LOAN NOTES AND INSTRUCTIONS

**1a.** Attach the Loan Committee Memo with a detailed project description.

**1b.** Grantees must complete a NEPA review for each CDBG business loan, and must receive NEPA clearance from the State prior to releasing loan funds. NEPA should be started at loan application submittal. Level of NEPA review is based on scope of work for entire project. See Chapters 3 and 15 (appendix) in the Grant Management Manual for a complete description of the process for determining level of NEPA review. If there are any questions regarding the level of review required, contact Department staff.

**1d, e, and h.** If CDBG assistance is provided to a business purchasing a building with an existing tenant (residential or commercial) and, as part of the project, the tenant must be displaced, relocation requirements will be triggered. See Chapter 6 in the Grant Management Manual for guidance on relocation and acquisition requirements.

**1i.** Provide printout documenting business is not on the Federal Debarred List. Website address is www.epis.gov.

**1j.** Attach documentation confirming a written agreement (e.g., revenue sharing agreement) between jurisdictions. If funds designated for a non-entitled jurisdiction are utilized for a project in an entitled jurisdiction, prior written approval from HCD is required.

**2A.** Attach legible map documenting the project is in a slum or blighted area (Redevelopment Area or Area with a proper HUD survey and local designation). Provide a written narrative of how the proposed project will eliminate or prevent blight in the area.

**2B.** Has business acknowledged and agreed to job creation requirements (i.e.: letter from the business, loan disclosure statement, loan committee condition).

**2Bii.** A maximum of four (4) part time employees may be aggregated to create or retain one (1) FTE.

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### PART TWO. SUBMITTAL OF BACKUP DOCUMENTATION NOTED IN PART TWO IS NOT REQUIRED FOR LOANS LESS THAN $70,000. HOWEVER, ALL INFORMATION MUST BE COLLECTED AND VERIFIED FOR ALL LOANS AND WILL BE SUBJECT TO REVIEW AT MONITORING.

**6a.** If the loan request is for a Startup, the startup business and its owners, and any additional businesses where the borrower has a material interest shall be underwritten and the following information is required:

- Credit Report including a version of the FICO scoring method (e.g., Beacon, Empirica, etc.). Jurisdiction shall determine minimum FICO credit score required. If a FICO score is not provided a detailed analysis and narrative supporting the credit worthiness of the borrower shall be provided.
- Copy of three (3) years personal tax returns.
- Copy of a personal financial statement.

**6b.** If the loan request is for a Expansion to an existing business, the expanding business and its owners, and any additional businesses where the borrower has a material interest shall be underwritten and the following information is required:

- Credit Report including a version of the FICO scoring method (e.g., Beacon, Empirica, etc.). Jurisdiction shall determine minimum FICO credit score required. If a FICO score is not provided, a detailed analysis and narrative supporting the credit worthiness of the borrower shall be provided.
- Copy of two (2) years personal tax returns.

**6c.** If the loan request is for Business Preservation and/or Job Retention, the business and its owners, and any additional businesses where the borrower has a material interest shall be underwritten and the following information is required:

- Credit Report including a version of the FICO scoring method (e.g., Beacon, Empirica, etc.). Jurisdiction shall determine minimum FICO credit score required. If a FICO score is not provided, a detailed analysis and narrative supporting the credit worthiness of the borrower shall be provided.
- Copy of two (2) years personal tax returns.
- Copy of two (2) years...
COUNTY OF \ LOAN APPROVAL MEMORANDUM
FOR LOAN APPROVAL BOARD

DATE: August , 200

Legal Name of Business: ____________________________ (example: Limited Liability Company)
Legal Structure: ____________________________ (SIC ___)
Type of Business: ____________________________
Total Project Costs: $0
CDBG Loan Request: $0
Total Loan Request: $0
National Objective: TIG Job Creation or Elimination of Slums and Blight
Public Benefit: FTE - TIG
Project Location: Community of __________ in County of ______
Loan Underwriter: ____________________________

LOAN UNDERWRITING AND CDBG PROGRAM ELIGIBILITY
(Based on Lender Adopted Guidelines and HUD Part 570)

Appropriate Analysis
1. Reasonableness of Project Costs - The costs seem reasonable for this business _____ or expansion are based upon the data provided and analysis of the projected revenues and expenses. Upon review of the historical and projected growth, as well as the product offerings and customer base, it appears reasonable that the business requires an additional investment into inventory and working capital. Third party cost estimates were provided for all equipment and supplies. Permanent working capital calculations were done to determine the level of funding for this cost item.

2. Commitment of Other Sources of Funds – Additional sources of funds will be verified through the _______________. CDBG funds represent _____% of the project. All funds have been documented.

3. Non-Substitution of CDBG Funds for Private Funds – Due to the _______________ of the business, as well as the nature of and discounted value of the collateral, this project was deemed ineligible for conventional commercial financing. As noted below _____________________________, recently reduced the business line of credit. This practice has also been witnessed in _______________.

4. Financial Feasibility of the Project - Based on the analysis in the following pages the project has been determined to be financially feasible. Financial analysis included analyzing the break-even point. Break-even sales are already being met.

5. Return on Equity Investment – The company was compared to other companies in their industry based upon 200___-200__ Risk Management Association (RMA) annual statement
studies with a standard industry code of 5961 (NAICS ______) _______. An attempt to compare the business to “like” businesses based upon sales of $____ and/or asset sizes of $0____ is considered irrelevant as there were no businesses reporting in the most recent fiscal period. Due to the ________________ position of the business the return on equity is a negative figure. Utilizing the salary figures the principals are paid thru the business, this measurement falls short of personally unduly enriching them as well. Based upon a 40-hour work week the salary equates to $12.50 an hour each.

6. **Fund Disbursement** - Funds will be disbursed according to the working capital needs of the business. Multiple disbursements are proposed as inventory is purchased. The debt refinance portion will be paid directly to the credit card companies.

7. **Public Benefit** - This project is projected to create ___ full-time equivalent positions from the targeted income group within 3 years of loan closing. Based upon the increased sales volume the projected job creation appears reasonable and appropriate. Expenses for these additional employees are included in the overhead expenses for 200__ and 200__.

**Business Description**

________________________. That’s the idea behind __________________, an ________ based business that sells a variety of ________ products. Started in ____ in the family garage, the business has been _________. While long awaited in the industry, the new American trend is to __________________________ with these types of products.

________________________ is an established ____________ with a reputation for quality and excellent customer service. They strive to create __________________________ for the customers and follow through with quick and accurate shipping. They focus on helping the consumer to make informed decisions about the products. __________ offers everything from __________________________ to __________________________. Products such as __________________________ have quickly become the top selling items for the company.

In 200__, a bricks and mortar site called ________________. While experiencing steady growth, the significant cost increase to operate a retail site caused the business model to suffer financial losses while still growing in total revenues. In 200__, _______________. This re-alignment meant relocating to a warehouse site that allowed for ease of shipping and receiving while minimizing overhead. The new site is located at __________________________ and offers approx. 00000 sq ft of office space and open area for shipping. This location also makes available easier access to the various shipping channels.

**Project Description/Expansion**

To date, the business has experienced double digit growth in ____________ sales. These sales increases have been funded through an operating line of credit on
and a small line of credit with ______________ and credit cards.

While acknowledging that the credit cards were not the best choice, at the time vendors were offering better terms if they could purchase in quantity and pay promptly. With cash flow tight in a growing business, short-term credit was used in place of long-term debt for working capital needs. A portion of this loan requests is to retire this short-term debt and instead place it in more appropriate and longer terms.

The consistent growth pattern, coupled with the ________________ has placed the business in an enviable position. This growth warrants the necessity to purchase more products to have on hand and allow for timely shipping to the consumer. The business experienced a recent set-back when ______________ cut the secured line of credit from $___ to $___. This decision was made without evaluating the property, credit score of the borrowers or business financials. The consequence of this decision is making it difficult for the business to purchase the necessary inventory for the holiday season, their busiest quarter.

A portion of this loan request will allow for working capital to be available to purchase inventory in quantities that will allow for taking advantage of favorable pricing being offered by the vendors. The purchasing of additional inventory will allow for the business to ship timely and not risk dissatisfied customers who may not return for repeat business.

