

**INVEST AURORA'S  
REVOLVING LOAN FUND II  
(IA RLF)**



**2021 EDA CARES ACT RECOVERY ASSISTANCE**

**REVOLVING LOAN FUND PLAN**

## Table of Contents

I. REVOLVING LOAN FUND STRATEGY .....	5
<b>ECONOMIC ADJUSTMENT OVERVIEW</b> .....	5
<i>Comprehensive Economic Development Strategy</i> .....	5
<i>Economic Conditions</i> .....	6
<b>BUSINESS DEVELOPMENT STRATEGY</b> .....	6
<i>Objectives</i> .....	6
<i>Target Investments</i> .....	7
<i>Business Characteristics and Needs</i> .....	7
II. FINANCING POLICIES.....	8
<b>ELIGIBLE BORROWERS</b> .....	8
<b>ELIGIBLE PROJECTS</b> .....	8
<b>USE OF FUNDS</b> .....	9
<b>INELIGIBLE PROJECTS</b> .....	9
<b>RESTRICTIONS ON USE OF RLF CASH AVAILABLE FOR LENDING</b> .....	9
<b>LOAN SIZE</b> .....	10
<b>LOAN TERMS</b> .....	10
<b>TIMING OF REQUEST FOR DISBURSEMENTS</b> .....	10
<b>INTEREST RATE</b> .....	10
<b>RLF LEVERAGING</b> .....	10
<b>LOAN FEES</b> .....	11
<b>LOAN PRE-PAYMENT</b> .....	11
<b>COLLATERAL/SECURITY</b> .....	11
<b>MORATORIA</b> .....	11
<b>REVOLVING LOAN FUND PORTFOLIO STANDARDS AND TARGETS</b> .....	11
III. LOAN APPLICATIONS & INITIAL SCREENING .....	12
<b>APPLYING FOR A LOAN</b> .....	12
<b>LOAN APPLICATION MINIMUM REQUIREMENTS</b> .....	12
<b>INITIAL SCREENING OF THE LOAN APPLICATION</b> .....	12
<b>MAXIMUM LOAN AND JOB/COST RATIO</b> .....	13
<b>APPLICATIONS DEEMED INCOMPLETE</b> .....	13
<b>APPLICATIONS THAT PASS THE INITIAL SCREENING</b> .....	13
IV. DETAILED CONSULTATION & REVIEW .....	13

<b>OBJECTIVES</b> .....	13
<b>ON-SITE VISIT</b> .....	14
<b>BACKGROUND CHECKS</b> .....	14
<b>UNDERWRITING CRITERIA</b> .....	14
<i>Ability to Repay</i> .....	14
<i>Collateral</i> .....	14
<i>Balance Sheet Analysis</i> .....	15
<i>Management Expertise</i> .....	15
<i>Development Team Experience</i> .....	15
<i>Business Plan</i> .....	15
<i>Borrower and Community Commitment</i> .....	15
Private Investment Leverage and Potential .....	15
<i>Job Creation</i> .....	15
<i>Environmental Review</i> .....	15
<b>LOAN REVIEW PROCESS</b> .....	17
<i>Overall Process and Timeline</i> .....	17
<i>IA RLF Loan Advisory Committee</i> .....	17
<i>Invest Aurora Board of Directors</i> .....	17
<i>Terms and Conditions Letter</i> .....	18
<b>LOAN EXECUTION</b> .....	18
<i>Loan Agreement</i> .....	18
V. REVOLVING LOAN FUND OPERATIONAL PROCEDURES .....	18
<b>ADMINISTRATIVE STRUCTURE</b> .....	18
<i>Invest Aurora Employees</i> .....	19
<i>Invest Aurora RLF Loan Advisory Committee</i> .....	19
<b>DISBURSEMENT OF FUNDS</b> .....	20
<b>COLLECTION OF FUNDS</b> .....	21
<b>LOAN MODIFICATION</b> .....	21
<b>MONETARY DEFAULT</b> .....	22
<b>LATE PAYMENT PENALTY</b> .....	22
<b>MONITORING</b> .....	22
<b>LOAN FILES</b> .....	22
<b>CONFLICT OF INTEREST</b> .....	23

