EXHIBIT 1

CITY OF NEWPORT NEWS

Administrative Plan

Peninsula Revolving Loan Fund

(EDA Award #01-19-02000-01)
(RUN #60859NEWP)

(Revised 04/29/2019)
(APPROVED by US EDA 5/8/2019)

PART I. THE REVOLVING LOAN FUND STRATEGY

Overview and Purpose for Peninsula Revolving Loan Fund

As part of the Hampton Roads region, Newport News and Hampton have in the past fallen under a U.S. Economic Development Administration (US EDA) approved Comprehensive Economic Development Strategy (CEDS). However, the regional CEDS document has not been updated recently and is in the process of update consideration from the Hampton Roads Planning District Commission. Therefore, for the purposes of this Administrative Plan, another regional document will be utilized for strategies and goals for the region. The new document is called the "GO Virginia Region 5 Growth and Diversification Plan" hereafter referred to as the GO VA Plan.

The GO VA Plan was prepared by staff from Old Dominion University, George Mason Center for Regional Analysis and the Natelson Dale Group, in conjunction with surveys and interviews from a broad audience within the region. The region this GO VA Plan covers is comprised of the larger Hampton Roads area to include the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg and the counties of Accomack, Isle of Wight, James City, Northampton, Southampton, and York. The purpose of the GO VA Plan is to provide recommendations to grow and diversify the economy in Region 5. It proposes a framework and provides strategies that might help the region in critical areas like firm attraction and expansion, workforce development and innovation. Region 5 is the second largest region in Virginia in population and economic output, behind Northern Virginia but Region 5's economy is heavily dependent on the federal government and is over reliant on a small set of large firms in its key clusters such as shipbuilding, ship repair, advanced manufacturing and food and beverage manufacturing. And the GO VA Plan states that the region is creating small and medium sized enterprises at a pace far below its peer metro areas.

This Administrative Plan, which will govern the Peninsula Revolving Loan Fund, will help further the priorities of the GO VA Plan by facilitating diversification of the economy and job growth. The Peninsula Revolving Loan Fund (The Fund), a direct loan program and Newport News' older fund (PRLF) was established in the mid 1980's under a Title IX assistance program. The fund was initiated with $700,000 and has been in the revolving phase for over 30 years.

The Fund is governed by the Peninsula Industrial Finance Corporation, hereafter the "Fund Board of Directors" or the "the Board". Administration of the Fund activities, under the direction of the Board, is carried out by the staff of the City of Newport News Department of Development, hereafter the "Fund Administrator," in close cooperation with the City of Hampton Department of Economic Development. Although the Fund is shared by both cities, the City of Newport News is considered the Grantee per US EDA records.

According to the basic guidelines governing the Board's assignment of direct loans to qualifying borrowers to provide assistance in the regional economy, PRLF loans are to be made available concurrently to businesses located or locating in both Newport News and Hampton. The Board of Directors, at its discretion, may waive any guidelines or criteria, set forth herein, to accommodate unusual situations, which merit special consideration, on a case-by-case basis, that will further advance the vision of a regional plan, meet local priorities or stimulate activity in the Fund. However, the Board may take no action which would result in more than sixty percent (60%) of the Fund's assets being committed to businesses in one of the two cities, except with the consent of the other city's representative. In addition, the Board may take no action, which waives any of the federally mandated requirements associated with the program.

A. Economic Adjustment Overview

The GO VA Plan highlights some of the challenges and the benefits of the maritime-reach region. Some of those benefits include its ports, tourism, beaches, the military and the commerce derived from them. However, these geographical attributes bring with them interconnected vulnerabilities and challenges. Some of these vulnerabilities are the sensitivity to changes in defense spending, military variations and transportation challenges because of the geography due to all of the bridges and tunnels.