Management/Experience

__________—Founder, ____________ holds a Bachelor's degree in Business Administration with an option in Marketing from ________________. Her background is in sales management for a ________________ company, corporate sales for a ________________ company focusing in the retail industry and as regional sales manager for a national manufacturer in the ________________ industry. These experiences have given ________________ the skill set to define and develop customer markets, think outside the box for original promotions and the drive to tackle large scale projects. In addition to focusing her efforts on marketing, ________________

__________—Co-Founder, ____________ holds a Bachelor's degree in Business Administration with a double option in Finance and Real Estate. He has gained extensive experience in financial management serving as a controller for a large business in ________________ and most recently as the controller for a large retail building supply chain based in ________________. Over the last ____ years ____, has developed strong financial management skills as well as a broad knowledge of technology and financial management systems. His interests in technology have grown to included ________________.

Together, ________________ make a terrific team. They bring to the table a wide skill set plus the shared drive and determination to make a difference in ________________. Their goal is to show that yes, you can make a vibrant company that cares about its customers, vendors and the ________________.  

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COUNTY OF MARIPOSA
REVOLVING LOAN FUND
LOAN AGREEMENT

Date

This COUNTY OF MARIPOSA REVOLVING LOAN FUND LOAN AGREEMENT (the "Agreement") is made this _____ day of ________, referred to herein as the Effective Date, by and between ___________ ("Borrower") and the COUNTY OF MARIPOSA, a political subdivision of the State of California, P.O. Box 784, Mariposa, CA 95338 ("Lender"), with reference to the following facts:

Borrower operates a business located in the County of Mariposa and has applied for a loan under the County of Mariposa Revolving Loan Fund Program for the purpose of creating and/or retaining permanent jobs specifically for qualified low or moderate income individuals who are residents of the County of Mariposa.

Information from the Borrower's application and supporting documents have been evaluated, and Lender's staff has determined that the funds requested for the purposes represented by Borrower meet the guidelines and requirements of the Block Grant (CDBG) Program for economic development assistance and that Borrower's request is an eligible use of CDBG funds that meets or exceeds the standard of 24 C.F.R., Part 570 and other applicable program guidance, and;

NOW, THEREFORE, in consideration of the mutual covenant and agreements contained herein, Borrower and Lender hereby agree as follows from the date first above written until Lender has been fully repaid with interest, unless Lender shall otherwise consent in writing:

1. Lender agrees to lend to Borrower and Borrower agrees to repay to Lender the sum of _________________ at ______ percent per year, (the "loan") payable as evidenced by a Fixed Promissory Note (the "Note") a copy of which is attached hereto as Exhibit A and incorporated herein by this reference. Borrower agrees to pay punctually the principal and interest on the Note according to its terms and conditions and to pay punctually any other amounts that may become due and payable to Lender under the terms of this Agreement.

2. The Loan is secured by a Security Agreement, between lender and Borrower of even date herewith, and by all goods, equipment and fixtures owned or hereafter acquired by Borrower, wherever located, also known and referred to as "Collateral".

3. Lender agrees that Borrower may prepay the loan in whole or in part. Conditions of the Loan Agreement shall not be affected by prepayment so long as any principal, interest, or other authorized accruals or charges remain outstanding.
4. Each disbursement on account of the loan shall be requested in writing by the Borrower in an amount supported by invoices or other documents satisfactory to the Lender.

5. Borrower specifically agrees to the County of Mariposa Revolving Loan Fund Program eligibility conditions contained in the County of Mariposa Revolving Loan Fund guidelines and the Loan Commitment Letter.

Borrower acknowledges, understands and agrees that the use of CDBG funds must meet a national objective. Borrower shall use CDBG loan funds only on eligible activities that meet the national objective of benefiting low and moderate income (LMI) by creating or retaining four (4) permanent jobs for LMI persons living in the County of Mariposa; at least fifty-one percent (51%) of jobs created or retained (computed on a full-time equivalent basis) shall be made available to or held by LMI persons who are residents of the County of Mariposa.

Borrower is familiar with and agrees to comply with the requirements governing and relating to the receipt, use and expenditure of CDBG funds including but not limited to HUD regulations, guidelines and requirements found in 24 CFR Part 570.

6. In consideration of Lender’s expenses associated with processing and servicing this Loan, Borrower agrees to pay Lender a reasonable processing fee at the time of the first disbursement of loan proceeds when applicable.

7. Borrower agrees to use the loan proceeds solely for the purpose(s) for which the loan was made.

8. Borrower agrees to notify Lender in writing during the term of the loan, of any changes in the organizational structure of the business.

9. Borrower certifies that all necessary authorization, approvals, or consents required have been secured with respect to this transaction from any mortgagor, creditor, lessor and any other party having financial interest in Borrower or the business.

10. Borrower certifies that it has filed all tax returns which are required and has paid all taxes which have been or may become due pursuant to said returns or pursuant to any assessments levied against Borrower or its personal or real property by any taxing agency, federal, state, or local. No tax liability has been assessed by the Internal Revenue Service or other taxing agency, federal, state or local for taxes materially in excess of those already provided for and Borrower knows of no basis for any such deficiency assessment.

11. Borrower certifies that there are no legal actions, suits, or proceedings pending or, to the knowledge of Borrower, threatened against the Borrower before any court or
administrative agency, which, if determined adversely to Borrower, would have a material adverse effect of the financial condition of business of Borrower.

12. Borrower certifies that there has been no adverse change since the date of loan application in the financial condition, organization, operation or business prospects.

13. Borrower agrees to duly pay and discharge all real and personal property taxes, assessments, and government charges upon its business, goods, assets and/or real property prior to the date on which penalties attach thereto, except that Borrower shall not be required to pay any such tax, assessment or governmental charge which is being contested by it in good faith and by appropriate proceeding. If so requested by Lender, Borrower will provide a bond guaranteeing payment of such taxes or assessments in any case in which Borrower contests any tax and refuses to pay.

14. Borrower agrees at all times to maintain the Collateral provided as security for this loan in a condition equal to the condition of said property at the time this Loan Agreement is executed, normal wear and tear excepted, and in any event in such condition and repair that the Lender’s security will be adequately protected. Borrower also agrees to maintain, during the term of the loan, adequate hazard insurance policies covering fire and extended coverage and such other hazards as may be deemed appropriate in an amount at least equal to the unpaid balance of the Note and issued by companies satisfactory to Lender with acceptable loss payee clauses in favor of Lender. The policy of insurance shall include a proof of insurance provision requiring written notice to Lender prior to cancellation.

15. Borrower agrees to indemnify and hold Lender harmless against any and all liability with respect to or resulting from, any delay in discharging any obligation of the Borrower or Lender.

16. Borrower agrees to maintain adequate records and books of account, in which complete entries will be made reflecting all of the business and financial transactions, such entries to be made in accordance with generally accepted principles of good accounting practice consistently applied in the case of financial transactions. Borrower also agrees to deliver to Lender business semi-annual financial statements certified by Borrower to be true and accurate copies within 60 days of the close of the period, and annual business financial statements within 90 days of the close of the period. Lender retains the right to request audited statements from Borrower at the Borrower’s expense.

17. Borrower agrees to provide job hiring and job retention data to Lender every 6 months, or more frequently if requested by Lender, for the term of this loan or a period of 5 years from the Effective Date, whichever is longer.

18. Borrower agrees to provide written notice to Lender of any public hearing or meeting before any administrative or other public agency which may in any manner affect Borrower’s professional status and standing or the personal property securing the loan.
19. Borrower agrees that authorized representatives of the County of Mariposa, and of 
the United States Department of Housing and Urban Development may at any reasonable 
time have access to; and inspect and examine all of the Borrower’s records, books, 
papers, property, and documents related to the loan. Borrower further agrees not to 
obstuct or hinder any such examination in any manner whatsoever.

20. With regard to the conduct of the business, Borrower specifically agrees as 
follows:
a. Borrower shall not allow the ratio of current assets to current liabilities to be less 
than 1 to 1.0, as defined by generally accepted accounting principals.
b. Borrower shall make no loans or advances, except those usually made in the 
ordinary course of business. Borrower shall not become liable either directly or 
indirectly for obligations of others without prior consent of Lender.
c. Borrower shall pay no dividends and make no distributions of its ownership interest.
d. Borrower shall not further encumber its business assets or incur indebtedness, in 
addition to that now existing and that provided for in this Loan Agreement, except 
indebtedness incurred in the ordinary course of business.
e. Borrower shall not sell, convey or suffer to be conveyed, lease, assign, transfer, or 
otherwise dispose of any assets of the business unless approved by the Lender.
f. Borrower shall not permit, without permission of Lender, any material change in the 
ownership structure, control, or operation of the Borrower.
g. Borrower agrees that, from the date hereto until payment in full of the Note, unless 
Lender shall otherwise consent in writing, it shall not enter into any agreement or other 
commitment, the performance of which constitute breach of any of the covenant 
contained in this Loan Agreement.