I. <i>Conflicts of Interest Rule</i> .....	23
II. <i>Duty to Disclose</i> .....	23
III. <i>Written Standard of Conduct</i> .....	23
IV. <i>Definitions</i> .....	24
<b>WRITE-OFFS</b> .....	24
<b>INTEREST BEARING ACCOUNT</b> .....	24
<b>REVOLVING LOAN FUND INCOME</b> .....	24
<b>ALLOWABLE CASH PERCENTAGE</b> .....	25
<b>ACCOUNTING</b> .....	25
<b>PERFORMANCE ASSESSMENT</b> .....	25
<b>EDA REPORTING</b> .....	25
<b>AUDITS</b> .....	25

# I. REVOLVING LOAN FUND STRATEGY

Invest Aurora is an economic development organization serving the Aurora, Illinois community. Our organization works to strengthen the community by fostering public and private sector partnerships that support local businesses and economic growth. Invest Aurora leverages its unique position in the market to coordinate with various regional actors in the pursuit of business attraction, retention, and expansion. Due in large part to the COVID-19 pandemic, the IA RLF will be an important financing option for small and medium size local businesses that are struggling to obtain traditional financing or capital. The IA RLF will also help us expand our reach to serve eligible businesses through the entire Aurora, IL community.

## **ECONOMIC ADJUSTMENT OVERVIEW**

### *Comprehensive Economic Development Strategy*

Although there is not a CEDS covering the Aurora, Illinois area, there are a number of plans that influence our local economic development strategy and will be a key driver for IA RLF investments. These plans include:

- i. City of Aurora Downtown Redevelopment Plan and Economic Goals
- ii. Chicago Metropolitan Agency Comprehensive Plan (“CMAP Plan”)
- iii. DuPage County Strategic Plan (“DuPage Plan”)
- iv. Kane County Strategic Plan (“Kane Plan”)
- v. Route 59 Plan

Given the cooperative nature of the region in which we are based, we actively coordinate with the agencies listed above to ensure that we are aligned on regional goals, while also supporting our local community. Each of the above plans incorporates this regional collaboration along with support of certain local goals such as:

- i. Inclusive growth, economic resilience and targeted use of investment resources (see CMAP Plan);
- ii. Upskilling of residents, creating and supporting “open for business” policies (see DuPage Plan); and
- iii. Growth and expansion of a diverse economy to spur innovation, sustainability and economic prosperity, invest in infrastructure to attract and support new investments, and improve local and regional coordination to ensure that the local workforce is highly skilled and competitive (see Kane Plan and Aurora Downtown Redevelopment Plan).

Our dedication to expanding economic opportunities in Aurora, IL incorporates many of the regional goals from our partners and also puts an emphasis on attracting, retaining and promoting local businesses in our community. Due to the COVID-19 pandemic, Invest Aurora has also put a renewed emphasis on creating and supporting a resilient local economy that allows businesses to grow and expand regardless of the global economic environment.

The RLF supports these activities by providing a critical capital resource to local businesses whether they are looking to grow and expand or simply need bridge financing to help them continue operations while they seek out additional investments. Through our years of experience

leading the JCD RLF, we have seen how these funds can serve as a critical tool in our efforts to not only support local business, but to create and retain local jobs, while also ensuring that we are fostering sustainable economic growth for the local community.

### *Economic Conditions*

As noted above, the IA RLF will be a critical resource for eligible small businesses in the community whether they are looking to expand operations or merely need some bridge financing while they raise additional capital. The focus area for the JCD RLF investments was on the downtown redevelopment district, a low-income census tract region of Aurora. The COVID-19 pandemic has made it clear that the IA RLF must serve the broader Aurora community to ensure that all of our local small businesses have an opportunity to obtain the funding they need to create and retain local jobs.

