RECOMMENDED ACTION AND JUSTIFICATION:
PUBLIC HEARING: Approve the Mariposa County Microenterprise Business Assistance Program Guidelines under the State of California Block Grant Program.

BACKGROUND AND HISTORY OF BOARD ACTIONS:
On December 2, 2008, the Business Development Coordinator submitted a grant application to State of California Department of Housing and Community Development (HCD) in the amount of $200,000 to develop and launch a Microenterprise Business Assistance Program (Program).

On June 15, 2009, the County of Mariposa was notified of a grant award for full funding, in the amount of $200,000.

On October 27, 2009, the Board of Supervisors approved Grant Agreement No. 08-EDEF-5890 between Mariposa County and HCD in the amount of $200,000 to implement the Program.

Recently, Mariposa County received executed Grant Agreement No. 08-EDED-5890, which cites a 90-day Special Conditions clause requiring that the local governing board approve the Microenterprise Business Assistance Guidelines.

On January 12, 2010, the Board of Supervisors approved a Subrecipient Agreement with the VALLEY Small Business Development Corporation, hereinafter referred to as “VALLEY”, to assist the County on implementing the Microenterprise Business Assistance Program in performing underwriting and lending services for the program.

The purpose of this Public Hearing is to disseminate information and to solicit citizen input on the proposed Mariposa County Microenterprise Business Assistance Program Guidelines (Exhibit “A”).

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

Businesses that qualify under the Microenterprise Business Assistance Program will be required to attend 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.

Assistance provided to owners of microenterprises or person(s) developing a microenterprise must meet the national objective of expanding economic opportunity for low/moderate-income persons (TIG), public benefit and HUD underwriting guidelines. At the initial loan application stage, applicants will be required to complete the Program’s Self Certification Form (Attachment “A”).

Typical Use of Funds
1. Operating capital to pay staff and lease space or purchase inventory;
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. Advertising/marketing;
5. Purchase of manufacturing equipment (with or without installation costs);
6. Refinancing of existing business debt when provided in conjunction with financing other eligible costs;
7. Purchase of supplies and raw materials;
8. Purchase of vehicles, trucks, trailers small vans used primarily in the business;
9. Purchase of software and computers;
10. Purchase of signage;
11. Printing, designing, and marketing materials and advertising; and
12. Working capital.

**Ineligible Use of Funds**

The Program will not reimburse expenditures incurred prior to loan approval. 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 type of cost to another, from FF&E to working capital, without resubmitting the loan for Lenders approval. Funds cannot be used to support other business entities associated with the borrower. **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 the Administrator. Pursuant to initial screening of each application by the Business Development Coordinator, VALLEY shall conduct an interview with business owners to ascertain income eligibility, meet obligation to repay loan and comply with program guidelines. Further, both the Business Development Coordinator and VALLEY shall conduct an on-site visit to those businesses seeking funding.

**Program Loan Advisory Board (LAB)**

LAB members shall serve as volunteers and shall be comprised of three persons that have served or are currently representing financial institutions.

The Business Development Coordinator shall conduct an initial review of each application and forward the package to VALLEY. Upon review of the application and confirmation that applicant meets Program criteria, the loan will be underwritten by both the Business Development Coordinator and VALLEY, adhering to HUD's underwriting guidelines. Upon completion of underwriting, the completed loan package shall be forwarded to HCD for review an approval. Upon receipt of the "Letter of Approval" from HCD, the Business Development Coordinator shall submit the package and conduct a presentation to LAB for approval. LAB shall review loan package based upon funding benchmarks including capacity, ability to pay back loan and sophistication of business owner. Upon LAB approval, the Business Development Coordinator shall prepare a LAB Loan Approval Memo for submission to HCD. Subsequent to approval by LAB, the Business Development Coordinator shall present application to Mariposa County's governing board for final approval.

**Loan Closing Process**

Both the Business Development Coordinator and VALLEY shall engage in the loan closing process. The Borrower shall sign all necessary documents and agreements. Mariposa County Counsel shall review all agreements and documents, as necessary.

**Loan Terms and Fees**

During the first year of the Microenterprise Loan Program, loans may be up to $25,000 per applicant. There is no minimum loan amount. Loan terms shall consist of five to twenty-five years contingent upon the project. Examples of loan terms are as follows: 1) a business seeking operating capital will typically receive a loan term of five years; whereas, a business seeking funding for equipment and supplies may receive a loan term up to ten years.

Interest rate may vary contingent upon collateral and rate of return, which is calculated based upon equity the borrower invests into the project. Equity from the borrower may be required on a case-by-case basis contingent upon strength of borrower or collateral.

A loan servicing fee will be charged to the borrower upon close of the loan. There is no pre-payment penalty.

**Loan Collection and Servicing:**

The County will contract with an independent third party lender who will act as the loan collection agency for its existing CDBG economic development loans.

**Oversight of Loan Servicing Agent**

The Business Development Coordinator will monitor VALLEY along with the economic development loans. VALLEY will provide a monthly report on the status of loan payment(s) to both the County's Business Development Coordinator and Auditor. In the event of late payments, VALLEY will notify the Business Development Coordinator of borrower's status. Continuous late payments by borrower may

**Revised Dec. 2002**
result in VALLEY’s determination to convene the loan committee (U) to seek approval for a course of action. Prior to liquidation of collateral, VALLEY will seek County’s permission and approval for course of action.

The following attachments are contained herein: Program Self Certification Form Attachment “A”; Income Limits Attachment “B”; Loan Approval and Drawdown Checklist Attachment “C”; sample Loan Application Attachment “D”; and LAB Approval Memo Attachment “E”.

A copy of the Public Hearing Notice to discuss the proposed Microenterprise Business Assistance Program Guidelines is attached as Exhibit “B”.

**JUSTIFICATION:**

The intent of the Mariposa County Business Assistance Program Guidelines is to stimulate economic development, provide “gap” financing for businesses that can document the need for CDBG assistance and create or retain qualifying permanent jobs principally filled by members of household, who have an annual income of 80 percent or less than the county’s median household income, adjusted for size.

**FINANCIAL IMPACT:**

A cash match was not required under the Microenterprise Assistance Program.

**ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:**

The State of California Department of Housing and Community Development would revoke the contract in the event County did not pursue program.

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**CLERK’S USE ONLY:**

Res. No. 10-35  
Ord. No. _______  
Vote – Ayes: 5  
Noes: _______  
Absent: _______  
Approved

( ) Minute Order Attached  ( ) No Action Necessary

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

Date: _______

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

By: _______

Deputy

Microenterprise 2008-09: Agenda Micro Guidelines 1.19.10

Revised Dec. 2002
TO: RICK BENSON, CAO  
Attn: Marilyn Lidyoff, Economic Development Coordinator

FROM: MARGIE WILLIAMS, Clerk of the Board

SUBJECT: MICROENTERPRISE BUSINESS ASSISTANCE PROGRAM GUIDELINES  
Res. 10-35

THE BOARD OF SUPERVISORS OF MARIPOSA COUNTY, CALIFORNIA

ADOPTED THIS Order on January 19, 2010

ACTION AND VOTE:

10:01 a.m.  Richard J. Benson, County Administrative Officer

PUBLIC HEARINGS:

B) To Approve the Mariposa County Microenterprise Business Assistance Program
Guidelines under the State of California Block Grant Program

BOARD ACTION: Rick Benson and Marilyn Lidyoff presented the staff report. Marilyn Lidyoff
responded to questions from the Board relative to the application process and timeframes; selection
process for the members of the Loan Advisory Board; how the length of the loans are determined;
relative to the workshops; and relative to storage of the loan documents. Supervisor Bibby asked
that staff review the issue of criminal history and being able to meet the loan requirements and have
a better explanation for the potential applicants. Chair Cann noted that the comments received at
the hearing before this also apply to this matter.