21. The entire unpaid principal of the Note, and the interest accrued thereon, shall 
become and be immediately due and payable upon the written demand of the Lender, 
without any other notice or demand of any kind or any presentment or protest, if any one 
of the following events of default shall occur and be continuing without limitation, 
occuring or brought about by operation of law or court or any order, rules, or regulations 
of any administrative or governmental body; provided, however, that such sum shall not 
then be payable if Borrower payments have been waived, or the time for making 
borrowers payments have been extended in writing by Lender.

a. Borrower fails to make payment when due of installment of principal on the Note, 
or interest accrued thereon, and said default remains delinquent for 15 days.
b. If default shall occur in the payment when due of any installment of principal or 
of interest on any of Borrower’s other indebtedness, and such default delinquent for 15 
days.
c. Any representation or warranty contained in, or made in connection with the 
estination and delivery of this Loan Agreement, or in any certificate furnished pursuant 
hereto, proves to have been incorrect when made in any material respect.
d. Borrower defaults in the performance of any other term, covenant, or condition 
contained in this Loan Agreement, and such default continues delinquent for 30 days
after it becomes known to Borrower or after written notice thereof has been given to Borrower by Lender.

e. If Borrower becomes insolvent or ceases to pay its debts as they mature or voluntarily files a petition seeking protection from creditors or is adjudicated bankrupt, or makes a voluntary assignment for the benefit of creditors.

f. If a petition is filed against Borrower under any bankruptcy, insolvency, or similar law seeking the reorganization of or the appointment of any receiver, trustee, or liquidator for Borrower, or of a substantial part of the property of Borrower, or a writ or warrant of attachment of similar process is issued against a substantial part of Borrower’s property and such petition not be dismissed, or such writ or warrant or similar process not be released or bonded within 30 days after filing levy.

g. If any final judgment for the payment of money that is not fully covered by liability insurance is rendered against Borrower, and within 30 days is not discharged; or if an appeal there from is taken and execution thereon is effectively stayed pending such appeal, and such judgment is affirmed on appeal and the same is not discharged within 30 days.

h. If Borrower has not adhered to the purpose of the program by creating or retaining the required number of jobs for low and moderate income individuals who are residents of County of Mariposa.

I. Borrower fails to comply with or is in violation of CDBG regulations/guidelines relating to use of CDBG funds for eligible activities for economic development.

22. Borrower agrees to give written notice to Lender of any event of default under this Agreement or of any event that would, with notice or lapse of time or both, constitute an event of default under this Loan Agreement. Borrower agrees to give such notice to Lender not later than 15 days after such event.

23. Upon default by Borrower, Lender has all remedies available to it under State law enforcing this Loan Agreement and Lender’s rights to the Collateral mentioned, herein include, but are not limited to the following:

a. Accelerate and declare the full balance immediately due on the Note and commence suit for collection thereof.

b. Take possession of Collateral

c. Request and demand that Borrower assemble the Collateral at an acceptable location for delivery to Lender.

d. Sell or dispose of Collateral by sale and pursuant to the law.

e. Specifically enforce the terms of the Note and related agreements.

f. Foreclose on any real property or personal property.

g. Pursue any and all other remedies available under law to enforce the terms of this Agreement and Lender’s right to the real and personal property identified, and in Collateral security documents of the Lender.

24. Borrower agrees, if at any time Borrower defaults on any provision of this Loan Agreement, to pay Lender in addition to any other amounts that may be due from
Borrower, an amount equal to the costs and expenses of collection, enforcement, correction, or waiver of the default incurred by Lender’s right under the Note and this Loan Agreement, and further agrees that the prevailing party shall be paid reasonable attorney’s fees and costs, including appeal expenses, by the non-prevailing party.

25. No failure or delay on the part of the Lender in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, or remedy preclude any other further exercise thereof of the exercise of any other right, power, or hereunder. No modification or waiver of any provision of this Loan Agreement or of the Note or any consent to any departure by Borrower there from shall be effective unless the same be in writing, and then such waiver or consent shall be effective unless the same instance and for the specific purpose for which given. No notice to or demand on Borrower in any case shall entitle Borrower to any other further notice or demand in similar or other circumstances.

26. Lender hereby expressly reserves all rights to amend any provision of the Loan Agreement to consent to waive any departure from the provision of the Loan Agreement, to amend or consent to waive departure from any provision of the Note, and to release or otherwise deal with any Collateral security for payment of the Note; provided, however, that all such amendments be in writing and executed by the Lender and the Borrower.

27. All notices, consents, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given to a party hereto if mailed by certified mail, prepaid, to Lender at its address:

Mariposa County
P. O. Box 784
Mariposa, California 95338

Borrower at the address of:

Name of Business
Address of Business

This section does not limit other means of delivering written notice if said notices are actually received.

28. All agreements, representation and warranties made by Borrower herein or in any other document or certificate delivered to Lender in connection with the transaction contemplated by this Loan Agreement shall survive the delivery of this Agreement, the Note and the Security Agreement hereunder, and shall continue in full force and effect so long as the Note is outstanding.

29. This Loan Agreement is binding upon Borrower, its Successors and Assigns, except that Borrower may not assign or transfer its rights without prior written consent of Lender. This Agreement shall insure to the benefit of Lender and, except as otherwise expressly provided herein, all subsequent holders of the Note. Borrower acknowledges
that Lender contemplates the assignment of, may assign, the Note and this Loan Agreement and consents to such assignments.

30. Borrower hereby assures and certifies that it will comply with all regulations, policies, guidelines, and requirements related to the County of Mariposa Revolving Loan Fund Program. Borrower certifies to the County of Mariposa that the activities funded by the loan:

a. Will comply with Title VI of the Civil Rights Act of 1964 (P.L. 88-352) whereby no person in the United States shall on the basis of race, color or national origin be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under the County of Mariposa Revolving Loan Fund program by which the Borrower receives Federal financial assistance. Borrower agrees to take measures necessary to effectuate this covenant.

b. Will comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. x2000d) prohibiting employment discrimination when (1) the primary purpose of financial assistance is to provide employment; (2) discriminatory employment practices will result in unequal treatment of persons who are or should be benefiting from the loan-aided activities.

c. Will comply with Section 112 of Public Law 92-65 and Title III of Public Law 94-135 which assure that no person in the United States shall on the basis of sex or of age be excluded from participating in, be denied the benefits of, or be otherwise subjected to discrimination in connection with loan-aided activities.

d. Will assist the County of Mariposa in its compliance with Section 106 of the National Historic Preservation Act of 1966 as amended (16 U.S.C. s470), Executive Order 11593, and the Archeological and Historic Preservation Act of 1966 (16 U.S.C. s469-1, et seq.) by (1) consulting with the State’s Historic Preservation Officer on the conduct of investigations, as necessary, to identify properties listed ineligible for inclusion in the National Register of Historic Places that are subject to adverse effects (see 36 CFR, Part 800.8) by the activity, and notifying the County of Mariposa of the existence of such properties, and by (2) complying with all requirements established by the State of California to avoid or mitigate adverse effects.

e. Will comply with Section 2 of the Public Works and Economic Development Act which provides that new employment opportunities should be created by developing and expanding new and existing facilities and resources rather than merely transferring jobs from one labor area to another.

f. Will ensure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the project are not listed on the Environmental Protection Agency’s (EPA) list of violating Facilities and that it will notify the County of Mariposa of the receipt of any communication from the director of the EPA Office of Federal Activities indicating that a facility to be used is under consideration for listing by the EPA.

g. Will comply with all requirements imposed by the Federal sponsoring agency concerning special requirements of the law, program requirements, and other administrative requirements.

h. Will comply with the Davis-Bacon Act, as amended (40 U.S.C. s276-5).
31. Failure by Lender at any time to require performance by Borrower of any of the provisions of this Loan Agreement shall in no way affect Lender’s right hereunder to enforce the same, nor shall any waiver by Lender of any breach hereof be held to be a waiver of any succeeding breaches or a waiver of this non-waiver clause.