The IA RLF will continue to play an integral role in our goal of helping local businesses expand and maintain operations, which in turn stimulates the local economy, creates jobs and promotes job retentions, and helps the community as we strive towards creating a resilient local and regional economy. Although the JCD RLF has made a wide-range of investments in the downtown redevelopment district, the COVID-19 pandemic has created additional economic distress for small businesses throughout our community that can be addressed using revolving loan funds. The City of Aurora, like many cities in Illinois, is experiencing a spike in unemployment as many local businesses are subject to state-wide executive orders in response to a high county infection rate. This EDA investment will allow us to address several economic adjustment problems including, but not limited to:

- i. provide funding to eligible local businesses as they seek to recover from the impacts of the COVID-19 pandemic and expand local operations;
- ii. support the creation of new, innovative local businesses that create jobs and strengthen the community and economy; and
- iii. provide critical investment in businesses that need bridge or other financing that is critical to the retention of jobs or rehiring of local employees that were impacted by the COVID-19 pandemic or other similar economic downturns.

While the above is not an exhaustive list, we believe that these are some of the most important problems currently facing our community and can be quickly addressed by the IA RLF. These activities will allow our small businesses as well as our community to not only recover from the economic impacts of the COVID-19 pandemic, but also support economic growth and resiliency in a post-COVID economy.

## **BUSINESS DEVELOPMENT STRATEGY**

### *Objectives*

The objectives of the IA RLF are:

1. to expand and/or modernize existing locally owned and managed enterprises;
2. to encourage the creation or retention of employment opportunities for residents in the region;
3. to leverage new private investment in the City of Aurora; and
4. to implement city, county, and regional economic development strategies.

### *Target Investments*

Invest Aurora attempts to maintain a balanced and diverse loan portfolio representing different sizes and types of businesses and managed risk. Funding objectives are intended as overarching guidelines, and final funding recommendations are at the discretion of the Invest Aurora Revolving Loan Fund Advisory Committee (“IA RLF Loan Advisory Committee”).

The IA RLF will target four (4) types of industries within the community:

1. Hospitality: The hospitality industry includes art, entertainment & recreation, and accommodation & food services. A hospitality focus is driven by need due to the COVID-19 pandemic, as well as the potential to create a tourist draw for the greater Chicago Metropolitan Area. The need for the type of assistance provided by the RLF is greatest in this area, as banks are hesitant to invest in hotels and restaurants.
2. Retail: Local retail stores are also experiencing increased need due to the COVID-19 pandemic. Local retail is still recovering from the economic downturn at the beginning of the 2010s, requiring local support to rebuild. This is a space for innovation for local entrepreneurs, creating a resilient and locally focused economy beyond COVID-19.
3. IT: The IT industry may include data centers, office spaces, and other technology-driven businesses that create and/or retain jobs. The City of Aurora has invested in a strong fiber network, overseen by OnLight Aurora, making it an attractive amenity to businesses in the IT sector. Attracting more business in this sector would allow Aurora to continue to be innovative into the future.
4. Other: The “Other” Industry category is an all-encompassing category that could include other businesses providing services to the City of Aurora. These small and medium size businesses will help balance the IA RLF portfolio.

### *Local Capital Market Environment*

Traditional financing in Aurora is limited for small businesses, especially those that are proposing projects that are deemed “high-risk.” If these “high-risk” projects are able to obtain financing, they often lead to projects that will help Aurora thrive. For example, the JCD RLF has had success with restaurants and local retail businesses, which have very limited access to capital in their first two years of operation, but are key contributors to our local community and, importantly, the local and regional economy. Due to the COVID-19 pandemic, many local businesses have struggled with accessing adequate capital as they attempt to remain in businesses despite falling revenues. In 2020, there were 2,371 businesses in Aurora that utilized the Paycheck Protection Program forgivable loan program, demonstrating a need for financing throughout the city. The IA RLF can meet some of those needs, while maintaining reasonable terms and appropriately managing the risk profile of the fund. Additionally, Invest Aurora can reinvest funds as they are repaid to ensure that the IA RLF has the maximum impact on the local business community.

### *Business Characteristics and Needs*

The IA RLF targets small-to-medium sized businesses that are locally owned and operated. Special consideration is given to businesses that provide full-time, year-round employment.

Invest Aurora’s mission is to meet financing gaps for businesses with limited access to large, private investment. Business development skills are also provided through partnerships with local community organizations and Waubensee Community College.