The public portion of the hearing was opened and input was provided by the following:
Tolley Gorham commented on the viability of the business itself and requirements and
criteria for the small owner/operated business and asked for clarification of whether the owner is
considered an employee. He also asked whether there could be more than five part-time employees
as long as they do not exceed the five-full time equivalent criteria. He stated he feels that this is a
wonderful program for getting a small cottage industry started; and he feels it would be great to
have programs to stimulate larger businesses in the County. He feels the history of the General
Plan should be reviewed and revisions considered that would make industrial sites more available
and workable.

The public portion of the hearing was closed and the Board commenced with deliberations.
Marilyn Lidyoff responded to the public input relative to determining the viability of a business
proposal and advised that there can be more than five part-time employees as long as the allowed
five-full time equivalent positions are not exceeded. Marilyn Lidyoff responded to questions from
the Board relative to clarifying that Planning’s review would be whether a business is permitted in
a specific area versus determining the viability of a business; and relative to our loan program being
up to $25,000 versus the allowance of $50,000. (M)Bibby, (S)Aborn, Res. 10-35 was adopted
approving the Microenterprise Business Assistance Program Guidelines/Ayes: Unanimous. The hearing was closed.

Cc: Chris Ebie, Auditor
File
EXHIBIT “A”

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
MARIPOSA COUNTY MICROENTERPRISE BUSINESS ASSISTANCE
PROGRAM GUIDELINES

INTRODUCTION
The County of Mariposa hereinafter called “Lender” has established a Microenterprise Assistance Program, hereinafter called “Program”. The Program is designed to stimulate economic growth, create new private enterprise and jobs that will improve the economic conditions of residents in the community. The Program provides affordable financing to eligible persons wishing to launch a start up business or expand an existing operation. The Program is targeted for small start up businesses as the underwriting standards and loan terms are flexible to meet the needs of the business. In addition, funds are available for technical assistance and capacity building of eligible businesses.

MICRO ENTERPRISE PROGRAM OVERVIEW

PROGRAM ADMINISTRATOR
The Lender will secure the services of a qualified program administrator herein after called “Administrator” who is experienced in originating microenterprise business assistance loans and familiar with Community Development Block Grant (CDBG) requirements. The Administrator’s detailed scope of services will be negotiated and included in a formal agreement for services executed between the Lender and Administrator. In general, the Administrator will market the Program, accept and process applications, underwrite and recommend approval of loans, ensure proper loan closing, disbursement of funds, maintain loan files, fiscal records and support the Lender’s staff in administration of state grants and program income used to fund the Program. The Administrator will implement the Program according to the adopted guidelines.

The Lender’s Business Development Coordinator will implement administrative and procurement tasks relative to the Microenterprise Assistance Program. Some of those tasks may include the procurement of a contract program operator and loan service agent. Administrative tasks may include establishing/maintenance program loan files, approval of microenterprise guidelines, prepare and review fiscal/performance reports, monitor program operator conduct NEPA and CEQA review, approve reuse plan, meet with participating lenders, publicize/market program, close loan with lenders, review/sign all HCD reports, prepare cash requests/HCD reports, clear special conditions, conduct appeal process, engage in planning, building and public work’s reviews, attend HCD workshops and provide project oversight/liaison between micro enterprise components, county and CDBG program.

PROGRAM SERVICE AREA
Financing under this Program is available to all eligible businesses located in the Lender’s jurisdiction. These 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.
SOURCE OF LOAN FUNDS
The Program is capitalized with CDBG funds provided by HUD to the State of California Department of Housing and Community Development, hereinafter called "Department". CDBG funds are derived from federal funds with specific mandated federal requirements described below. CDBG funds are available to the Lender from two sources: 1) from state grant awards that are administered under a state grant contract; 2) from loan repayments made by existing CDBG loans (called program income funds). Program income funds are administered locally by the Lender under an adopted program income reuse plan approved by the Department.

MEETING CDBG MICROENTERPRISE DEFINITION
Loan applicants for this Program must meet the CDBG definition of a micro enterprise business. The CDBG definition of microenterprise is a business that has five (5) or fewer employees, one or more of whom owns the enterprise. All employees on the business payroll, part-time/full-time, at the time of loan application will be counted.

TYPES OF MICROENTERPRISE BUSINESSES
An applicant may be an existing microenterprise business requiring funds to either remain in business or expand its operation. Existing micro business applicants include private for profit business concerns, corporations, and partnerships, sole proprietorships that are legal, and operating. Non profits are not microenterprises.

Applicants can also be individual persons who wish to start a business but have not taken the proper steps to launch their operation. A condition of funding to establish a new enterprise shall be the requirement to obtain necessary local, state and federal permits (if applicable).

REQUIRED MICRO ENTERPRISE TECHNICAL ASSISTANCE
Regardless of status, applicants associated with this Program (start up/fledgling business) will be required by the Lender to attend at least one or more technical assistance workshops presented by the local small business development center (SBDC) or other local private for profit/non profit business development agency approved by the Lender. Some of those sessions may include but not be limited to the development of a business plan, marketing plan, simple bookkeeping and accounting, and definition of revenues to name a few. Following completion of training, the applicant shall obtain a letter of recommendation from the local business development agency confirming that it has satisfied Program requirements and has completed or updated its business plan, management plan along with verification that the entity has the financial capacity to launch/continue a successful business operation. The local business development agency will confirm that the applicant will benefit from anticipated financial assistance. One-on-one counseling and technical workshops will coincide on the same day i.e. counseling during work hours and workshops will be presented in evenings. Further, the Administrator will be available by telephone for all clients seeking information relative to counseling.

MEETING CDBG INCOME ELIGIBILITY REQUIREMENT
Assistance provided to owners of microenterprises, or person developing microenterprise, under the Program must meet the national objective of expanding economic opportunities for low or moderate-income persons (TIG), public benefit and HUD underwriting guidelines. The Department requires that CDBG economic
development funds targeted for microenterprise activity be restricted to those entities that qualify as a microenterprise along with business owners meeting HUD criteria as a Targeted Income Group (TIG) client. Further, the Administrator must determine and document the client’s income eligibility based on family size and income prior to approval for financial assistance. The owner(s) of the business being reviewed for funding must have a household income at or below current published HUD income limits for the county, adjusted for household size. At initial loan application stage, the business owners will complete the Program’s Self Certification Form in Attachment A.

The Lender will use HUD determination of “household income,” calculated in accordance with the regulations at 24CFR 5.611, to confirm the accuracy of the Income Certification reported by the applicant. Each applicant must provide third party documentation that confirms the family’s current size and income level. This is compared to the current HUD published rate for eighty percent (80%) of median income adjusted for family size to determine that the person meets HUD’s definition of low income. See Attachment B for current published limits for the Lender. The Administrator will collect the income documentation from applicants and use the HUD income calculator on HUD’s web site http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part 5.cfm to determine the gross annual income for the household. The Department's language “Targeted Income Group (TIG)” is used interchangeably with HUD’s language “low/moderate income”.

The income limits published at the time of loan approval will apply in determining income eligibility. All persons in residence are considered household members for purposes of income eligibility. Income eligibility for microenterprise business is valid for three (3) years from day of certification completion.

TYPICAL USE OF FUNDS
Funds under this Program are typically provided to eligible microenterprise businesses in the form of loans. Program loans are normally up to $50,000. See Section 4.0 and 5.0 for description of loan terms and underwriting. Approved loans under this Program are expected to be repaid.