In addition to base closures over the last 10 years, the region is still very dependent on federal government dollars. But the tightening of the federal budget has caused fewer dollars to flow through the region and has created stagnate or negative economic growth since 2013. And the job growth in the region has fallen below the state's growth rate. Additional challenges for the region are reliance on a small set of large firms in key clusters, creation of small and medium size businesses at a pace far below its peer metro areas and the region is not creating a workforce for the next generation knowledge-based economy at a quick enough pace.

Reports prior to the GO VA Plan have identified certain clusters in the region and the GO VA Plan recommends growing six priority clusters in the near future. The clusters are as follows:

- Port Operations, Logistics and Warehousing
- Advanced Manufacturing
- Cyber Security, Data Analytics and Mod-Sim
- Shipbuilding and Ship Repair
- Water Technologies
- Unmanned Systems and Aerospace

The PRLF will be utilized to further development of certain clusters, in the form of assistant to small and medium sized businesses.

Although not explicitly identified as a priority cluster, there are certain areas that will continue to be supported. These areas will be businesses that support tourism and can include retail and restaurant projects. Because of the rich history in the Hampton Roads area and extensive waterfront, tourism is still a significant business sector and thus will be supported by the Fund.

B. Business Development Strategy

The PRLF was originally created under the assumption that the two-city area was dependent on federal appropriations and contracts for economic sustenance and therefore vulnerable to changes in international politics and national defense expenditures. This is still true but the GO VA Plan found other challenges as previously mentioned.

The goals of the GO VA Plan are as follows:

- Create a coordinated region capacity for innovation in the region's key cluster areas.
- Increase the pace of small and medium-sized enterprise's job creation through both expansion of existing firms and in particular the attraction of out of region firms in key clusters.
- Close all skills, credentialing and degree gaps in the regional clusters' workforce by 2022 through both in region production and talent importation.

Although the regional plan is different than the one utilized for the last administrative plan the overall goals and strategy of the PRLF will not reflect significant change. The objective of the PRLF will be to promote and assist in the growth and development of small and medium sized businesses, create jobs and to broaden the area's economic base in priority clusters.

One of the most effective methods of job creation is to provide capital to small and medium-sized businesses to support start-up or expansion activity. Newport News, along with Hampton, will utilize this loan as one of many tools to address some of the challenges in the area.

One significant undertaking Newport News is spear-heading is developing a combination STEM and Workforce Development space in an impacted community. The region must address the needs of changing workforces embracing technological change as well as basic skilled workforce sectors and try to promote the health and expansion of each. This space will be housed within a building occupied by one of Virginia’s largest private employers. This effort has garnered support from not only for profit businesses but also from several non-profit entities, the higher education community and local school system.

The target audience for this space is lower-income, minority citizens in need of building an initial skill-set and those in need of being re-skilled. It is our desire to foster and develop under represented and/or minority small businesses. These efforts will encourage economic equity among a largely underserved and disenfranchised population.

Additionally, to assist small and medium sized businesses the Fund Administrator offers two other loan programs that utilize other funding sources, with guidelines very similar to the US EDA RLF but allows more flexibility regarding relaxation of equity and collateralization requirements. The Fund Administrator also offers businesses an array of other incentives/benefit programs to include the enterprise zone program, website development grants and façade improvement grants. Partnerships with and referrals to agencies like SCORE, Small Business Development Center and the Virginia Department of Small Business & Supplier Diversity are also in place to strengthen and build capacity in small businesses. Evening sessions at least twice per month also take place to provide information and technical assistance to reach businesses that may not be able to come into an office during the conventional 8:00am-5:00pm timeframe.

C. Financing Strategy

1. To assist the process of economic diversification and grow jobs and the economy, the Fund was created to supplement conventional financial institutions in the region in order to provide firms access to alternative or gap-financing options. The local economic development champions in the region such as the local government agencies have a better feel for the challenges faced by small businesses and are more inclined to make accommodations to further development in the area. The PRLF, while maintaining US EDA regulations, will be open to tailoring local financing to meet the local needs of business enterprises in order to cover fixed assets, working capital, etc. and will be flexible with rates and terms and open to creative collateral options.