32. If any provision of the Loan Agreement or of any document related to the loan is declared invalid or unenforceable by a court of competent jurisdiction, the remainder of such document shall nevertheless remain in full force and effect, and to this end, the provisions of all covenants, conditions, and agreements related to the loan are deemed separate.

33. This Loan Agreement and all documents related to the loan shall be construed in accordance with the laws of the State of California.

34. The term of this Agreement shall commence on the Effective Date and unless terminated earlier due to default or is extended by a writing signed by the parties shall be __________ years.

BORROWER: ____________________________

Date ____________________________

BORROWER: ____________________________

Date ____________________________

IN WITNESS WHEREOF, the County of Mariposa, a political subdivision, has authorized the execution of this Agreement by its County Administrative Officer and attestation by its Clerk of the Board by Resolution No. __________ adopted by the Board of Supervisors on the _____ th day of ______, and Borrower has caused this Agreement to be duly executed.

COUNTY OF MARIPOSA, a political subdivision

By ____________________________

County Administrative Officer

Date ____________________________

ATTEST:

By ____________________________

Margie Williams, Clerk of the Board
APPROVED AS TO LEGAL FORM:

Steven W. Dahlem City Attorney

Recording Requested By and
After Recording Return To:

County of Mariposa
Office of Economic Development
Attention:
P. O. Box 784
Mariposa, CA 95338

CONSENT TO REMOVAL

This Agreement is made by the undersigned on this______ day of
______, with reference to the following facts:

_________________________ is/are the Lessor(s) of the business premises located
______________________________.

_________________________ is the Lessee of business premises located at
__________________________, in which the business known as “_________________” is operated.

The County of Mariposa, a political subdivision of the State of California, has lent to
__________________________ the sum of______________________ dollars
($__________________). As part of the security for the above-described loan,
__________________________ has granted to the County of Mariposa a security interest in
all fixtures, equipment, supplies, furnishings, and inventory of the business (“the
Collateral”).

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, the
undersigned agrees as follows:

[Signature]
1. The fixtures, equipment, supplies, furnishings, and inventory of ______________________(name of business) shall remain personal property even though they are placed on the leased premises.

2. In the event of default under the above described loan, the County of Mariposa may enter the place of business and remove any and all fixtures, equipment, supplies, furnishings, and inventory and repossess the Collateral in accordance with the terms and conditions of the security agreement executed by ______________________ in favor of the County of Mariposa and other documents evidencing the above described loan.

3. The undersigned hereby waives any right, title, claim or interest in the fixtures, equipment, supplies, furnishings and inventory by reason of the Collateral or any of, if being attached to or resting upon the premises and hereby grant the County of Mariposa permission to remove the Collateral from the premises at any reasonable time. The County of Mariposa shall not be liable for the condition of the premises after removal of the equipment so long as reasonable care is used in effecting such removal.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first written above.

Borrower: ______________________

Lessor: ______________________

IN WITNESS WHEREOF, the County of Mariposa, a political subdivision, has authorized the execution of this Agreement by its County Administrative Officer and attestation by its Clerk of the Board by Resolution No. ________ adopted by the Board of Supervisors on the ______th day of __________, and Borrower has caused this Agreement to be duly executed.

COUNTY OF MARIPOSA, a political subdivision

By ______________________

Richard J. Benson
County Administrative Officer

Date ______________________

ATTEST: ______________________
By ____________________________
   Margie Williams, Clerk of the Board

(SEAL)

APPROVED AS TO LEGAL FORM:

______________________________
Steven W. Dahlem, County Counsel

Enterise: Mariposa Co. BLANK Loan Agree_Bus Assist 9.2011
SECURITY AGREEMENT

For valuable consideration, XXXXXXXXXX, a California Corporation ("Debtor"), and COUNTY OF MARIPOSA, a political subdivision of the State of California, as Secured party ("COUNTY") enter into this Security Agreement (the "Agreement") as of the effective Date listed above, hereby represents, warrant and agree to the following:

1. BACKGROUND AND PURPOSE:

Debtor has executed a Promissory Note (the "Note") payable to COUNTY in the original principal amount of ($____________).

To secure Debtor's obligations under the Note, and Debtor's obligations under the Agreement, Debtor has agreed to grant COUNTY a security interest as provided herein below.

Debtor and COUNTY desire to set forth more fully the terms of the Security Agreement.

2. GRANT OF SECURITY

In order to secure payment and performance of the obligations, Debtor hereby pledges, grants and transfers to the COUNTY OF MARIPOSA as Secured Party ("COUNTY") a security interest in all of the following property:

All goods, including without limitation, equipment, machinery, materials, furnishings, fixtures, supplies, tools, parts, supplies and inventory now owned and hereafter acquired by Debtor and all improvements, replacements, accessions and additions thereto (collectively called "Collateral") together with whatever is receivable or received when any Collateral or proceeds are sold, leased, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation (a) all accounts, accounts receivable, contract rights, chattel paper, instruments, general intangibles and rights to payments, including returned premiums, with respect to any insurance relating to any cause of action affecting or relating to any of the Collateral or any proceed (hereinafter call "Proceeds").

Debtor grants to COUNTY a security interest in all the collateral described above, wherever it may be located. COUNTY understands that the current location of the collateral described above is located at ____________________________

3. OBLIGATIONS SECURED

The obligations secured are hereby the payment and performance of: (a) all present and future indebtedness of Debtor to COUNTY; (b) all obligations of Debtor and rights of COUNTY under this Agreement; and (c) all present and future obligations of Debtor to COUNTY of other kinds. The word "indebtedness" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Debtor heretofore, now or hereafter made, incurred or created, whether

Date ____________

44
voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or un-liquidated, determined or un-determined and whether Debtor may be liable individually or jointly, or whether recovery upon such indebtedness may be hereafter become unenforceable.

4. TERMINATION

This Agreement will terminate upon the performance of all obligations of Debtor to COUNTY, including without limitation the payment of all indebtedness of Debtor to COUNTY existing or committed by COUNTY at the time COUNTY receives written notice of withdrawal of this Agreement of Debtor.

5. OBLIGATIONS OF COUNTY

COUNTY has no obligation to make loans hereunder. While Debtor is in default, COUNTY will, except to the amount of contingent liabilities secured hereby, either release or apply to any debt secured hereby, at COUNTY's option, all security in the form of cash irrevocable bank credit. Any sums withheld to secure contingent liabilities may be deposited at COUNTY's option in a non-interest bearing account over which Debtor shall have no control.

6. REPRESENTATIONS AND WARRANTIES OF DEBTOR

As a material inducement to COUNTY under this Agreement, Debtor represents and warrants that the following are and shall remain true and correct:

(a) Debtor is the owner of all right, title and interest in the Collateral free and clear of all liens, encumbrances, and security interests, except the security interest created by this Agreement owns and has possession of the Collateral; (b) Debtor has the right to grant a security interest in the Collateral and Proceeds; (c) all Collateral is genuine free from liens and adverse claims; (d) all Proceeds are genuine, free from liens, adverse claims, counterbalances, default, prepayment, defenses and condition precedent of any kind of character, except as otherwise disclosed to COUNTY in writing; (e) Debtor is not in the business of selling goods of the kind included within the Collateral subject to this Agreement, and Debtor acknowledges that no sale of any Collateral, including without limitation, any Collateral which Debtor may deem to be surplus, has been or shall be consented to or acquiesced in by COUNTY, except as specifically set forth in writing by COUNTY; (f) insurance on the Collateral has been obtained with loss payable to COUNTY; (g) all information Debtor has provided to COUNTY concerning Debtor and the Collateral and all statements herein are true and correct; (h) no Financing Statement covering any of the Collateral, naming any secured party other than COUNTY, is on file at any public office; (i) the liens granted to COUNTY under this Agreement will constitute a first priority lien on the Collateral on the filing of a UCC-1 Financing Statement and Debtor's grant of such lien to COUNTY does not constitute a fraudulent conveyance under any applicable law; (j) the execution of this Agreement by Debtor is not in violation of any applicable law or regulation or contractual obligation of Debtor; and (k) Debtor has been duly authorized to execute and deliver this Agreement, which is a valid and binding obligation of Debtor.
7. COVENANTS OF DEBTOR

A. PROTECTION OF SECURITY INTEREST.

Contemporaneously with the execution of this Agreement, Debtor shall properly execute and deliver to COUNTY UCC-1 Financing Statements to enable COUNTY to perfect COUNTY’s security interest in the Collateral. Debtor also agrees to execute, file and record such other statements, notices, and agreements, take such action and obtain such certificates and documents, in accordance with all applicable laws, statutes, and regulations as be may be necessary or advisable to perfect, evidence, and continue COUNTY’s security interest in the Collateral.