Funds under this program are restricted to certain eligible costs. Some common eligible costs are:
1. Operating capital to pay staff and lease space or purchase inventory;
2. Acquisition of furniture, fixtures, equipment and tools (FF&E);
3. Rehabilitation of leasehold improvement (including engineering and architectural and local permits or fees);
4. Advertising/marketing;
5. Purchase of manufacturing equipment (with or without installation costs);
6. Refinancing of existing business debt when provided in conjunction with financing other eligible costs;
7. Purchase of supplies and raw materials;
8. Purchase of vehicles, trucks, trailers small vans used primarily in the business;
9. Purchase of software and computers;
10. Purchase of signage;
11. Printing, designing of marketing materials and advertising; and
12. Working capital.
Both the Administrator and Lender will review the scope of work proposed by the business and the use of CDBG funds to verify the necessity of costs and are reasonable.

**INELEGIBLE USE OF FUNDS**
The Program will not pay for reimbursement of expenses incurred prior to loan approval. 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 type of cost to another, from FF&E to working capital, without resubmitting the loan for Lenders approval. Funds cannot be used to support other business entities associated with the borrower. Non profits are not eligible for assistance.

**OTHER CDBG REQUIREMENTS**
There are a number of other federal laws and state requirements that trigger the use of CDBG funding. Both Lender and Administrator will take the lead to ensure compliance of mandated CDBG regulations. Impacts of federal regulations relative to the proposed project shall be conveyed to the applicant at the loan screening process.

Prior to award of funds, federal environmental reviews are required by HUD for each business funded by CDBG (24 CFR 58). The environmental review is a component of HUD’s regulations relative to National Environmental Policy Act (NEPA). The Lender is required to complete and certify NEPA review along with State environmental review under California’s Environmental Quality Act (CEQA). The level of environmental review is subject to the type of proposed project/activity. The Applicant shall be informed of the NEPA review and Project schedule. No costs shall be charged to the borrower for the CEQA/NEPA process.

Compliance with Davis Bacon and related Acts is required when CDBG funding is used for construction costs. In the event that Davis Bacon requirements apply, loan processing staff will work with the applicant to ensure that the project is in compliance with the state and federal prevailing wage laws. Applicants will be informed of additional time, administrative and costs associated with the project. In the event additional costs are incurred they shall be incorporated into the business loan.

Acquisition and Relocation laws may be triggered when using CDBG funds (24 CFR 570.606). Thus, loan processing staff will work with applicants to comply with mandated acquisition and relocation regulations. Applicants shall be informed of additional time, administrative and costs associated with the project.

Program activity implementation funds, Program Income (PI), must be spent prior to drawing down State CDBG grant funds under an open grant. Thus, as payback money accrues, the Lender must use the local PI on hand in its microenterprise assistance revolving loan account to fund a loan prior to requesting open grant funds from the Department.

All businesses who wish to receive funds under this Program will be required to obtain a number from Dun and Bradstreet, also known as a Dun’s number, which can be obtained on line at no charge. A copy of the Dun and Bradstreet web site page shall be inserted in the applicant’s loan file and incorporated into reports to the Department.
The Administrator will check the federal debarred status of each business prior to funding. A copy of the web site search will be printed and inserted into the applicants loan file to confirm the business is not on the federal debarred contractors list.

HUD also requires that the Department and the Lender collect certain income and demographic data from the business along with new hire information resulting from the investment of CDBG funds. As previously cited in Section 2.5, applicants will be required to obtain licenses and insurance to ensure its legal operation in the community. Also as previously cited in Section 2.6, the applicant shall be required to attend at least one or more technical assistance workshops and one-on-one counseling sessions.

REQUIRED LOAN REVIEW BY DEPARTMENT STAFF
Department staff must review each microenterprise loan for procedural compliance with federal regulations and these adopted program guidelines. Upon review and approval of loan package submitted by the Lender, a formal written approval letter will be issued by the Department. See Attachment C of these guidelines for a copy of the Department’s Loan Approval and Drawdown Checklist and guidance on underwriting different types of loans.

Note: It is recommended that the loan approval package be submitted to the Department for review prior to receiving formal local approval. Upon approval of compliance relative to Program loan underwriting and CDBG regulations, the Lender shall submit the loan package to the local loan committee for approval.

PROGRAM OPERATIONS AND LOAN PROCESSING

PROGRAM MARKETING AND OUTREACH
Program marketing will be conducted by the Administrator with assistance from the Lender along with other Agencies identified under "Leverage". The Administrator shall arrange local media coverage utilizing ads in local papers. Marketing brochures will be distributed to local chamber of commerce, business networking organizations, Welfare to Work Programs, Economic Development Corporation of Mariposa County, Mariposa County Economic Development Office, community bulletin boards, and local Mother Lode Job Training office. Presentations promoting the Program shall be conducted among various entities including real estate, local commercial banks/lenders, service organizations and those identified in the previous sentence. In addition, the Lender shall conduct public meetings both on and off site of County premises to disseminate Program information. Further, the local Small Business Development Corporations (SBDC) will also serve as a referral agency.

FAIR LENDING COMPLIANCE
This Program will be implemented consistent to that of the Lender’s commitment to state and federal 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 CDBG 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.

LOAN APPLICATION PROCESSING
Loan applications will be processed on a first-come-first-served basis. See Attachment D for sample application form and instructions. The Administrator shall accept loan applications and review in accordance to initial eligibility requirements. Applicants that do not meet basic program requirements shall be returned with an explanation of deficiencies along with suggestions on how to meet basic requirements. Pursuant to initial screening by the Lender relative to business permitting requirements, the Administrator shall conduct an interview with business owners to ascertain income eligibility, meet obligation to repay loan, and comply with Program guidelines. Further, both Lender and Administrator shall conduct an on-site visit to those businesses seeking funds that are "existing business" and currently conducting a business operation.

In an effort to efficiently carry out the Program, the Administrator shall provide the Applicant a Program Loan Approval Checklist depicting required financial documentation to be submitted. Such information shall include, but not limited to, business and personal financial as in balance sheets, income/expense statements, financial projections and tax returns. These documents are necessary to determine the need for CDBG funds and provide a basis for structuring the amount of CDBG participation.

Attachment D contains general guidance for financial underwriting and selection of viable CDBG Microenterprise assisted projects. While HUD recognizes that different levels of review are appropriate for various size and scope of proposed projects, in the case of microenterprise or other small businesses, guidelines have been developed to address capacity and level of sophistication among each businesses.

The Administrator will compile a loan file consisting of credit, financial, and underwriting information necessary to conduct a loan analysis. Upon evaluation of the application, the Administrator shall develop a memorandum summarizing the loan request and pertinent financial data along with the recommendation of appropriate determination to the Lender's Loan Advisory Board, hereinafter known as "LAB". Following the LAB review and approval process, the Administrator shall move forward with the project by submitting the application to the Department.

PROGRAM LOAN ADVISORY BOARD
The LAB shall be comprised of three persons. The Lender staff shall ask members of the community to serve as a volunteer on the LAB. LAB members shall be comprised of persons from financial institutions, the Lender, or other interested parties who have the professional capacity to review and evaluate commercial loans. See Attachment E for sample LAB loan approval memo.

The Lender shall conduct an initial review of each application and forward the package to the Administrator. Upon review of the application and confirmation that applicant meets Program criteria, the loan will be underwritten by both the Administrator and Lender; adhering to HUD underwriting guidelines. Upon completion of the underwriting, the completed loan package shall be forwarded to HCD for review and approval. In the event that HCD makes significant modifications to the loan terms or conditions, the loan must be resubmitted to both the Administrator and Lender for a second review prior to presentation to LAB. Upon receipt of the “Letter of Approval” from HCD, Lender shall submit package and conduct presentation to LAB for approval. LAB shall review loan package based upon funding benchmarks including capacity, ability to pay back loan and sophistication of business owner. Upon LAB approval, Lender shall prepare a LAB
Loan Approval Memo and submit to HCD. Subsequent to approval by LAB, Lender shall present application to Mariposa County's governing board for final approval.