2. Although the region has numerous financial institutions, many start-ups or small, medium-sized business expansions are underserved because of the following:

- Conservative lending policies by area bankers;
- Local lending policies that make no provision for start-up firms and/or firms in the early stages of growth;
- Local lenders that are reluctant to participate in high risk ventures; or,
- Local lenders that do not have the man-power to devote time and energy to monitoring and servicing small, inexperienced entrepreneurial firms.

3. The PRLF will aim to serve the entrepreneurs, small and medium-sized enterprises and will be willing to entertain start-ups, expansions and incentive financing to promote the goals of the GO VA Plan and local economic initiatives and strategies. The PRLF will be used primarily for fixed assets with a portion allowed for working capital. The Fund will not only make an effort to target small businesses but will try to assist women and minorities whenever possible.

D. Financing Policies

The Financing Strategy/Policies for the PRLF were developed keeping in mind the needs and challenges of a small business. This awareness, coupled with prudent underwriting consideration, formulated the following lending criteria.

1. Eligible Lending Area – currently the lending area is city-wide for the City of Newport News and the City of Hampton.
2. Allowable Borrowers - private, for-profit businesses located within the cities of Newport News or Hampton, Virginia that fall into the category of retail, commercial service, industrial, technology or tourism.
3. Allowable Lending Activities - broad types of activities which may be undertaken with PRLF funds include the following:
    - Land and associated costs necessary to its acquisition and preparation;
    - Building and associated costs necessary to acquire, construct and/or rehabilitate;
    - Machinery, equipment and associated costs necessary for its acquisition and installation;
    - Other costs contributing to the value of a project's fixed assets, such as sales and use taxes, and interest on interim construction financing;
    - Adequate and appropriate contingency reserves;
    - Working capital, including inventory;
    - Infrastructure costs;
    - Reasonable relocation costs;
    - Appropriate costs to help incent a company to expand into the Cities from outside this MSA;
    - Certain refinances of existing loans.

    Activities that will be ineligible to utilize PRLF funds are:
    - Loans which would result in the relocation of jobs from another labor area (outside of the Norfolk-Virginia Beach-Newport News MSA);
    - Loans for the purpose of investing in interest-bearing accounts or other investment not related to job creation/retention;
    - Loans for speculative activities, including land banking;
    - Refinancing loans made by other lenders, except in those situations where the business could potentially be forced to cut back or close without PRLF assistance; or unless used as part of an economic development incentive package;
    - Loans to individuals or groups, which would violate the US EDA grant conditions regarding conflict-of-interest or that would violate any other US EDA term or condition.

4. Loan Size – Generally, the minimum loan amount shall be $20,000 and the maximum loan amount shall be $200,000. Loan sizes may be temporarily

adjusted from time to time to stimulate activity in the Fund upon approval of the Board.

5. Interest Rates - The interest rate on loans will generally be as deemed appropriate by the Board and will usually be under the conventional market rate charged in the area. Rates for this Fund will generally be between 3% and 10%, but will conform to the minimum and maximum rates allowed per U.S. EDA regulations, which states: the minimum interest rate an RLF Recipient may charge is four percentage points below the lesser of the current money center prime interest rate quoted in the Wall Street Journal, or the maximum interest rate allowed under State law. In no event shall the interest rate be less than the lower of four percent or 75 percent of the prime interest rate listed in the Wall Street Journal.
6. Loan Term – The term of a fixed asset loan shall ordinarily be no greater than the weighted average useful life of the fixed asset(s) of the project. However, in no case shall a fixed asset loan be made for a term of more than ten (10) years, unless real estate is involved, in which case loan term may extend up to twenty (20) years. Longer-term amortization periods and a balloon principal payment may be considered on a case-by-case basis. Shorter terms will be required for non-fixed assist loans and determined on case-by-case basis.
7. Fees – The standard loan fee for a PRLF loan will generally be 1% of the loan amount. The Board will have the discretion to adjust the fee amount if appropriate with market changes.
8. Equity and Collateral –Collateral shall be required as determined necessary by the Board, but will generally be in the form of liens against real estate, machinery/equipment, accounts receivable and inventory, and personal guarantees of the borrower(s)/principals. Adequate insurance coverage of the collateral will also be required. Where appropriate, key man life insurance, criteria for future borrowing, salary restrictions on the principals, and dividend limitations may also be included as loan conditions. The economic development department originating the loan will always encourage equity in the project, however as long as the required leverage ratios are met the loan will be considered.
9. Moratoria – In order to assist projects with legitimate repayment or under performance problems, the Board will use its discretion when asked to modify loan terms the economic development department, which originated the loan, will make a case to the Board for loan modifications.
10. Start-ups – The PRLF will be available to startup businesses as well as existing businesses wanting to expand.