## **II. FINANCING POLICIES**

The basic eligibility requirements for an IA RLF loan are as follows:

### **ELIGIBLE BORROWERS**

Each borrower must:

- A. To be eligible for EDA RLF funds, a bank letter or equivalent demonstrating that credit is not otherwise available on terms and conditions or in the amounts that permit the completion or successful operation of the activity to be financed. As an alternative, a company may provide information that the terms for bank financing, including interest rate, loan term or collateral requirements would not allow the company to move forward on the project.
- B. Be a for-profit business located in the City of Aurora;
- C. Be duly organized, validly existing, in good standing and, when applicable, licensed to do business under the laws of the state of Illinois;
- D. Meet any citizenship or legal resident status requirements;
- E. Possess the licenses, certifications, zoning approvals and permits necessary to operate the proposed business at the time the loan is approved;
- F. Be current, and ensure that all loan guarantors are current, on business and personal income taxes, real and personal property taxes, payroll and business taxes, and court ordered judgements; and
- G. Provide disclosure of any outstanding litigation involving the business, the business owner(s) and any guarantor(s).

### **ELIGIBLE PROJECTS**

Each Project must:

- A. Reflect the city, county, and region’s articulated goals and priorities for economic development in the City of Aurora;
- B. Receive all necessary municipal approvals or authorizations from the City;
- C. Demonstrate that the project will not go forward without the IA RLF funding as demonstrated by a gap in needed financing or a gap in the rate of return. The applicant should certify that no other sources of financing are available;<sup>1</sup>
- D. Be financially viable and demonstrate the economic ability to repay the loan;
- E. Not provide more than a reasonable rate of return on the investment to the owner(s) of the assisted activity;
- F. Provide evidence that all project costs are reasonable;
- G. Be completed within 60 months of the loan commitment date, defined as the date the Loan Agreement is signed; and

---

<sup>1</sup> In some situations, this could be in the form of a bank “turn-down” letter or equivalent indicating that the bank can only finance a portion of the needed capital.

- H. Not begin until an environmental review is complete, the Loan Agreement has been executed and signed, and a notice to proceed has been issued.

### **USE OF FUNDS**

IA RLF loan funds may be used for:

- 1) Non-speculative acquisition, development, or improvement of real property;
- 2) Clearance, demolition, removal, and site preparation related to acquisition or rehabilitation;
- 3) Fixed assets;
- 4) Machinery and equipment;
- 5) Working capital for start-up businesses: and

### **INELIGIBLE PROJECTS**

- A. Activities not described as eligible projects are generally ineligible;
- B. Acquisition of land for which a specific use has not be identified (I.e. land banking);
- C. Political activities;
- D. Funds used in excess of RLF Income for administrative costs are not allowed. Recipients are expected to keep administrative costs to a minimum;
- E. Housing or residential projects of any kind are ineligible.

### **RESTRICTIONS ON USE OF RLF CASH AVAILABLE FOR LENDING**

RLF cash available for lending shall not be used to:

- (1) Acquire an equity position in a private business;
- (2) Subsidize interest payments on an existing RLF loan;
- (3) Provide a loan to a borrower for the purpose of meeting the requirements of equity contributions under another Federal Agency's loan programs;
- (4) Enable borrowers to acquire an interest in a business either through the purchase of stock or through the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient justification may include acquiring a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The potential economic benefits must be clearly consistent with the strategic objectives of the RLF;
- (5) Provide RLF loans to a borrower for the purpose of investing in interest-bearing accounts, certificates of deposit, or any investment unrelated to the RLF; or
- (6) Refinance existing debt, unless:
  - (i) The RLF Recipient sufficiently demonstrates in the loan documentation a "sound economic justification" for the refinancing (e.g., the refinancing will support additional capital investment intended to increase business activities). For this purpose, reducing the risk of loss to an existing lender(s) or lowering the cost of financing to a borrower shall not, without other indicia, constitute a sound economic justification; or
  - (ii) RLF Cash Available for Lending will finance the purchase of the rights of a prior lien holder during a foreclosure action which is necessary to preclude a significant loss on an RLF loan. RLF funds may be used for this purpose only if there is a high probability of receiving compensation from the sale of assets sufficient to cover an RLF's costs plus a reasonable portion of the outstanding RLF loan within a reasonable time frame approved by EDA following the date of refinancing.
- (7) Serve as collateral to obtain credit or any other type of financing without EDA's prior written approval;

- (8) Support operations or administration of the RLF Recipient; or
- (9) Undertake any activity that would violate the requirements found in part 314 of this chapter, including §314.3 (“Authorized Use of Property”) and §314.4 (“Unauthorized Use of Property”). [82 FR 57057, Dec. 1, 2017]

**LOAN SIZE**

The minimum loan size is \$25,000. The maximum loan size is not to exceed 25% of the total value of the fund including all outstanding principal amounts on the day the loan is made or \$750,000, whichever is less as of the date of origination.