LOAN APPLICANT CONFIDENTIALITY
Persons serving under this Program in the capacity of Administrator, Lender or LAB shall not disclose any of the Borrowers personal confidential information as part of loan approval process. All business confidential information 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 shall be kept in a locked secured storage facility and shall not be available to persons outside of the Program. In the event that Lender, Administrator or Department receive a request to access public records relative to the loan application then only non-confidential information, as verified by County Counsel will be provided.

DISPUTE RESOLUTION/APPEALS PROCEDURE
In the event an application is denied, any person that has applied to the Program has the right to appeal. The appeal must be made in writing, within 30-days of written denial of Program, to both Administrator and Lender. The LAB will schedule a meeting to conduct the appeal process. Following the second denial, the applicant may request to have their appeal presented to the Lender’s governing body for final decision.

The Administrator 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 program guidelines in a timely and responsible manner. This includes developing accurate and professional files, work write-ups and contract documents. The Administrator will ensure that each funded business is eligible, including project cost and that each loan is underwritten in compliance with these guidelines.

NO CONFLICT OF INTEREST ALLOWED
In accordance with Title 24, Section 570.611 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 may be achieved upon public disclosure and formal approval by the governing body along with written authorization by Lender’s County Counsel. Further, in the event representatives from the financial community are comprised of LAB that have a separate financial interest (excluding regular checking and savings accounts) in a loan applicant, such member shall not participate in loan deliberations.

EXCEPTIONS / SPECIAL CIRCUMSTANCES
Exceptions are defined as any action, which would depart from policy and procedures stated in the guidelines. For example, the LAB can, on a case-by-case basis, accept a partially secured loan. The Lender or Administrator may initiate consideration of an exceptional/special circumstance. A report on the situation will be prepared and submitted as part of the loan package. 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 LAB shall make a determination of the exception/special circumstances request at its regular or special meeting.
Loan payments may, on a case-by-case basis, be deferred for a period of time to allow a start up or expansion of a business to take place. This payment deferral determination is made by the Administrator based on the break even point of the business in the future and the ability of the owner to pay themselves for their efforts.

**LOAN CLOSING PROCESS**
Upon written approval by the Department, the Administrator and Lender will engage in the loan closing process. The Borrower shall sign all necessary documents and agreements. The Lender shall request funds from the Department or local finance department (depending upon funds from an open grant or local program income). The Administrator shall prepare escrow loan closing documents, title and lien searches, and UCC-1 filings, if appropriate. Lender's County Counsel shall review all agreements and documents, as necessary.

**LOAN TERMS AND SECURITY**

**LOAN TERMS AND FEES**
Microenterprise loans underwritten in accordance with these guidelines may be up to $50,000. In the event an applicant requires more than $50,000, the loan shall be underwritten in accordance with the currently approved Microenterprise Assistance guidelines of the Lender. There is no minimum loan amount. The requested loan amount must be reasonable and supported by the proposal. Thus, the Lender acknowledges that these funds are a limited resource and are provided based upon documented need for each applicant.

Loan terms shall consist of five to twenty-five years depending upon the project (working capital, furniture/fixtures/equipment (FF&E)) and security offered by business. Typically, the Program loan terms are more flexible than those used in the industry by conventional commercial lenders.

The loan term is based upon project need; thus, as an example if a business is seeking operating capital then the term of the loan would typically be five years; moreover, a business seeking funding for equipment and supplies then the term of the loan may be extended to 10 years.

In case of the Microenterprise Program the interest rate may vary depending upon collateral and rate of return, which is calculated based on equity that the borrower invests into the project. Equity from the borrower may be required on a case-by-case basis dependent upon strength of borrower or collateral.

A loan servicing fee will be charged to the borrower upon close of the loan. This fee will be used to "set up" the loan with the Lender's loan payment collection agency. Borrowers will be provided loan disclosure documents, which itemize all fees associated with the loan transaction along borrower fees and program activity delivery fees. There is no loan pre-payment penalty.

**LEVERAGING OF PROGRAM FUNDS WITH PRIVATE AND LOCAL FUNDS**
The County of Mariposa may provide in-kind services. Those services may include marketing/advertising the Program, implementing community meetings providing information on the Microenterprise Program, provide one-on-one counseling to
applicants, distributing brochures, visiting with existing business on site to discuss the Program, oversee the management of the Program, attend State training sessions, oversee audit and monitoring, prepare fiscal/performance reports, participate in LAB review, conduct NEPA, refer ineligible loan applications to other, prepare cash requests and HCD reports, monitor program operator and clear special conditions to name a few.

In addition, private leverage may be provided in conjunction or independently of local leverage. Some of those services include creation of press releases, client referrals, provide counter space to showcase flyers, and link program information to websites to name a few.

COLLATERAL AND SECURITY REQUIREMENTS
All loans under this program will be collateralized to the greatest extent possible. Both personal and business assets will be reviewed for collateral coverage. In some cases however, collateral will be taken when the asset has no value (over encumbered personal residence).
Types of collateral may include:
• Liens on real property,
• Deeds of Trust,
• Liens on machinery, equipment, or other fixtures,
• Lease assignments, as appropriate,
• Lender Named as Beneficiary on Life Insurance, and
• Other collateral, as appropriate.

In addition to collateral, personal and corporate guarantees may be required of borrowers.

LOAN SECURITY POSITION
All loans will be secured in the strongest possible position to ensure loan repayments in the event of a default. Loans may be secured in a secondary position in second or third lien position.

LOAN TO VALUE RATIO
Loans less than $50,000 may be partially secured. In some instances, collateral being used to secure the loan may already be fully encumbered by another lender. The Lender may choose to lien these assets even though there is no security. While the Administrator will negotiate with the borrower and other lenders to help ensure loan is fully secured to the best possible extent. Documentation of the loan security and loan-to-value-ratio will be presented to the LAB when requesting loan approval.

DEBT SERVICE COVERAGE
The Borrower must illustrate that the loan payment will be covered by the projected revenue of the business. In addition, the business must demonstrate that the owner is able to pay themselves a reasonable living wage from operation of the business. Typical debt coverage ratios for the program are 1.25 and coverage as low as 1.10 will be accepted on a case-by-case basis. This ratio means that for every dollar of business debt there will be one dollar and twenty-five cents in revenue to cover the debt.

The debt ratio will be calculated based upon all debt the business will carry. This includes CDBG funds plus any other loans currently in place “or proposed” to be used for funding the project.
COMPLIANCE WITH HUD UNDERWRITING STANDARDS
HUD requires that the state/local government conduct basic financial underwriting prior to providing CDBG financial assistance to a business. Further, the State CDBG program requires that HUD underwriting guidelines be used to determine whether a proposed CDBG subsidy is appropriate to assist businesses. Under the County’s Microenterprise Program, each loan will comply with all HUD underwriting standards.

LOAN UNDERWRITING PROCESS

GENERAL CREDIT REQUIREMENTS
In the private sector, credit scoring is generally an accepted means to underwriting certain loans, particularly small loans where the cost of underwriting can exceed the interest and fee income generated by the loan. The standard used in the banking industry is a credit scoring system developed by the Fair Isaac Corporation. This system uses a formula that is applied to raw data in consumer credit files of the three largest credit-reporting bureaus. The result is known as the FICO score. The FICO credit score ranges from 300 to 850, which quantifies an individual’s creditworthiness. While the FICO score is an important component in determining credit history, other elements will be equally evaluated. Those elements will include but not limited to, strength of business, experience of operator, character/tenacity of operator, and strength of market to name a few.