11. Working Capital – Generally, no more than 40% of the loan proceeds shall be used for working capital. The term for loans that are majority working capital loans should be no more than five (5) years. Exceptions may be made on a case-by-case basis if the project justifies it.

12. Credit not otherwise available - To assist the process of economic diversification, the funds were created to supplement conventional financial institutions in the region in order to provide firms access to alternative or gap financing options. Although the region has numerous financial institutions, many start-ups or small, medium sized business expansions are underserved. The PRLF will not overly subsidize a project and borrowers will be asked to provide commitment letters of the private financing that will be involved in the project. A "turn down" letter will not be required to consider a loan.

E. Portfolio Standards and Targets

The following standards are to be achieved by the PRLF portfolio as a whole, and every effort will be made to maintain these standards with individual loans. Exceptions may occur due to the economic benefits of a specific project, minimal loan activity or difficult economic climate. These standards have been established in order to achieve the goals of the PRLF without competing with the local financial institutions. Loan recipients will typically be small businesses that experience the most difficulty in obtaining long-term, low, fixed-rate conventional financing for capital growth and expansion. Because of the amount of private funds that must be invested, the PRLF will serve as a source of gap financing. The selection of the following lending criteria should give the fund a reasonable chance to reach targeted business sectors while maintaining necessary regulatory guidelines.

1. Target Percentage – The PRLF does not have a designated target percentage for land-use, business status or fixed asset loans. Our targets are in the local areas of need of redevelopment (Enterprise Zones or older commercial corridors), types of jobs (skilled, technology and lower income) and population groups (women, minorities dislocated or unemployed).
2. Private Sector Leverage - A portfolio average of two private dollars ($2.00) to one PRLF dollar ($1.00) will be maintained. The private to public funds ratio for individual loans may be adjusted from time to time to stimulate activity in the PRLF and the private investment generally should have been made within 12 months of loan consideration.

3. Job/Cost Ratio - The PRLF portfolio will maintain an average investment of $30,000 in public funds for every job created or retained. The job/cost ratio will be increased to $35,000 for projects located within an Enterprise Zone. Similar consideration will be given to retained jobs. The jobs must be created or retained within the first three years of assistance. Reports on actual job accomplishments will be required throughout the loan term.

4. Types of Jobs - The PRLF portfolio will contain loans to firms in the basic sectors and in the commercial and service retail sectors within the geographic areas of Hampton or Newport News. The portfolio will support job creation in the semi-skilled/skilled manufacturing, high technology/research-based, tourism, in commercial and retail occupations and, targeted areas (redevelopment, mixed-use and strategized priorities). Additionally, priority focus will be given to efforts to create jobs for the long-term unemployed or low and moderate income persons.

F. RLF LOAN SELECTION CRITERIA

Loans selected for PRLF consideration will be vetted by each individual city's economic development department. A loan evaluation or credit write-up will be provided to the Board to justify why the loan is being recommended for approval. How the project benefits the local economy and why project is important should be highlighted. The evaluation shall strive to include information that reflects the following:

How the loan is consistent with the RLF Plan
How the loan will capitalize on the regional assets
How the loan will support innovation or increase productivity in an industry
If the loan is part of an existing or emerging industry cluster
The private investment included in the project and the necessity for PRLF
If the loan will result in higher-skill or higher wage jobs.