B. DEBTOR AGREES IN GENERAL

(a) to pay indebtedness secured hereby when due; (b) to indemnify COUNTY against all loss, claims, demands and liabilities of every kind caused by property subject hereto; (c) to pay all expenses, including attorney’s fees, incurred by COUNTY in the perfection, preservation, realization, enforcement and exercise of its rights, powers and remedies hereunder; (d) to permit COUNTY and its designees at reasonable times to inspect Debtor’s books, records and properties and to audit and make copies or extracts from such books and records; (e) permit COUNTY to exercise its powers; (f) to execute and deliver such documents as COUNTY deems necessary to create, perfect and continue the security interest contemplated hereby; (g) to conduct all business efficiently without voluntary interruption; (h) to preserve all rights; privileges and franchises held and used in business; (i) to keep its business properties in good repair; (j) to pay when due, all taxes and other indebtedness of Debtor to whomever owing; (k) to give COUNTY notice of any litigation which may have a material adverse affect on Debtor’s business; (l) not to permit liens on its properties, except existing liens, liens for taxes not delinquent and purchase money liens, except as hereinafter provided and incurred in the ordinary course of business; and (m) not to change its chief place of business or the place where Debtor keeps any of the Collateral or Debtor’s records concerning the Collateral and Proceeds without first giving COUNTY written notice of the address to which Debtor is moving.

C. DEBTOR AGREES WITH REGARD TO THE COLLATERAL AND PROCEEDS:

(a) to insure the Collateral with COUNTY as loss payee, in form and amounts, under agreements, against risks and liabilities, and with insurance companies satisfactory to COUNTY; (b) not to use the Collateral for any unlawful purpose not to use it in any way that would void any insurance required to be carried in connection therewith; (c) not to permit any lien on the Collateral including without limitation liens arising from repairs to or storage of the Collateral, except in favor of COUNTY; (d) to pay all license fees, registration fees and other charges in connection with Collateral; (e) not to remove the Collateral from Debtor’s
8. POWER OF COUNTY

Debtor appoints COUNTY its true attorney in fact to perform any of the following powers, which are coupled with an interest, which are irrevocable until termination of the Agreement and may be exercised from time to time by COUNTY’s officers and employees, or any of them, whether or not Debtor is in default: (a) to perform any obligation of Debtor hereunder in Debtor’s name or otherwise; (b) to give notice of the COUNTY’s right under the Collateral and Proceeds, to enforce the same, and make extension agreements with respect hereto; (c) to release persons liable on Proceeds and to give receipts and acquittance and compromise disputes in connection therewith; (d) to release security; (e) to resort to security in any order; (f) to prepare, execute, file, record or deliver notes, assignments, schedules, designation statements, statements of assignments, application for registration or like papers to perfect, preserve or protect COUNTY’s interest in the Collateral and Proceeds; (g) to receive, open and read mail addressed to Debtor; (h) to take cash instruments for the payment of money and other property to which COUNTY is entitled; (i) to verify facts concerning the Collateral and Proceeds; (j) to endorse, collect, deliver and receive payment under instrument for the payment of money constituting or relating to Proceeds; (k) to prepare, adjust, execute,
deliver, and receive payment under instruments in payment of loss or return premiums or any other insurance refund or return, and to apply such amounts received by COUNTY, at COUNTY’s sole option, toward repayment of the with the indebtedness or replacement of the Collateral; (l) to exercise all rights, powers and remedies which Debtor would have, but for this Agreement; and (m) to do all acts and execute all documents in the name of the Debtor or otherwise, deemed by COUNTY as necessary, proper and convenient preservation, perfection or enforcement of its rights hereunder.

9. PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS

Debtor agrees to pay, prior to delinquency all insurance premiums, taxes, charges, liens, and assessments against the Collateral and Proceeds, and upon the failure of Debtor to do so, COUNTY at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by COUNTY shall be obligations of Debtor to COUNTY, due and payable immediately without demand, together with interest at a rate determined in accordance with the provisions of Section 13 herein, and shall be secured by the Collateral and Proceeds, subject to all the terms and conditions of this Agreement.

10. EVENT OF DEFAULT

The occurrence of any of the following shall constitute an event of default under this Agreement: (a) any default in the payment or performance of any obligation, or any defined event of default, under (i) any contract or instrument evidencing any indebtedness, or (ii) any other agreement between Debtor and COUNTY, including without limitation any Credit Agreement or Letter Agreement relating to or executed in connection with any indebtedness; (b) any representation or warranty made by Debtor herein shall prove to be at any time incorrect in any material respect; (c) any Debtor shall fail to observe or perform any obligation or agreement contained herein; (d) any attachment or like levy on any property of any Debtor; (e) any financial statement provided by any Debtor to COUNTY proves false; (f) COUNTY, in good faith, believes any or all of the Collateral and/or Proceeds to be in danger of misuse, dissipation, commingling, loss, theft, damage or destruction, or otherwise in jeopardy or unsatisfactory in character or value; (g) the filing of a petition by or against Debtor under the provisions of the Bankruptcy Code; and (h) any sale or transfer of all or a substantial or material part of any Debtor’s assets other than in the ordinary course of business.

11. REMEDIES

Upon the occurrence of any event of default, COUNTY shall have the right to: (a) declare immediately due and payable without demand or notice all of any indebtedness secured hereby and to terminate any commitments to make loans or otherwise extend credit to Debtor; (b) have and may exercise all rights and remedies accorded to COUNTY by the California Uniform Commercial Code; (c) have all other rights, privileges, powers, and remedies provided by law, including without imitation the right to contact all persons obligated to Debtor on Proceeds and to instruct such person to deliver all Proceeds directly to COUNTY; and (d) to require Debtor to take any and all action necessary to make the Collateral available to COUNTY.

The rights, privileges, power and remedies of COUNTY shall be cumulative. No delay, failure or discontinuance of COUNTY in exercising any right, power, privilege or remedy
hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; not shall any single or partial exercise of any right, power, privilege or remedy preclude, waive or otherwise affect any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by COUNTY of any default hereunder, or any such waiver of any provision or conditions hereof, must be in writing. While Debtor is in default: (a) Debtor will deliver to COUNTY from time to time, as requested by COUNTY current list of Collateral and Proceeds; (b) Debtor will not dispose of Collateral except on terms approved by COUNTY; (c) Debtor will assemble and deliver all Collateral and Proceeds, and books and records pertaining thereto, to COUNTY at a reasonably convenient place designated by the COUNTY; and (d) COUNTY may, without notice to Debtors, enter onto Debtor’s premises and take possession of the Collateral. It is agreed that public or private sales, for Cash or on credit, to a wholesaler or retailer or investor, or user of collateral of the types subject to this Security Agreement, or public auction, are all commercially reasonable since difference in the sales prices generally realized in the different kinds of sales are ordinarily offset by the differences in the costs and credit risk of such sales.

12. DISPOSITION OF COLLATERAL AND PROCEEDS

Upon the transfer of all or any part of the indebtedness, COUNTY may transfer all or any part of the Collateral and Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred and the transferee shall be vested with all the rights of COUNTY hereunder. With respect to any Collateral or Proceeds not so transferred, COUNTY shall retain all rights, powers, privileges and remedies herein given. Any proceeds of any disposition of any of the Collateral or Proceeds, or any part thereof, may be applied by COUNTY to the payment of expenses incurred by COUNTY in connection with the foregoing, including reasonable attorney’s fees, and the balance of such proceeds may be applied by COUNTY toward payment of the indebtedness and in such order of application as COUNTY may from time to time elect.