MANAGEMENT AND CAPACITY REQUIREMENTS
A Loan Applicant must:
• Demonstrate ability to operate a business successfully,
• Demonstrate that the business has sufficient borrowing ability or equity to operate, with the loan, on a sound financial basis,
• Demonstrate the proposed loan is of sound value and provides for the current and future needs of the business, and
• Demonstrate that the past earning record and future prospects of the firm indicate ability to repay the loan and other fixed debt, if any, out of the profits.

The business owner must show capacity for operating the business and managing future growth. This is accomplished by illustrating past experience of owner, using experienced staff or by attending microenterprise technical assistance workshops. By completing business training workshops, the business owner will develop soft skills for business success, along with a business plan and financial projections illustrating that the project is eligible for the Program.

OTHER PROJECT UNDERWRITING CRITERIA
Each project/business will be evaluated based upon its past and future financial forecast. The criteria includes, but not limited to, the following:
• Start up project’s special underwriting;
• The amount of private dollars used as leveraging funds;
• The past financial viability of the proposed project;
• The future financial viability of the proposed project; and
• The demonstrated need for the funds (“appropriate” test).
The LAB will consider these additional underwriting criteria as part of reviewing each request for Microenterprise assistance. These criteria can be used to further support a request for funding approval.

LOAN SERVICING

LOAN COLLECTION AND SERVICING
The Lender will contract with an independent third party vendor or Lender will act as the loan collection agent for its existing CDBG economic development loans. The duties of the collection agent will include the following:
- Loan payment collection and accounting.
- Agent will provide monthly receipts of loan payments.
- Provide quarterly statements on each loan.
- Undertake loan collections, including asset liquidation.
- Obtain annual financial statements from each business to assess health of the business.
- Negotiate any change in repayment terms to avoid foreclosure.

PROGRAM OVERSIGHT BY LENDER

OVERSIGHT OF PROGRAM ADMINISTRATOR
The Lender's staff will serve as the primary contact with the Department CDBG program representative for the Program. Lender's staff will be responsible for securing services of a qualified Administrator for implementation of this Program. The Administrator can be secured via proper CDBG procurement or with a subrecipient agreement of Non-profit Development Organization Agreement.

The Administrator will follow these adopted program guidelines. The Lender's staff will work directly with the Administrator and be kept informed of all marketing efforts and outreach. The Administrator will provide a monthly tracking sheet to the Lender's staff that identifies applications received along with a progress report relative to the various stages of process. As per the agreement between the Lender and Administrator, all required Program reports will be reviewed and approved by the Lender's staff prior to any signatures. For financial reporting, Lender's staff will request of its fiscal unit to review and approve each fiscal report.

Upon applicant loan review and approval by the LAB, the Lender’s staff shall review and coordinate package submittal to the Department for review and approval. The Lender's staff will ensure all loan documents are properly reviewed by County Counsel and meet CDBG requirements prior to signing by the borrower.

OVERSIGHT OF LOAN SERVICING AGENT
The Lender's staff will also be responsible for securing the services of a loan servicing agent. The loan servicing agent will comply with local loan servicing policies when collecting payments. The Lender's staff will work closely with the loan servicing agent in monitoring the Lender's existing economic development loans. The loan servicing agent will provide monthly reports on the status of loan payments to both the Lender's Program oversite staff and fiscal staff. In the event that the loan servicing agent needs to visit a
borrower to discuss late payments or status of business operation, then Lender’s staff shall be invited to the meeting.

At each LAB meeting, the Lender’s staff and loan servicing agent will brief the members on any problems or concerns regarding repayments of existing loans. This includes decisions to foreclose and declare defaults. In addition, the governing body in conjunction with County Counsel and staff will make the final decisions regarding loan collection.

Loan servicing staff will complete required Department CDBG financial reports for program income. Loan servicing staff will complete quarterly and annual program income reports to Lender for review and approval and forwarded to the Department CDBG program representative. The Lender shall consult and monitor the loan servicing agent similar to that of the Administrator.
CDBG Program
Eligibility Release Form

Organization requesting release of information
Valley Small Business Development Corporation

On behalf of:
County of Mariposa
5158 Highway 146
Mariposa, California 95338
559-966-4303

(559)476-3975

Purpose: Your signature on this CDBG Program Eligibility Release Form, and the signatures of each member of your household who is 18 years of age or older, authorizes the above-named organization to obtain information from a third party relative to your eligibility and continued participation in the:

County of Mariposa CDBG Microenterprise Technical Assistance & Loan Program

Privacy Act Notice Statement: The Department of Housing and Urban Development (HUD) is requiring the collection of the information derived from this form to determine an applicant's eligibility in a CDBG Program and the amount of assistance necessary using CDBG funds. This information will be used to establish level of benefit on the CDBG Program; to protect the Government's financial interest; and to verify the accuracy of the information furnished. It may be released to appropriate Federal, State, and local agencies when relevant, to civil, criminal, or regulatory investigators, and to prosecutors. Failure to provide any information may result in a delay or denial of your eligibility approval. The Department is authorized to ask for this information by the National Affordable Housing Act of 1990.

Instructions: Each adult member of the household must sign a CDBG Program Eligibility Release Form prior to the receipt of benefit and on an annual basis to establish continued eligibility. Additional signatures must be obtained from new adult members whenever they join the household or whenever members of the household become 18 years of age.

NOTE: THIS GENERAL CONSENT MAY NOT BE USED TO REQUEST A COPY OF A TAX RETURN. IF A COPY OF A TAX RETURN IS NEEDED, IRS FORM 4506, "REQUEST FOR COPY OF TAX FORM" MUST BE PREPARED AND SIGNED SEPARATELY.

Information Covered: Inquiries may be made about items initiated by applicant/tenant.

<table>
<thead>
<tr>
<th>Verification Required</th>
<th>Initials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (all sources)</td>
<td></td>
</tr>
<tr>
<td>Assets (all sources)</td>
<td></td>
</tr>
<tr>
<td>Child Care Expense</td>
<td></td>
</tr>
<tr>
<td>Handicap Assistance</td>
<td></td>
</tr>
<tr>
<td>Expense (if applicable)</td>
<td></td>
</tr>
<tr>
<td>Medical Expense (if</td>
<td></td>
</tr>
<tr>
<td>applicable)</td>
<td></td>
</tr>
<tr>
<td>Other (list)</td>
<td></td>
</tr>
</tbody>
</table>

Dependent Deduction
- Full-Time Student
- Handicap/Disabled
- Family Member
- Minor Children

Authorization: I authorize the above-named CDBG Participating Jurisdiction and HUD to obtain information about me and my household that is pertinent to eligibility for participation in the CDBG Program.

I acknowledge that:

1. A photocopy of this form is as valid as the original.
2. I have the right to review the file and the information received using this form (with a person of my choosing to accompany me).
3. I have the right to copy information from this file and to request correction of information I believe inaccurate.
4. All adult household members will sign this form and cooperate with the owner in this process.