G. PERFORMANCE ASSESSMENT PROCESS

The Fund Administrator will review the loan portfolios of both cities at least annually and periodically advise the Board of how the overall portfolio is performing. The Fund Administrator will take into consideration: the loan to asset ratio, the number of jobs created, loan delinquencies, etc.

If there is significant change in the regional market or need for an adjustment to be done to the RLF Plan to included areas that are not covered or if there is a need for a changed in procedure, then a revision to the RLF Plan will be prepared and submitted to US EDA for approval. The Fund Administrator shall also be responsible for assuring that the RLF Plan is reviewed and updated as is required per US EDA regulations, which is every five (5) years. At that time, the most appropriate regional economic strategy/plan will be reviewed and summarized and considered in preparing the RLF Plan and the Plan will reflect how the PRLF will be supportive of and promote the goals of said Plan.

PART II. REVOLVING LOAN FUND OPERATIONAL PROCEDURES

A. Organization Structure

The PRLF is governed by the Peninsula Industrial Finance Corporation ("Fund Board of Directors" or the "Board") and is made up of five (5) members representing a cross section of the area's leaders in the fields of finance, law, real estate, business, insurance, and accounting, etc. As new members are appointed to fill expired terms, a continuing effort is made to maintain an appropriate representation of the area population. To compose the Board, three (3) members shall be appointed by Newport News IDA/EDA and two (2) members from Hampton IDA/EDA. Two of the Board appointees from Newport News and one from Hampton shall have a three (3) year term and one of the Board appointees from Newport News and one from Hampton shall have a two (2) year term. Board composition and terms may be adjusted as necessary as long as they are consistent with the Bylaws.

1. Critical Operational Functions

The day-to-day operation of the PRLF shall be the primary responsibility of staff from the Newport News Department of Development. The administration of the PRLF activities and Fund, under the direction of the Board, is carried out by the staff of the Newport News Department of Development ("Fund Administrator" or the "Administrator") in cooperation with representatives from the city of Hampton and the Board Counsel. Combined skills will cover the areas of business, finance, law, marketing, credit analysis, loan packaging, processing, and servicing. The Fund Administrator will assure that:

- Continuous marketing of the Fund will take place in collaboration with the City of Hampton and the Board members. If the Grantee finds itself in noncompliance on the Capital Utilization Standard per the EDA RLF Standard Terms and Conditions, it will aggressively strive to achieve compliance as soon as is possible.

- Staff from the economic development departments for both cities will assist prospective borrowers and if necessary refer borrowers to other regional resources in order to assure they are prepared to apply to the PRLF.
- Generally, the loans under the PRLF will have no significant impact on the environment but the Fund Administrator will prepare a checklist to be reviewed prior to any loan being approved to help determine whether or not there will be any environmental impact.
- Loan Underwriting will be undertaken by each respective city's economic development department and will include review of loan applications and supporting information and the preparations necessary for presentation to the Board.
- Once a loan has been approved and a closing is appropriate, either city's economic development staff will forward pertinent information to the Board Counsel to prepare closing documents. Staff will review the closing documents for accuracy prior to dissemination of them to the borrower.
- Loan servicing and collections will be done by the Fund Administrator who will receive and record all payments and monitor the repayment schedule. In the event of non-payment, the Fund Administrator will:
    - Contact the borrower to determine the reason for non-payment;
    - Notify the respective city representative of the need for assistance, if problem persists;
    - Work with the city in recommending a plan of action to be approved by the Board, to modify the loan terms to remedy legitimate problems, for a borrower;
    - Continue to monitor and assist the business until the problem is resolved, or in the event of no other recourse:
    - Initiate legal proceedings to protect the interest of the PRLF;
    - The Fund Administrator will also be responsible for obtaining audits and ensuring the Fund stays in compliance with US EDA requirements.

