



**LCLGRP B Revolving Loan Fund  
Management Plan**

**ADDENDUM**

**for the**

**COVID-19 Small Business Recovery Program**

**Award No. 01-79-14980**

*Adopted by the LCLGRP B Board of Directors on August 28, 2020*

## *Program Overview*

In August 2020, the Lake Champlain – Lake George Regional Planning Board was awarded a \$2,940,000 Revolving Loan Fund grant from the Economic Development Administration to assist small businesses within Clinton, Essex, Hamilton, Warren, Washington, Jefferson, Lewis, and St. Lawrence Counties that have been impacted by the COVID-19 pandemic.

This fund was capitalized to alleviate the sudden and severe economic dislocation caused by the coronavirus (COVID-19) pandemic, to provide permanent resources to support economic resiliency, and to further the long-term economic adjustment objectives of the region.

The overarching objective of the COVID-19 Small Business Recovery Program is to assist small businesses by providing loans in two categories:

1. *Economic Injury*: The region's small businesses in many sectors have been negatively affected by COVID-19 pandemic. Working capital loans will be made available to businesses that can show they have endured economic injury as a result of COVID-19.
2. *Future Resiliency*: The COVID-19 outbreak has changed people's expectations in the workplace and public. A loan from this program would give a business the ability to purchase equipment and/or supplies, including Personal Protection Equipment (PPE), related to prolonged heightened safety protocols. Funding will also be available for physical infrastructure upgrades related to COVID-19 needs. Borrowers must relate all purchases to the COVID-19 pandemic, demonstrate what will be purchased with the loan funding and determine its useful life.

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## *Finance Strategy and Policies*

The terms set forth in this Addendum pertain only to the initial round of lending, known as the Disbursement Phase. Once the Disbursement Phase is complete (all original \$2.94 million is disbursed) management of and terms for this Revolving Loan Fund will be consistent with the LCLGRP Board approved Revolving Loan Fund Management Plan for all other LCLGRP operated Revolving Loan Funds. All other terms found in the LCLGRP approved RLF Management Plan not modified within this Addendum remain intact.

### **Minimum and Maximum Loan Amounts**

Loans from the LCLGRP RLF will range from a minimum of \$25,000 to a maximum of \$150,000.

### **Credit not Otherwise Available**

As directed by the EDA, regulation 13 CFR § 307.11(a)(1)(ii)(H), which requires submission of documentation of credit not otherwise available, does not apply.

## **Interest Rates and Repayment Terms**

The interest rate for loans provided out of this fund will be set at 1.9% for the life of the loan.

As directed by the EDA, regulation 13 CFR § 307.15(b)(1), which sets the minimum interest rate requirements, does not apply.

## **Closing Fee**

There is no closing fee due to the LCLGRP.

## **Equity**

There is no cash equity from the borrower required.

## **Interest-Only payments**

All loans will be provided with 12-months of interest-only payments at the beginning of the loan, followed by principal and interest payments for the remainder of the term.

## **Repayment Terms**

The maximum loan term will be set at 7 years. The Loan Administrative Committee will set repayment terms for each individual loan based on the amount of funding borrowed and the borrower's repayment ability.

## **Application Fee**

There is no application fee.

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## *Revolving Loan Fund Portfolio Standards and Targets*

The RLF portfolio aims at providing loans to businesses that have been the most impacted by the COVID-19 pandemic. No predetermination of the percent of each industry or amount of funding provided within each county where loans are to be made has been determined, and it is anticipated that the concentration of loans within each target industry and county will vary based on the current economic climate and needs of the region.

## **Leveraging of Funds**

As directed by the EDA, regulation 13 CFR § 307.15(c), which requires loans to leverage additional capital, does not apply.

## **Job/Cost Ratio**

The goal of this fund is to retain employment within the region. The LCLGRP RLF has set a ratio of \$50,000 disbursed will retain 1 job. The LCLGRP does understand that this goal may not be obtainable in certain situations, and those that do not will be assessed on a case by case basis.

Information on the number of jobs retained can be found in Section II and Section X of the LCLGRP B RLF application. The borrower must provide the actual number of jobs retained along with a justification for the number reported, description of the jobs, wages, benefits, and required skills. Job retention claims will be reviewed as part of the underwriting process. At the end of each year, loan recipients are required to provide an annual job survey to show that the stated targets of job retention have been met.