13. COSTS, EXPENSES, ATTORNEY’S FEES

All payments, advances, charges, costs and expenses, including reasonable attorney fees made or incurred by COUNTY in exercising any right, power or remedy contained by this Agreement shall be paid to COUNTY by Debtor immediately and without demand, together with interest at the maximum allowed by law. If the services of an attorney are required by COUNTY, to include the Office of the COUNTY Attorney, to secure the performance of this Agreement or otherwise on the breach or default of this Agreement, or if any judicial remedy or legal action is necessary to enforce or interpret any provision of this Agreement or the rights and duties of any person in relation to this Agreement, COUNTY shall be entitled to reasonable attorney fees, costs, and other expenses, in addition to other relief to which COUNTY may be entitled. Any award of damages following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed.

14. MISCELLANEOUS

The obligations of Debtor are joint and several; presentment, protest, notice of protest, notice of dishonor and notice of nonpayment are waived with respect to any Proceeds to
which COUNTY is entitled hereunder; any right to direct application of payments or
security for indebtedness of Debtor hereunder, or indebtedness of customers or Debtor,
and any right to require proceedings against others or to require exhaustion of security
are waived; and consent to extensions, forbearance or alterations of the terms of
indebtedness, the release or substitution of security, and the release of guarantors is
given with respect to Proceeds subject to the Agreements; provided however, that in
each instance, COUNTY believes in good faith that the action in question is
commercially reasonable in that it does not unreasonably increase the risk of
nonpayment of the indebtedness to which the action applies.

15. NOTICES

All notices or demands of any kind which may be required or necessary under the terms
of the Agreement shall be in writing and served upon the other party by personal service
or by mailing a copy thereof by first class mail, postage prepaid, addressed to the party
at the address set forth below. Service by mail shall be determined to be completed at
the expiration of the second day after the day of the mailing.

COUNTY

COUNTY OF MARIPOSA

DEBTOR

16. GOVERNING LAW, SUCCESSORS, ASSIGNS

This Agreement shall be governed by and construed in accordance with the laws of the
State of California, and shall be binding upon and inure to the benefit of the heirs,
executors, administrators, legal representatives, successors and assigns of the parties.

17. SEVERABILITY OF PROVISIONS

If any provision of this Agreement shall be held to be prohibited by or invalid under
applicable laws, such provision shall be ineffective only to the extent of such prohibition
or invalidity, without invalidating the remainder of such provision or any remaining
provision of this Agreement.

18. AMENDMENT

This agreement may be modified at any time by the written agreement of the parties.
Any such agreement made after the Effective Date shall be ineffective to modify, amend
or change this Agreement in any respect unless it is in writing and signed by Debtor and
COUNTY.

19. Debtor warrants that the Collateral now is or will be located at the following address:

Debtor warrants this his/her/its chief executive office is located at the following address:

Debtor warrants that his/her/its mailing address is as follows:
Debtor warrants that his/her/its mailing address is as follows:

Debtor: ____________________________________________

Debtor: ____________________________________________

IN WITNESS WHEREOF, the COUNTY OF MARIPOSA, has authorized the execution of this Agreement by its COUNTY Manager and attestation by its COUNTY Clerk of the Board by Resolution No. ________________ adopted by the Council on the __th day of _____________ and Borrower has caused this Agreement to be duly executed.

COUNTY OF MARIPOSA

By ____________________________
Richard J. Benson, County Administrative Officer

Date ____________________________

DEBTOR:

__________________________________________

Date ____________________________

ATTEST:

__________________________________________
Margie Williams
Clerk of the Board

(SEAL)

APPROVED AS TO LEGAL FORM:

__________________________________________
Steven W. Dahlem
County Counsel

90-Day Spec Cond_Security Agreement
**NOTE:** This form must be filled out for each business and signed by an authorized business representative.

1. Company Name

2. Current workforce as of date of application: ____________________ (Date)

3. Job Information for created or retained jobs.

<table>
<thead>
<tr>
<th>Classification/Title (Created = [C] or Retained = [R])</th>
<th>Wage</th>
<th>Number of Jobs</th>
<th>TIG</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Please note whether wage is based on hour, month, or year)</td>
<td>(Minimum 1,750 hours per year)</td>
<td>(Minimum 875 hours per year)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Classification/Title (Created = [C] or Retained = [R])</th>
<th>Wage</th>
<th>Number of Jobs</th>
<th>TIG</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**

4. Number of "full-time equivalent" jobs. ________ (A full-time equivalent job is two part-time jobs each a minimum of 875 hours/year, that equals one full-time job of at least 1,750 hours/year.)
## INCOME SELF-CERTIFICATION FOR BUSINESS ASSISTANCE NEW HIRE APPLICANTS OR RETAINED JOBS

<table>
<thead>
<tr>
<th>Grantee Name:</th>
<th>Program Operator:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Name of Business:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Job Position:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>State Grant Number:</th>
<th>Or Program income: 2010 to 20</th>
</tr>
</thead>
</table>

### PART I: TO BE COMPLETED BY JOB APPLICANT OR RETAINED EMPLOYEE

<table>
<thead>
<tr>
<th>Household Name:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Number of Persons in Household:</th>
</tr>
</thead>
</table>

Enter all household member name(s), date(s) of birth, and member’s estimated gross annual income below.

<table>
<thead>
<tr>
<th>Household Member Name</th>
<th>Date of Birth</th>
<th>Gross Annual Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

**TOTAL INCOME:** $  

I certify that the information given on this form is true and accurate to the best of my knowledge. I certify that the amount of GROSS income listed above includes the income (including income from assets) of all adults within the household. I am aware that there are penalties for willfully and knowingly giving false information on an application for Federal or State funds. Penalties for falsifying information may include immediate repayment of all Federal or State funds received and/or prosecution under the law. I understand that the information on this form is subject to verification.

---

<table>
<thead>
<tr>
<th>Head of Household Signature</th>
<th>Print Name</th>
<th>Date</th>
</tr>
</thead>
</table>

### PART II: HUD DEMOGRAPHIC AND PERFORMANCE DATA (To be completed by Program Operator)

**COMPLETE WITH APPLICANT/RETAINED STAFF**

<table>
<thead>
<tr>
<th>Head of Household: Race</th>
<th>Ethnicity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not Hsp</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>White:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Black/African American:</td>
</tr>
</tbody>
</table>

**Job created? Or**  
[ ] Yes  [ ] No

**Job retained?**  
[ ] Yes  [ ] No

**Part-time job? Or**  
[ ] Yes  [ ] No
PART III: ELIGIBILITY CERTIFICATION (To be completed and Signed by Compliance Agency)

Current (2010) HCD Income Limits*

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low (30%)</td>
<td>$11,850</td>
<td>$13,550</td>
<td>$15,250</td>
<td>$16,950</td>
<td>$18,650</td>
<td>$19,350</td>
<td>$21,050</td>
<td>$22,750</td>
</tr>
<tr>
<td>Very Low (50%)</td>
<td>$19,750</td>
<td>$22,550</td>
<td>$25,350</td>
<td>$28,150</td>
<td>$30,950</td>
<td>$32,750</td>
<td>$34,550</td>
<td>$37,350</td>
</tr>
<tr>
<td>Low (80%)</td>
<td>$31,550</td>
<td>$36,050</td>
<td>$40,550</td>
<td>$45,050</td>
<td>$49,550</td>
<td>$54,050</td>
<td>$58,550</td>
<td>$63,050</td>
</tr>
</tbody>
</table>

Responsible agency staff must circle the income level of the Person’s family based on family size and income certified on page one. *Current income levels must be obtained at HCD’s website NOT HUD’s website.

Name: ____________________________
Position Title: ____________________________

Participant Meets HUD definition of low income based on being below current income limits adjusted for family size: Yes___ No___

Signature: ____________________________ Date: ___________

Job applicant was hired by the business on ___________ 20___. Job applicant annual hours are ________.

Signature: ____________________________ Date: ___________

Above job applicant meets the CDBG Income limits under the program’s Low/Mod Income Limits (80% Median Income) as of the date noted above. The job applicant was documented as employed by the business working average weekly hours as of the date above.

Note: The completed certification must be maintained in the grant file for review at time of monitoring.
SELF-CERTIFICATION FORM INSTRUCTIONS

At the application stage, a Self-Certification Form should be completed by every employee in all cases of job retention to document the jobs being retained, and document the TIG benefit for those applications applying under the national objective of benefit to the targeted income group.

For job creation applications, a Self-Certification is the basis for determining verifiable income documentation.

The jurisdiction or the business should complete the date, jurisdiction and grant information at the top of the certification form, including the current HUD income limits by family size for their County.