2. Loan Administration Board

The loan administration board is described at the very beginning of this section under organization structure. A loan can be considered at any duly called Board meeting where any three (3) out of the five (5) members are present. The Board will consider loan recommendations from either of the city's Director of Economic Development. The Board has ultimate approval authority for loans.

3. Conflicts of Interests

To help avoid conflict of interest situations, the Fund Administrator will incorporate questions into the loan application to help determine if potential conflicts exist. Applicants and business principals will be required to certify that no agent, officer, employee of the either City or PIFC Board member or IDA Member has any personal interest, direct or indirect in the loan. It will be the local policy, which will mirror the US EDA's RLF policy, that (a) An Interested Party of a Recipient of an RLF Grant shall not receive, directly or indirectly, any personal or financial benefits resulting from the disbursement of RLF loans; (b) A Recipient of an RLF Grant shall not lend RLF funds to an Interested Party; and (c) Former board members of a Recipient of an RLF Grant and members of his or her Immediate Family shall not receive a loan from such RLF for a period of two years from the date that the board member last served on the RLF's Board of Directors. If it is determined that a conflict exists at any time during the consideration of a loan from the Fund or after a loan was granted the Fund Administrator will involve the Board Counsel to determine how to best proceed and do what is necessary to stay in compliance with US EDA regulations.

B. <u>Loan Processing Procedures</u>

1. Standard Loan Application Requirements

In addition to an application form, a borrower will need at least the following information:

- A business plan for the proposed project
- For a business expansion, financial statements for the three most recent fiscal years of the business and three years tax returns
- A current personal financial statement for each principal and three years of personal tax returns
- Three-year pro forma projected income and cash flow statements, broken down monthly for the first year and quarterly or annually thereafter
- Supporting documents for proposed use of loan proceeds, including construction quotes or contracts, equipment quotes or contracts, leases, sales agreements, etc.
- Evidence of private financing
- Resumes or background information on all business principals

2. **Credit and Financial Analysis**

The underwriting procedures will generally mirror that of a conventional bank to include obtaining credit reports on business principals and gathering of the above information and in some cases requiring building or equipment appraisals or assessments.

Generally, all loans will require personal guarantees, key man life insurance and mortgages or liens on business and/or personal assets. Once the application is completed and all required attachments and are obtained, staff from each city's department of economic development attempts to review information in a timely manner so as to submit a completed loan package to the PIFC Board as soon as is appropriate.

3. **Environmental Reviews**

All projects must adhere to all local, state and federal environmental control standards. The Fund Administrator will make every effort to assure that the PRLF adheres to US EDA requirements found in 13 CFR Parts 302 and 314. For the majority of loans, which will be for equipment and machinery purchases and working capital, there should be no impact to the surrounding environment but for any loan requests involving construction or renovation the following will be applicable:

- The loan originator, who will generally be the Business Development Specialist, will review all potential loan requests and determine what level of environmental documentation should be done. All loans must include data concerning all environmental impacts of activities to be financed. Additional documentation may be required to permit the loan originator to evaluate the environmental impact. The loan originator shall assess the significance of all environmental impacts of activities to be financed, in compliance with the National Environment Policy Act of 1969 and other Federal environmental mandates, as required. No activity shall be financed which would result in a significant adverse environmental impact unless that impact is to be mitigated to the point of insignificance. When necessary to ensure compliance, the loan originator shall make any required mitigations part of the loan conditions.
- No construction project will be financed if it is determined, after review of the FEMA Flood Insurance Rate Maps, that the project is in the 100-year floodplain as defined by FEMA.