Head of Household—Signature, Printed Name, and Date:
Family Member #1

x

Other Adult Member of the Household—Signature, Printed Name, and Date:
Family Member #2

x

Other Adult Member of the Household—Signature, Printed Name, and Date:
Family Member #3

x

Other Adult Member of the Household—Signature, Printed Name, and Date:
Family Member #4

x
## State Income Limits for 2009

<table>
<thead>
<tr>
<th>County</th>
<th>Income Category</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>Mariposa County</td>
<td>Extremely Low</td>
<td>11,900</td>
<td>13,600</td>
<td>15,300</td>
<td>17,000</td>
<td>18,350</td>
<td>19,700</td>
<td>21,100</td>
<td>22,450</td>
</tr>
<tr>
<td></td>
<td>Very Low Income</td>
<td>19,800</td>
<td>22,650</td>
<td>25,450</td>
<td>28,300</td>
<td>30,550</td>
<td>32,850</td>
<td>35,100</td>
<td>37,350</td>
</tr>
<tr>
<td>Area Median Income:</td>
<td>Lower Income</td>
<td>31,700</td>
<td>36,250</td>
<td>40,750</td>
<td>45,300</td>
<td>48,900</td>
<td>52,550</td>
<td>56,150</td>
<td>59,800</td>
</tr>
<tr>
<td></td>
<td>Median Income</td>
<td>39,600</td>
<td>45,300</td>
<td>50,950</td>
<td>56,600</td>
<td>61,150</td>
<td>65,650</td>
<td>70,200</td>
<td>74,700</td>
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<tr>
<td></td>
<td>Moderate Income</td>
<td>47,550</td>
<td>54,300</td>
<td>61,100</td>
<td>67,900</td>
<td>73,350</td>
<td>78,750</td>
<td>84,200</td>
<td>89,650</td>
</tr>
</tbody>
</table>
CDBG ECONOMIC DEVELOPMENT BUSINESS LOAN REVIEW CHECKLIST

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 a page number.
5. Refer to the INSTRUCTIONS and NOTES for completing the checklist.

GRANTEE
Jurisdiction: ____________________________
Contact Name: ____________________________
Phone: ____________________________ E-Mail: ____________________________

LOAN PROCESSOR
Organization Name: ____________________________
Contact Name: ____________________________
Phone: ____________________________ E-Mail: ____________________________

PART ONE: CDBG Federal Overlay Requirements

1. GENERAL LOAN DOCUMENTATION: ____________________________________________________________________________
   a. Is Loan Committee Memo attached with Detailed Project Description? YES NO
   b. Is a completed/signed NEPA review attached? YES NO
   c. Is Prevailing Wage Monitoring triggered? YES NO
   d. Is Real Property to be acquired using CDBG Funds? YES NO
   e. If yes, is proper CDBG acquisition process followed? YES NO
   f. Is Real Property Acquisition part of the project? YES NO
   g. If yes, is proper option to purchase in place that would allow sufficient time to obtain NEPA clearance? YES NO
   h. Will Project cause Displacement of any persons or businesses? YES NO
   i. Is Business on Federal Debarred List? (www.epis.gov) YES NO
   j. Is project within jurisdictional boundaries? If no, explain YES NO
   k. Dunn & Bradstreet Number (DUNS). Required for HUD Performance Measurements. #: ____________________________
   l. Date of Most Recent Program Guideline Approval: ____________________________

2. NATIONAL OBJECTIVE (Complete A or B): ____________________________________________________________________________
   A. Documentation of Elimination of Slums or Blight (See Notes and instructions 2.A) YES NO
   B. Documentation that Full Time Equivalent (FTE) TIG jobs will be created or retained. (51% of jobs must be TIG) YES NO
      i. Is Employment Agreement for job creation and FTE TIG Certifications prepared and ready for execution? YES NO
      ii. Total number of FTE jobs created/retained (FTE = 1750 Hours Per Year) YES NO
      iii. Proposed number of FTE TIG jobs created YES NO
      iv. Proposed number or FTE TIG jobs retained YES NO
      v. Percentage of FTE TIG jobs created and/or retained %

3. PUBLIC BENEFIT: ____________________________________________________________________________
   a. Total number of FTE jobs created ____________________________ Total number of FTE jobs retained ____________________________ YES NO
   b. Does total number of FTE jobs support the loan? (One FTE required for each $35,000 of funds) YES NO
CDBG ECONOMIC DEVELOPMENT BUSINESS LOAN REVIEW CHECKLIST

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; MSExcel) – 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)(ii)). 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)).

Reviewed by: __________________ Date: __________
| 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. |
| 1c. | 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. |

| 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. |

| 1l. | Attach documentation confirming a written agreement (eg: 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. |

### 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 any additional businesses where the borrower has a 20% or greater ownership interest, shall be underwritten and the following information is required: |
| ✔ | Credit Report including a version of the FICO scoring method (eg: 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 creditworthiness of the borrower shall be provided. |
| ✔ | Copy of three (3) years personal tax returns. |
| ✔ | Copy of a personal financial |
| 7a. Site control documentation (ie: title policy confirming borrower as owner, lease agreement, purchase agreement). |
| 7b. Provide detail of the uses of CDBG funds (ie: furniture, fixture, equipment list, installation costs, construction cost breakdown). |
| 7c. Sources and Uses Table shall detail ALL Sources and Uses of project financing. |
| 7d. Credit Report should include a FICO score. Jurisdiction shall determine minimum credit score required based on risk factors of business and Loan Guidelines. |
| 7f. Debt Coverage Ratio Calculation (DCR). The calculation for DCR is: Total Cash Flow available for Debt Service/Total Debt Service (including ALL EXISTING and NEW debt) |
| 7g. Provide summary of proposed loan terms and conditions. Ensure terms and conditions meet local Program Guidelines. |
| 7l. Provide all spreadsheets, projections, calculations in an electronic format (ie: MSEXcel©). Electronic format shall include formulas utilized in the preparation of the financial information presented. |
DATE: __________________ REFERRED BY: __________________

BUSINESS NAME: __________________________________________

MAILING ADDRESS: __________________ CITY __________ STATE _____ ZIP____

PHYSICAL ADDRESS: __________________ CITY __________ STATE _____ ZIP____

TELEPHONE: Business / Home __________________ Cell: __________ FAX: __________

E-MAIL: __________________________________________ COUNTY ________ APN #: __________

FEDERAL TAX I.D. #: __________________ DATE ESTABLISHED: __________

BUSINESS TYPE: __________________ Loan Amount: __________________

PURPOSE: _____________________________________________________________________

LEGAL STRUCTURE: Sole Proprietorship ( ) Partnership ( ) Corporation ( ) Other: Specify __________

EMPLOYEES: Existing: Full Time ____ Part Time ____ Projected: Full Time ____ Part Time ____

GENDER: Male ( ) Female ( ) ETHNICITY: Asian ( ) Black ( ) Hispanic ( ) White ( ) Other ( )

HANDICAPPED: Yes ( ) No ( ) Dunn & Bradstreet (DUNNS) #: __________________

OWNERS / PRINCIPALS

<table>
<thead>
<tr>
<th>Name/Title</th>
<th>Home Address</th>
<th>Phone</th>
<th>% Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
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<tr>
<td>2.</td>
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<td>3.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please List The Social Security # of Each Owner / Principal & Spouse

<table>
<thead>
<tr>
<th>Name</th>
<th>Social Security #</th>
<th>Name</th>
<th>Social Security #</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td>4.</td>
<td></td>
</tr>
</tbody>
</table>

NOTE: IF you do not know your DUNNS # you can call 1-866-705-5711 to request one.
If any or all of the principals own REAL ESTATE, it may be required Collateral for the loan. Please initial the appropriate response: I/We will pledge _______ I/We will not pledge _______

Where Do You Presently Bank:

Bank Name: __________________________ Contact: __________________________
Bank Address: _________________________ Phone: ___________________________
Accountant Name: ____________________ Phone: ___________________________

Have any of the owners/principles ever been charged with, or convicted of any criminal offenses, other than a minor motor vehicle violation? □ YES □ NO
If yes, please explain: __________________________

________________________________________

APPLICATION'S ACKNOWLEDGEMENT: My (our) signature(s) acknowledge(s) receipt of this form, that I (we) have read it and that I (we) have a copy for my (our) files. My (our) signature(s) represent(s) my (our) agreement to comply with the requirements that Valley Small Business Development Corporation ("VSBDC") makes in connection with the approval of my (our) loan request. My (our) signature(s) also represent(s) written permission for VSBDC to release any information in my (our) loan guaranty application to the Governor of my (our) State or the Governor's designated representative in conjunction with the State's processing of my (our) application for assistance under any guaranteed loan program. The undersigned applies for the loan guaranty indicated in this application to be secured by real and/or personal property as hereafter agreed and the undersigned further represents that all statements made in this application are true and are made for the purpose of obtaining this loan guaranty. Verification may be obtained from any source named in the application in connection with this guarantee. The original or a copy of this application will be retained by the guarantor, even if the guaranty is not granted. I (we) fully understand that it is a federal crime punishable by fine or imprisonment or both to knowingly make any false statement/concerning any of the above facts as applicable under the provisions of Title 18, United States Code Section 1014.