The employee should complete the remainder of the form and then sign and complete the signature block of the form. The employee is to circle the family size, supply the household income amount and indicate by initialing whether the family income is above or under the HUD indicated figure. The employee should also complete the remainder of the form by initialing gender, age and nationality (race and ethnicity) categories. According to HUD reporting requirements and census categories, the employee may check any box that applies. Please be sure to advise them accordingly as they are completing the form.

The Self-Certification Form should be translated into Spanish, if the employees do not read English.
Exhibit G
Loan Servicing Policy

LOAN SERVICING
Lender and Administrator shall abide by the requirements of the State Program found in the State CDBG Regulations, Title 25 of the California Code of Regulations, Section 7050, et seq.

Loan Servicing Agent
Program loan repayments will be collected by Mariposa County. Payments will be deposited by Lender into the proper CDBG program income revolving loan account(s) in accordance with the currently approved CDBG program income reuse plan. Lender will adhere to the Program Income Reuse Plan's general administration annual allowable costs.

The Lender will require periodic financial statements from borrowers (typically annually) that will be reviewed by the loan servicing agent to determine the financial health of the business. This review will allow the Lender to be proactive in providing the business with technical assistance and effectively managing the status of the asset.

Loan Servicing Policies
The lender has adopted a loan servicing policy that outlines how the loan servicing will proceed. These policies are available upon request from the Lender.

PROGRAM OVERSIGHT BY LENDER
Oversight of Program Contractor and Sub-contractor
The Lender's staff, the Business Development Coordinator, will serve as the primary contact with the State CDBG program representative for the Program. Lender's staff will be responsible for securing services of a qualified Contractor(s) and Sub-contractor for implementation of this Program. Both the Contractor and Sub-Contractor can be secured via proper CDBG procurement, a subrecipient agreement or a Non-profit Development Organization Agreement.

Both the Contractor and Sub-contractor will follow these adopted program guidelines. Both the Contractor and Sub-contractor will provide a monthly tracking sheet to the Lender's staff showing all applications received and the current status.

As per the agreement between the Lender and Contractor and Sub-contractor, the Lender will complete all required reports for the program including fiscal reports.

Upon completion of the loan underwriting by the Contractor, the Lender's staff will review the loan package and coordinate submittal to the State for review and approval. Upon State CDBG written approval, the Lender's staff will schedule a Loan Advisory Board (LAB) meeting. The Lender's staff will ensure all loan documents are properly reviewed by legal staff and meet CDBG requirements prior to borrower's execution of the documents and loan closing.
Oversight of Loan Servicing
The Lender’s staff will be responsible for loan servicing. The Lender’s staff will comply with local loan servicing policies when collecting payments. All loan repayments of past CDBG economic development loans will be serviced by Lender experienced in collecting and servicing business loans. The Lender’s staff will monitor existing economic development loans.

At each LAB meeting the Lender’s staff will brief the members on any problems or concerns regarding repayments of existing loans which may include decisions to foreclose and declare defaults. The governing body with direction and consultation provided by staff and legal counsel will make the final decision regarding troubled assets.

The Lender will complete the proper quarterly and annual program income reports to be submitted to the State CDBG program representative.
COUNTY OF MARIPOSA
PROGRAM INCOME REUSE PLAN
PLAN ADOPTION DATE:

The purpose of plan is to establish guidelines on the policies and procedures for the administration and utilization of program income received as a result of activities funded under the State of California Community Development Block Grant Program (CDBG).

Need for Plan Governing Reuse of Program Income: This Reuse Plan is intended to satisfy the requirements specified in Federal statute and regulation at Section 104 (j) of the Housing and Community Development Act ("the Act"), as amended in 1992 and 24 CFR 570.489 (e) (3). These statutory and regulatory sections permit a unit of local government to retain program income for CDBG-eligible community development activities. Under Federal guidelines adopted by the State of California's CDBG program, local governments are permitted to retain program income so long as the local government has received advance approval from the state of a local plan that will govern the expenditure of the program income. This plan has been developed to meet that requirement.

Program Income Defined: Program Income is defined in Federal regulation at 24 CFR 570.489 (e) which specify that program income is the gross income received by the jurisdiction that has been directly generated from the use of CDBG funds. (For those program income-generating activities that are only partially funded with CDBG funds, such income is prorated to reflect the actual percentage of CDBG participation). Examples of program income include: payments of principal and interest on housing rehabilitation or business loans made using CDBG funds; interest earned on program income pending its disposition, and interest earned on funds that have been placed in a revolving loan account; net proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds; income (net of costs that are incidental to the generation of the income) from the use or rental of real property that has been acquired, constructed or improved with CDBG funds and that is owned (in whole or in part) by the participating jurisdiction or sub-recipient.

If the total amount of income generated from the use of CDBG funds (and retained by the County of Mariposa, hereinafter referred as "County", during a single program year (July 1 through June 30) is less than $25,000, then these funds shall not be deemed to be program income and shall not be subject to these polices and procedures. Costs incurred that are incidental to the generation of Program Income may be deducted from the gross income to determine the Program Income amount.

Portfolio Management Costs: Costs of managing the portfolio of CDBG and HOME-funded loans may be charged to PI under general administration or activity delivery within the allowable limits set by the State Department of Housing and Community Development (HCD).
General Administration (GA) Cost Limitation: Up to eighteen percent (18%) of the total program income received on all activities during a single program year may be used for CDBG general administration expenses.

Reuses of Program Income: Program income must be: a) disbursed for an approved activity funded under an open grant prior to drawing down additional Federal funds; b) forwarded to the State of California, Department of Housing and Community Development (HCD); c) distributed according to this Program Income Reuse Plan after it has been approved by HCD and adopted by the local governing board in compliance with the County’s citizen participation process as specified in Federal Regulations at 24 CFR 570.486. Local Government Requirements; or d) by special request through HCD; may consider using Program Income for CDBG eligible non-revolving activities other than those for which the Revolving Loan Account (RLA) was established. This process will involve discussion at a properly noticed public hearing held in front of the governing body, and submission of a formal Resolution as part of a Program Income-Funded Waiver Request to HCD, in accordance with CDBG Management Memorandum Number 10-03. Final commitment and expenditure of Program Income funds will not commence until clearance of all required Special Conditions have been met, and formal written approval issued from HCD has been received.

The County’s program income will be used to fund eligible CDBG activities that meet a national objective. Eligible activities and national objective requirements are specified in Federal statute at Section 105(a) and in Federal regulations at 24 CFR 570.482 and 24 CFR 570.483.

Funds shall not be transferred between RLAs or to an open grant activity without conducting a properly noticed CDBG Citizen Participation public hearing. However, the transfer of program income between RLAs and to grant-funded activities during the program year in the aggregate amount of $5,000 or less will not be subject to the citizen participation requirement to hold a properly noticed public hearing, but must be submitted to HCD for written approval. If it becomes necessary to transfer funds between RLAs, the County will consider revising the distribution formula.

Adoption of the Plan: The Mariposa County Board of Supervisors shall take action on this Program Income Reuse Plan or any amendments thereto, AFTER the local citizens have had an opportunity to comment on the Plan per 24 CFR 570.486, local Government Requirements.

Planning Activities: The County reserves the option of utilizing program income, within the 18 percent general administration annual cap, to fund planning for CDBG-eligible activities. Such planning activities may include: cash match for a State CDBG Planning and Technical Assistance Grant; environmental reviews or other studies necessary for CDBG-eligible projects or programs; or application preparation for CDBG or other grants/loans to supplement funding for CDBG-eligible activities. The costs of such planning activities may be charged to an RLA if the planning is for the same activity as the RLA. Otherwise, PI may only be received on planning activities in conjunction with an open CDBG Planning and Technical Assistance grant.
**Distribution for Reuse of Program Income:** The County’s program income will be distributed, as follows:

Three Revolving Loan Account(s) (RLA) are hereby established to utilize the program income. The allocation to each RLA is as follows:

a) **100%** of program income will be deposited into the **Housing Assistance** Revolving Loan Account (HR-RLA)

b) **100%** of program income will be deposited into the **Business Assistance** Revolving Loan Account (BA-RLA)

c) **100%** of program income will be deposited into the **Microenterprise Assistance** (ME-RLA)

**Special requirements of the revolving loan account:** The review and funding of requests for CDBG loan or grant assistance under an RLA shall be under the Federal underwriting guidelines. All assistance provided to activities under an RLA shall be made for activities that are located within the County limit boundaries, unless prior written approval from HCD has been received by the County.