- No construction project will be approved which results in the alteration of any wetland or causes any adverse impact on any wetland without prior consultation with, and consent of, the U.S. Department of the Interior Fish and Wildlife Service, and, if applicable, a Section 404 Permit with the Army Corp of Engineers shall be obtained.
- The loan originator shall notify the State Historic Preservation Officer (SHPO) of each approved loan that involves significant new construction and expansion and request and receive comments on the effect of the proposed activity on historic and archeological resources prior to closing of the loan. In cases where SHPO has recommended actions or has determined an adverse impact, the Fund Administrator and the applicant must work with the SHPO and other necessary parties to address any issues identified before the loan is closed.
- No project shall be financed which involves unresolved site contamination issues. Loan applicants shall be responsible for working with the appropriate state environmental agency office to resolve any outstanding issues prior to any loan being approved for the affected site. Loan applicants are required to provide information regarding whether or not there was hazardous materials such as EPA listed hazardous substances, leaking underground storage tanks, asbestos, polychlorinated biphenyls (PCB), or other hazardous materials present on or adjacent to affected property that have been improperly handled or released and/or have the potential of endangering public health. If deemed necessary, loan applicants may be required to perform or provide evidence of performance of a Phase I Environmental Site Assessment to identify possible sources of contamination, a Phase II Environmental Site Assessment to test soil and/or groundwater samples, and a Phase III Site Remediation involving mitigation of applicable contaminants.

4. Loan Write-ups

The loan write-ups will be performed by staff in each city's department of economic development and will generally consist of the following elements and information:

- Company/Borrower(s) Name
- Physical Location
- Principals/Owners
- Summary of Request
- Company History

- Company Management
- Project Information
- Financial Trends
- Private Funds Involved
- City Loan Term and Conditions
- Debt Service
- Strengths
- Weaknesses
- Conclusions and Summary

5. Procedures for Loan Approvals

The Board, at its regular meeting, will act on every loan application received by the Fund Administrator subsequent to the previous meeting, either denying the application or approving it by stipulating the percentage rate and term of the loan. The Fund Administrator will have vetted the proposed project and application to assure it is in line with local Fund guidelines and US EDA regulations.

The Board will receive loan application and information to review prior to the meeting. A City representative will present the proposed loan to the Board with recommended terms and conditions. The Board will vote on said application at that meeting. A majority vote to approve the application from the quorum that is present at the meeting will constitute a valid approval vote. Approvals shall be documented via meeting minutes.

To ensure that loan packages have been properly reviewed by the cities, a letter of recommendation must accompany all PRLF loan applications entertained by the Board from one of the two cities.

C. Loan Closing and Disbursement Procedures

1. Loan Closing Documents

Prior to disbursement of individual loan funds, the Fund Counsel and the Fund Administrator shall ensure that the basic loan documents are in place and that the documents have been reviewed by Counsel for adequacy to protect the interests of the PRLF. The basic documents required will include, but is not limited to the following:

a. Loan Application, including Fund Administrator Recommendation Letter
b. Board Meeting Minutes Reflecting Loan Approval

c. City Letter of Commitment
d. Loan Agreement
e. Promissory Note
f. Security Agreement(s)
g. Guaranty Agreement(s)
h. Agreement of Prior Lienholder
i. Landlord's Lienwaiver
j. Deed of Trust
k. Title Insurance
l. Proof of Asset Ownership
m. Evidence of Property Insurance
n. UCC Financing Statements
o. Copy of Lease/Sales Contract
p. Private Financing Commitment Letter, evidencing maximum amount available to the Borrower to leverage our loan amount

3. Loan Agreement Provisions

The loan agreement will have language that will ensure all terms and conditions are adhered to that were included in the PRLF commitment letter and that will assure that the PRLF monies will be protected and released as is appropriate and used as reflected in the application. Borrowers will have to provide evidence of private equity and any other private funds included in the project, to include an executed bank commitment letter and executed bank note prior to release of all PRLF monies. The loan documentation will also include a hold harmless clause to protect the Federal government from any liability. Furthermore, appropriate language for events of default and call provisions will be included.

4. Loan Disbursement

The Fund Administrator shall ensure that the funds are disbursed in accordance with the commitment letter, i.e., a borrower is required to provide evidence (e.g., an invoice) that an asset has been ordered prior to receiving loan funds to ensure that the funds will be used as agreed in the commitment letter. The Fund Administrator will assure that any pre-disbursement requirements for working capital loans, any special requirements for construction financing and any other disbursement procedures that are necessary are met to protect the RLF.