### *RLF Loan Selection Criteria*

Projects will be evaluated based on need pertaining to the associated effects of the COVID-19 pandemic.

### **Eligible Borrowers**

Eligible borrowers under the LCLGRP B RLF Program include for-profit businesses only and can be sole proprietorships, partnerships, corporations or LLCs with proposed activities to be located within Clinton, Essex, Hamilton, Warren, Washington, Jefferson, Lewis and St. Lawrence Counties. Businesses must be established, no start-ups. Eligible borrowers must be project occupants – no third-party loans will be given.

### **Allowable Borrowing**

Eligible borrowers are allowed to borrow for;

1. Fixed asset loans
2. Working capital loans for conduct of current businesses
3. The LCLGRP B will entertain other lending scenarios, provided that the exceptions have been approved by the RLF LAC.

### **Eligible Loan Activities**

The following types of activities are eligible for use of RLF funding;

1. Working capital loans where employment is retained
2. Purchase of equipment, supplies and inventory
3. Rehabilitation and renovation of existing property (owned and rented) related to the COVID-19 pandemic

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### *Loan Processing Procedures*

A loan applicant must, at minimum, provide the LCLGRP B with:

1. Complete application form including personal background information
2. Financial statements of the company for the last three years

3. Projected balance sheet and income statement for three years following receipt of the loan
4. Projected cash flows for at least the three years following receipt of the loan
5. Business debt schedule
6. Interim financial statements of the company through the most recent month available, but in no case more than three months prior to the loan application date
7. Previous three years of business Federal Tax Returns and Schedule C
8. Previous three years of personal Federal Tax Returns and Schedule C
9. Personal financial statements for each principal owning at least 20% of the company
10. Aging Accounts Receivable and Payable Schedule
11. Financial statements for each company and/or individual who will act as the guarantor of the requested financing
12. Current business plan
13. Resumes of owner(s) and Key management personnel
14. Projected employment descriptions and salary estimates
15. Copy of dba, partnership papers or incorporation agreement
16. Complete Credit Authorization Form
17. Franchise Agreement (if applicable)
18. Disclaimer(s)
19. Certification(s) regarding disbarment/information on pending litigation (if applicable)
20. Supporting documentation of worth of collateral
21. Information on Outstanding debt
22. Budget for the use of funds;
  - a. If funds are being used to purchase equipment or materials, a quote or bid from a reputable vendor must be provided. The LCLGRP strongly suggests that borrowers obtain at least three quotes to ensure the best value is found.
  - b. If funds are being used for any form of construction or renovation project, a quote or bid from a reputable contractor must be provided. The LCLGRP strongly suggest that borrower obtain at least three quotes to ensure the best value contractor is hired.
  - c. If funds are being used for working capital, a cash flow statement from the past three years must be provided.

## **Procedures for Approval**

The average time for a loan to be received, processed, vetted, awarded and funds disbursed varies due to several factors, but the LCLGRP has established a target of 4 weeks.

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### *Loan Closing and Disbursement Procedures*

#### **General Loan Closing Procedures**

Loan funds are disbursed to borrowers as follows:

- Following loan approval, the LCLGRP will request a drawdown from the EDA in the amount of the loan to be provided and set a closing date.
  - Once funding is received from the EDA, the LCLGRP will close the loan. Funds will be disbursed to the borrower directly from the LCLGRP RLF Account at closing.
  - RLF attorney is responsible for preparing all required legal documents for signature by borrower at closing including but not limited to note, mortgage, security agreement, UCC certificate, etc.
  - Net loan proceeds will be adjusted at the time of closing to reflect required borrower fees.
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### *Administrative Procedures*

#### **Loan Files**

Loan files will include; at a minimum;

- Loan Application;
- Loan Agreement;
- LAC meeting minutes approving the RLF loan;
- Promissory note;
- Security agreement(s) and/or collateral filings; and
- Deed of trust or mortgage (as applicable)

Additional materials within the file can include, but are not limited to, business plans, payment histories, insurance certificates, private lender loan agreements (if applicable), financial statements, site visit reports, annual reports from borrower and a correspondence log.

#### **Revolving Loan Fund Income**

The EDA has provided the LCLGRP with grant funding to cover administrative costs from 7/1/2020 – 7/1/2022. In this time, the LCLGRP will not utilize RLF Income for operating

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expenses. Following the expiration of this grant, the LCLGRP will utilize the RLF Income for operations in accordance with its approved RLF Plan.