**Reporting and Federal Overlay Compliance:** The County shall comply with all State CDBG reporting requirements, including submittal of a single annual Grantee Performance Report that reports on all of the County’s RLAs and PI Waiver activities, and the required Semi-Annual Program Income Reports, which shows combined PI receipts and actual PI expenditures on one report (see Chapter 10 of the CDBG Grant Management Manual for due dates). The County shall ensure that the use of program income under this Reuse Plan complies with all CDBG program requirements, including citizen participation, environmental review, equal opportunity, Section 3 employment, lead-based paint, labor standards, acquisition and relocation, procurement, property management, and maintenance of adequate accounting and recordkeeping systems. To ensure ongoing compliance with CDBG requirements, the County shall utilize the latest available State CDBG Program Grant Management Manual for guidance on compliance procedures and policies.

**Maximum funds in Revolving Loan Accounts:** Program Income received by the RLA during the program year (July 1 through June 30) shall be substantially expended by the end of the program year (June 30). At any given time, the funding balance for the RLA should not exceed the typical cost of a single RLA project, plus reasonable administration costs (up to 18 percent of total PI received annually).
Revising this plan: The County has the authority to amend this document with a properly noticed County Board of Supervisors meeting and approval by the State Department of Housing and Community Development (HCD).

The purposes and allowed uses of funds under this/these RLA(s) are as follows:

- **Housing Rehabilitation Revolving Loan Account**

  This fund will be principally used for the purpose of making loans to rehabilitate residential units occupied by households which have an annual income which is 80 percent (80%) or less of the County’s median income. At least 51 percent (51%) of the funds received for activities funded under this RLA shall be used on revolving activities (i.e., loans).

  No more than 10 percent (10%) of the program income funds received during the program year shall be received for housing rehabilitation grants. No more than 19 percent (19%) of the funds received from this RLA shall be used for activity delivery costs. No more than eighteen percent (18%) of the total amount of PI received annually may be expended for general administrative costs. In any event, the total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49 percent (49%) of the total funds expended during the program year (July 1 through June 30).

  The review and funding of requests for CDBG loan or grant assistance under this RLA shall be conducted under the Housing Rehabilitation Program Guidelines that have been adopted by the County (Attachment A). All assistance provided to activities under this RLA shall be made for activities that are located within the County’s jurisdiction.

  If the activities funded under the RLA are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLA shall be expended PRIOR to drawing down funds from the State CDBG program.

- **Business Assistance Revolving Loan Account**

  This fund will be used to provide financing for businesses that can document the need for CDBG assistance and that will create or retain qualifying permanent jobs that will be principally filled by members of households which have an annual income that is 80 percent or less than the county’s median household income, adjusted for size.

  At least 51 percent of the funds actually expended for the activity funded under this RLA during the program year shall be used on revolving activities (i.e., loans). No more than 0 percent (0%) of the program income funds expended during the program year under this RLA shall be for grants for public infrastructure.
improvements that are needed to accommodate a specific business expansion or retention project. No more than 15 percent of the total funds expended for business assistance activities shall be used for activity delivery costs. No more than 18 percent of the total amount of PI actually received annually may be expended for general administrative costs. In any event, the total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49 percent (49%) of the total funds expended during the program year (July 1 through June 30).

If the activities funded under the RLA are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLA shall be actually expended PRIOR to drawing down funds from the State CDBG program.

The review and funding of requests for CDBG loan or grant assistance under this RLA shall be conducted under the Federal underwriting guidelines specified at 24 CFR 570.482 (e) that have been incorporated into the County's adopted Business Revolving Loan Fund Program Guidelines (Attachment B) and include the project review procedures. These guidelines will ensure that the amount and terms of the CDBG assistance are appropriate given the documented needs of the business and given the amount of public benefit (job creation/retention) that will result from the CDBG-assisted project. In addition, any activity requesting funding under this RLA shall be deemed to be eligible under Section 570.482 and Section 105 (a) of the Act and shall be determined to provide sufficient public benefit as specified under Section 570.482 (f). Any CDBG assistance for infrastructure shall meet the requirements of Section 570.483 (b) (4) (F) which requires ongoing job tracking for all businesses that initially benefit from an infrastructure project as well as any subsequent business(s) benefiting from these improvements. All assistance provided to activities under this RLA shall be made for activities that are located within the County's jurisdiction.

- **Microenterprise Assistance Revolving Loan Account**

This RLA will be used to provide financial assistance to start up or existing businesses that meet the HUD definition of microenterprise. A microenterprise is defined as a business that has five (5) or fewer employees including the owner(s). Financing for eligible micro businesses will be provided based on the most recently adopted program guidelines. This program is targeted at micro businesses that are owned and operated by persons who are documented as low income. As such, CDBG assistance will principally benefit households which have an annual income that is 80 percent or less than the City's median household income, adjusted for size.

At least 51 percent of the funds actually expended for the activity funded under this RLA during the program year shall be used on revolving activities (i.e., loans). No more than 0 percent (9%) percent of the program income funds expended
during the program year under this RLA shall be for grants for public infrastructure improvements that are needed to accommodate a specific business expansion or retention project. No more than 15 percent of the total funds expended for business assistance activities shall be used for activity delivery costs. No more than 18 percent of the total amount of PI actually received annually may be expended for general administrative costs. In any event, the total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49 percent (49%) of the total funds expended during the program year (July 1 through June 30).

If the activities funded under the RLA are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLA shall be actually expended PRIOR to drawing down funds from the State CDBG program.

The review and funding of requests for CDBG loan or grant assistance under this RLA shall be conducted under the federal underwriting guidelines specified at 24 CFR 570.482 (e) that have been incorporated into the County adopted Micro Enterprise Revolving Loan Fund Program Guidelines. If the activities funded under the RLA are for the same activities as those funded under an open State CDBG Standard Agreement, then the funds available in this RLA shall be expended prior to drawing down funds from the State CDBG Program. All assistance provided for activities under this RLA shall be made for activities that are located within the County’s jurisdiction.
A RESOLUTION APPROVING THE MARIPOSA COUNTY BUSINESS ASSISTANCE PROGRAM GUIDELINES; AND, THE MARIPOSA COUNTY PROGRAM INCOME REUSE PLAN UNDER THE STATE OF CALIFORNIA BLOCK GRANT PROGRAM

NOTICE IS HEREBY GIVEN that the County of Mariposa will conduct a public hearing by the County Board of Supervisors on Tuesday, November 15, 2011, at 9:00 a.m. or soon thereafter, at the Board of Supervisor’s Chambers, 5100 Bullion Street, Mariposa, CA 95338, to discuss the proposed Mariposa County Business Assistance Guidelines and the Mariposa County Program Income ReUse Plan for the Business Assistance Program under the State of California Community Development Block Grant (CDBG) Program and to solicit citizen participation.

The County of Mariposa was awarded a grant for FY 2010-2011 in the amount of $500,000 to develop and launch a Business Assistance Program. That Program contains a 90-day Special Conditions requirement that includes soliciting input on the proposed Program Guidelines and the Program Income ReUse Plan.

Projects funded with Community Development Block Grant Allocation must meet the National Objective of Benefit to Targeted Income Group (TIG) persons. The Economic Enterprise Fund Component can meet any of the three National Objectives, Benefit to Targeted Income Group (TIG) persons, elimination of slums and blight and meeting urgent community development needs.

The purpose of the public hearing is to provide citizens an opportunity to comment/recommend activities on the proposed Mariposa County Business Assistance Guidelines and the Mariposa County Program Income ReUse Plan Guidelines. If unable to attend the public hearing, you may direct written comments to the County of Mariposa Office of Economic Development, P.O. Box 784, Mariposa, CA 95338 or telephone Marilyn Lidoff, Business Development Coordinator. In addition, a public information file is available for review at the Mariposa County Administration Department between the hours of 8:00 a.m. and 5:00 p.m. on weekdays.

If you plan on attending the public hearing and need special accommodations due to a sensory or mobility impairment/disability, or have a need for an interpreter, please contact Marilyn Lidoff at (209) 966-4203 to arrange for those accommodations.

The County of Mariposa promotes fair housing and makes all programs available to low and moderate-income families regardless of age, race, color, religion, sex, national origin, sexual preference, marital status or handicap.

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