An applicant is to have all fees paid prior to or simultaneously with disbursement of PRLF monies.

D. Loan Servicing Procedures

1. Repayment

Loan servicing and collections will be done by the Fund Administrator who will receive and record all payments and monitor the repayment schedule.

2. Monitoring

The Fund Administrator is provided with a monthly delinquency report that will track if payments are made in a timely manner. Also, the Administrator has a lease/loan tracking system that can have tickler dates input for reminders for collateral or call issues. Monitoring of the applicant's compliance will be accomplished through periodic visitation efforts of the cities with the Fund Administrator. In the event of non-compliance that cannot be resolved, the Cities/Fund Administrator will advise the Board to exercise the call provisions in the closing documents.

3. Loan Files

Loan files will be housed in the City of Newport News by the Fund Administrator. A typical loan file will include all information that was presented to the Board as well as all preliminary notes and information obtained during the underwriting and review process. Additionally, all executed closing documents will be a part of the file along with any other cumulative post loan closing information, to include but not limited to site visits write-ups, job reports, work-out documentation, etc. Files will be safeguarded as is appropriate for public government documents and original notes will generally be kept separately in a fire-proof or fire resistant container.

4. Job Creation

Initial job counts will be reflected in the loan application and projected jobs over the next two to three years will also be reflected. Semi-annual or annual job reports will be requested from each open loan in order to record information on US EDA reports. Also, staff will seek to observe some jobs in place during periodic site visits.

5. Defaulted Loans

The Fund Administrator will be responsible for oversight of the loan portfolio. In the event of non-payment, the Fund Administrator will:

- Contact the borrower to determine the reason for non-payment;
- Notify the respective city representative of the need for assistance, if problem persists;
- Work with the city in recommending a plan of action to be approved by the Board, to modify the loan terms to remedy legitimate problems, for a borrower;

- Continue to monitor and assist the business until the problem is resolved, or in the event of no other recourse;
- Initiate legal proceedings to protect the interest of the PRLF
- If funds are received after the loan is written off, funds will be applied to collection costs, penalties/fees, accrued interest and lastly to outstanding principal.

6. **Write-Offs**
A loan write-off will only take place after staff from both cities have exhausted all other possibilities for collection and had extensive consultation with the Fund Counsel and obtained approval from the Board. Once it determined that a loan is uncollectible and been approved for write-off, the Fund Administrator will follow general accounting write-off procedures.

E. Administrative Procedures

1. New RLFs

The PRLF is not a new RLF and has been fully disbursed, as far as requesting grant funds from US EDA, for over 30 years.

2. Accounting

The PRLF will be operated in accordance with generally accepted accounting principles, per US EDA regulations and will have separate bank accounts from any other programs.

3. Administrative Costs

The PRLF has limited administrative costs and usually only includes audit fees, bank fees and State Corporation fees and is generally less than 50% of annual PRLF income. Local funding will cover excess expenses if necessary.

4. Capital Utilization & Sequestration

The two cities will advertise the PRLF in the local publications and will contact lending institutions and CPA firms to make them aware of the program. Other loan referral and technical assistance agencies will be provided with materials summarizing the PRLF. Continuous marketing of the Fund will be provided by the Department of Development for both cities and the PIFC Board members. If the Fund Administrator finds the Fund in noncompliance on the Capital Utilization Standard per the EDA RLF Standard Terms and Conditions it will aggressively strive to achieve compliance as soon as is possible. If the PRLF capital is uncommitted and not in compliance for an extended period of time, then appropriate sequestration procedures will be followed per US EDA regulations.

5. EDA Reporting

The Fund Administrator will abide by the required reporting schedule after determination by US EDA as to what the reporting requirement is: semi-annual or annual. Generally, no income and expense statement will be required, as administrative costs will usually remain under 50% of PRLF income.

6. Audits

On an annual basis, an independent auditor will review financial information and perform an audit as it relates to the PRLF. Engagement letters and final audit reports will be reviewed and approved by the Board.