AFFIDAVIT: Applicant certifies that the information provided on and with this form, is complete and correct. Applicant authorizes VSBDC to obtain credit reports (including personal credit reports), copies of tax returns, and other information from the IRS and other taxing authorities, and to take such other steps as VSBDC deems appropriate to verify (and from time to time to re-verify) the information provided with this form. Applicant further agrees to execute and deliver to VSBDC such other forms, and take such other action, as VSBDC requests in furtherance of the foregoing. VSBDC will retain information received in relation to this credit request as long as VSBDC deems necessary to do so. Applicant authorizes VSBDC to release credit information concerning same to other banks, creditors, guarantors (including agencies of the federal and/or state government), credit bureaus, credit reporters, sureties, and to VSBDC's agents and subsidiaries. Applicant agrees to promptly notify VSBDC in writing of any change in name, address, or location of assets. Applicant agrees that funds drawn on the credit facilities provided by Valley will only be used for business purposes. If you are applying for a loan product guaranteed or funded by the U.S. Small Business Administration ("SBA"), then the undersigned applicant also acknowledges receipt of a copy of the following document: STATEMENTS REQUIRED BY LAW AND EXECUTIVE ORDER, certifies to have read the same, and hereby agrees to comply, whenever applicable, with the hazard insurance, lead-based paint, civil rights, or other limitations contained therein.

Business Name: __________________________
Date: __________________________

By: __________________________
Name and Title
Signature: __________________________
Date: __________________________

Signature: __________________________
Date: __________________________

Signature: __________________________
Date: __________________________

Signature: __________________________
Date: __________________________

Signature: __________________________
Date: __________________________
LOAN ADVISORY BOARD CHECKLIST/MEMO

VALLEY SMALL BUSINESS DEVELOPMENT CORPORATION
7035 N. Fruit Ave.
Fresno, CA 93711
Efrain Cruz
efrain@vsbdc.com
559-438-9680

DATE: ________________________________

LOAN DESIGNATED: ________________________________

BORROWER(s): ________________________________

NAME OF BUSINESS: ________________________________

LEGAL STRUCTURE OF BUSINESS: ________________________________

LOAN AMOUNT AND TERMS:

<table>
<thead>
<tr>
<th>FUNDING SOURCE</th>
<th>AMOUNT</th>
<th>INTEREST RATE</th>
<th>TERM</th>
<th>MONTHLY PAYMENT</th>
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</thead>
<tbody>
<tr>
<td>CDBG Micro Enterprise Loan</td>
<td>$0</td>
<td>0%</td>
<td>XX months</td>
<td>$0</td>
</tr>
<tr>
<td>Total Funds for Project</td>
<td>$0</td>
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SOURCES AND USES:

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<tbody>
<tr>
<td>CDBG</td>
<td>Working Capital:</td>
</tr>
<tr>
<td>CDBG</td>
<td>Other general operating and facility expenses.</td>
</tr>
<tr>
<td>CDBG</td>
<td>Inventory/Supplies</td>
</tr>
<tr>
<td>PROJECT TOTAL:</td>
<td>$0</td>
</tr>
</tbody>
</table>

DETAILED PROJECT DISCRIPTION: Applicant

* *
* *
* *
* *
* *
* *
* *
* *
* *
* *
* *
* *
* *
* *
* *
* *
* *
The applicant owned and operated

### BUSINESS PAST SALES AND COGS AND DEBT SERVICE:

<table>
<thead>
<tr>
<th></th>
<th>2009 Year to Date:</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>$ 0 (Annualized)</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Cost of Goods Sold (COG)</td>
<td>$ 0 (Annualized)</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$ 0 (Annualized)</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 0 (Annualized)</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Net Income*</td>
<td>$ 0 (Annualized)</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Total Debt Service (P&amp;I)</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>without CDBG Loan</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Net Business Cash Flow</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

*Depreciation was added back.
REPAYMENT: Source of repayment is the cash flow of the business.

GLOBAL CASH FLOW PROJECTIONS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Revenue</td>
<td>0</td>
</tr>
<tr>
<td>Less Cost of Goods Sold</td>
<td>0</td>
</tr>
<tr>
<td>Loan Proceeds</td>
<td>0</td>
</tr>
<tr>
<td>Gross Funds Available</td>
<td>0</td>
</tr>
<tr>
<td>Less Operating Expenses</td>
<td>0</td>
</tr>
<tr>
<td>Net Profit</td>
<td>0</td>
</tr>
<tr>
<td>Other Income - Rental (Net)</td>
<td>0</td>
</tr>
<tr>
<td>Less Living Expenses</td>
<td>0</td>
</tr>
<tr>
<td>Net Funds available to service debt</td>
<td>0</td>
</tr>
</tbody>
</table>

Less Debt Service:

- Existing Debt Servicing (personal) | 0
- Proposed Debt Servicing*           | 0
- Total Debt Servicing               | 0
- Margin                              | 0
- Debt Coverage Ratio                 | 1.2X

*There will be no payments for the first six months as per __________ Loan Program.

2010 Projections are based on a conservative 20% increase in revenues from annualized P & L Statement as of second quarter of this year.

*  
*  
*  
*  

Cost of Goods Sold is based on previous year’s average; Operating Expenses are expected to increase only by 5%

*  
*  
*  

Loan proceeds will be used for working capital, purchase inventory/supplies and to cover other general operating and facility expenses. Based on a projected six month payment, global cash flow does show the ability to pay all existing and proposed debt.
PROGRAM GUIDELINE UNDERWRITING: The following describes how the loan meets the requirements of current micro-enterprise loan program guidelines.

Collateral and Lien Position: The loan will be secured by a UCC-1 on all accounts, inventory, FF&E, and general intangibles ($0/est. value). Value used on all business assets is Borrower’s estimates discounted by 25% with net value of $0. Inventory and equipment to be purchased is estimated to cost about $0.

<table>
<thead>
<tr>
<th>Collateral</th>
<th>Lien Position</th>
<th>Gross Value</th>
<th>Value Source</th>
<th>Advance Rate %</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Business Assets</td>
<td>1st</td>
<td>$0</td>
<td>Borrower’s Estimate</td>
<td>75%</td>
<td>$0</td>
</tr>
<tr>
<td>Inventory &amp; Equipment Purchase*</td>
<td>1st</td>
<td>$0</td>
<td>Money Purchase</td>
<td>100%</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$0</td>
<td></td>
<td></td>
<td>$0</td>
</tr>
</tbody>
</table>

Proposed Loan
Existing Business Assets
Less 25% discount business assets
Less 0% Equipment & Inventory Purchase
Gross Loanable Value
Total Collateral

Overall Collateral Margin
LTV

$0

Loan to Value Ratio: The total salvage value of the collateral pledged by the business is $0. A UCC-1 will be taken on all business assets. Based on a loan of $0 the loan to value ratio is XX%.

Credit Scores for Owner(s): An Experian credit report for _______ dated October 22, 2009 shows a FICO score of 000. _______’s report shows no public records, collections or past due accounts. All open accounts are current and have always been paid as agreed.

Management Capacity: The applicant

* *
### Business & Personal Financial Statement

<table>
<thead>
<tr>
<th>ASSETS:</th>
<th>Business December-09</th>
<th>Personal December-09</th>
<th>Combined December-09</th>
<th>PRO FORMA After Loan Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Savings</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Loan Proceeds for W/C</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Autos</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Residential Property *</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Furnitures, Fixtures, &amp; Equipment</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Business Equity</td>
<td>0</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Long Term Assets</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

| LIABILITIES:      |                     |                      |                      |                              |
| Credit Debt       | 0                    | 0                    | 0                    | 0                            |
| Notes Payable     | 0                    | 0                    | 0                    | 0                            |
| Federal Income Tax| 0                    | 0                    | 0                    | 0                            |
| **Current Liabilities** | $0              | $0                   | $0                   | $0                            |
| Autos             | 0                    | 0                    | 0                    | 0                            |
| Residential Property |                | 0                    | 0                    | 0                            |
| CDBG Loan         | 0                    | 0                    | 0                    | 0                            |
| **Long Term Liabilities** | $0          | $0                   | $0                   | $0                            |
| **Total Liabilities** | $0                | $0                   | $0                   | $0                            |
| **Net Worth**     | $0                  | $0                   | $0                   | $0                            |

|                      | $0                  | $0                   | $0                   | $0                            |
| **Current Assets**  |                     |                      |                      |                              |
| **Current Liabilities** |                  |                      |                      |                              |
| **Net Working Capital** |                |                      |                      |                              |
| **Current Ratio**   | X.XX                | X.XX                 | X.XX                 |                              |
| **Net Worth Ratio** | 0.00                | 0.00                 | 0.00                 | 0.00                          |

* Residential property is based on Zillow estimate as of 12/28/2009. All information is from Applicant's financial statement and credit report as of 01/01/10.

Business net worth is mainly surrounded by Inventory, Furniture, Fixtures and Equipment. There are no current liabilities under the business. Personal assets are surrounded by vehicles and some savings. There is ______ on personal residence.
due to the decline on market values. Business Net Worth is $0 which provides adequate financial responsibility for this size of loan request.

Tax Return Analysis: See attached for details.

**Business License Status:** Business has current license with ____________________.

**Business Insurance Requirements:** County is requiring to be named as an additional insured on business to cover any loss to secured assets.

**CDBG ELIGIBILITY AND UNDERWRITING:** The following describes how the business and loan meets the requirements of the CDBG program.

**Is the Business an Eligible Micro Enterprise (income eligible and five or fewer employees(including owners))?** Yes, the business owner(s) are both Target Income Group (TIG) households.

The applicant

* *
* *
* *
* *
* *

This is an existing micro enterprise that was certified as having five (5) or fewer employees per CDBG requirements. The applicant is has certified that there are two full time employees, him and his wife. Thus there are two persons who will count toward CDBG micro definition for this business.

**Does Project Scope of Work Trigger Labor Standards?** No, prevailing wage statutes do not apply, as there will be no construction funded with CDBG funds.

**What is the Level of Environmental Review for Project Scope of work?** The scope of work is to pay for working capital and purchase inventory. These activities are categorically excluded not subject to 58.35 pursuant to 24 CFR 58.35 (b) (3) - Operating Costs & (4) - Inventory. HUD environmental finding forms have been completed for this loan application and certified by the County Administrative Officer.

**Does Project Trigger Acquisition or Anti-Displacement/Relocation?** No, there is no acquisition of real property and no persons are being displaced as a result of the
funding of this project.

**Business Debarred Status and DUNS number Confirmed?** The federal debarred status was checked for ___________________. No records of federal debarment were found. The business DUNS number 09-899-2217, this will be reported on all future CDBG reports as required.

**Are costs reasonable?** The cost of working capital was confirmed from estimate proposal

* *

* *

Other uses of funds for working capital include, purchase of minor tools and new equipment ($0) and hiring a part time employee ($0). Balance of loan proceeds will be used to purchase other inventory/supplies ($0), and cover for other general operating and facility expenses as needed.

**Are other identified sources confirmed?** There are no other funding sources committed for this project.

**Is the structure of the financing reasonable?** The business currently has margins that are small. Investment of CDBG funds will not cause these profit margins to exceed industry standards nor will the new profit margins after investment of CDBG funds substantially increase above existing and historic levels. Therefore, there is no undue enrichment of the owner(s) after investment of CDBG funds.

**Are project funds being disbursed on a pro-rata basis?** Yes, CDBG funds will only be disbursed for reimbursement of costs to the owner or the County may directly pay suppliers or vendors for FF&E and inventory and marketing costs. Working capital disbursements will be made on a monthly basis depending on documented need by borrower.

Because CDBG funding is sole source of funds then they will be disbursed first.

**Strengths**

1. Adequate collateral.
2. Cash flow is sufficient to service debt.
3. Injection of personal funds in support of business

**Weaknesses**

4. Economically impacted town.
RECOMMENDATION: This loan is recommended for approval as submitted. Borrower has shown to have an excellent credit history, always paid as agreed with no derogatory accounts as seen on personal credit report. Just like any other business owner,

CONDITIONS OF FUNDING: None

Approved By Lender Staff:

Name

Signature

Title Date

ATTACHMENTS:
1. Estimate Installation Cost Sheet
2. DUN's number information Sheet
PUBLIC NOTICES

A RESOLUTION APPROVING THE MARIPOSA COUNTY PROGRAM INCOME REUSE PLAN UNDER THE STATE OF CALIFORNIA BLOCK GRANT PROGRAM; AND

APPROVE THE MARIPOSA COUNTY MICROENTERPRISE BUSINESS ASSISTANCE PROGRAM GUIDELINES 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, January 19, 2010, at 10:00 a.m., at the Board of Supervisor’s Chambers, 5100 Bullion Street, to discuss the proposed Program Income Reuse Plan for the Business Expansion and Retention Revolving Loan component under the State of California Community Development Block Grant (CDBG) Program/Community Economic Enterprise Fund and to solicit citizen input; AND,

That the County of Mariposa will conduct a public hearing by the County Board of Supervisors on Tuesday, January 19, 2010 at 10:00 a.m., at the Board of Supervisor’s Chambers, 5100 Bullion Street, to discuss the proposed Mariposa County Microenterprise Business Assistance Program Guidelines under the State of California Community Development Block Grant (CDBG) Program/Community Economic Enterprise Fund and to solicit citizen input.

That the County of Mariposa was awarded a grant for FY 2008-09 in the amount of $200,000 to develop and launch a Microenterprise Business Assistance Program. That Program contains a 90-Day Special Condition requirement that includes soliciting input on the proposed Program Income Reuse Plan and Mariposa County Microenterprise Business Assistance Program Guidelines.

Projects funded with CDBG Allocations 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 Program Income Reuse Plan, and the Mariposa County Business Assistance Program Guidelines. If unable to attend the public hearing, you may direct written comments to the County of Mariposa, Economic Development Office, P.O. Box 784, Mariposa, CA 95338 or you may telephone Marilyn Lidyoof, 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 Lidyoof at (209) 966-4303 to arrange for those accommodations to be made.

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, handicap, or handicap.