**LOAN TERMS**

The loan term will not exceed 60 months, and there will be no penalty for prepayment. Interest begins to accrue the day that the loan is disbursed. The first payment will be due 60 days after the date of disbursement. Loan amortization, if applicable, will not exceed the useful life of the assets financed. The following are generally accepted loan amortization standards:

Asset	Maximum Amortization
Real Estate	25 years
Machinery & Equipment	10 years
Inventory	1 year
Receivables	1 year

**TIMING OF REQUEST FOR DISBURSEMENTS**

An RLF Recipient shall request disbursements of Grant funds only to close a loan or disburse RLF funds to a borrower. The RLF Recipient must disburse the RLF funds to a borrower within 30 days of receipt of the Grant funds. Any Grant funds not disbursed within the 30-day period shall be refunded to EDA.

**INTEREST RATE**

Certain minority, veteran or women-owned businesses may be eligible for a reduce interest rate at the direction of the Invest Aurora staff in consultation with the Invest Aurora Board. In accordance with 13 CFR 307.15, IA may make loans to eligible borrowers at interest rates and under conditions determined by the RLF Recipient to be appropriate in achieving the goals of the RLF. 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*.<sup>2</sup>

**RLF LEVERAGING**

1) RLF loans must leverage additional investment of at least two dollars for every one dollar of such RLF loans. This leveraging requirement applies to the RLF portfolio as a whole rather than to individual loans and is effective for the duration of the RLF's operation. To be classified as leveraged, additional investment must be made within 12 months of approval of an RLF loan, as part of the same business development project, and may include:

<sup>2</sup> Should the prime interest rate listed in the Wall Street Journal exceed 14 percent, the minimum RLF interest rate is not required to be raised above 10 percent if doing so compromises the ability of the RLF Recipient to implement its financing strategy.

- (i) Capital invested by the borrower or others;
- (ii) Financing from private entities;
- (iii) The non-guaranteed portions and 90 percent of the guaranteed portions of any Federal loan; or
- (iv) Loans from other State and local lending programs.

2) Private investments shall not include accrued equity in a borrower's assets.

### **LOAN FEES**

IA RLF Loan Advisory Committee may establish loan origination fees, closing fees, servicing fees and other fees to cover reasonable charges directly related to either processing an application, or servicing a loan. All fees collected will be retained by the IA RLF.

The IA RLF Loan Advisory Committee has established a loan origination fee of 1% of the total loan amount. The loan origination fee is due, by certified check payable to IA RLF, at the time of the loan closing.

### **LOAN PRE-PAYMENT**

Loans may be repaid at any time without penalty.

### **COLLATERAL/SECURITY**

All IA RLF loans will be secured through one or more of the following means:

- 1) Promissory note;
- 2) A mortgage on real property being acquired/rehabilitated in an amount at least that of the amount of the loan;
- 3) A General Business Security Agreement secured by a UCC filing with the Illinois Secretary of State covering assets of the business including equipment, inventory, and supplies;
- 4) Personal guarantees of 1) each proprietor, and/or 2) each limited partner who owns 20% or more interest and each general partner, and/or 3) each stockholder owning 20% or more voting stock;
- 5) Collateral assignment of key-person life insurance in an amount at least equal to the declining loan balance for each of the owners/guarantors;
- 6) Other security documents that the IA RLF Loan Advisory Committee may require in its sole discretion to evidence the loan and otherwise protect its security interest and liens.

### **MORATORIA**

Any modifications to the original loan must be requested by the applicant in writing and approved by the Invest Aurora Board of Directors. These modifications may include moratoriums on principal payments for a maximum of three (3) months. The borrower must demonstrate a need for such a moratorium by providing the Advisory Board with a copy of the current financial statements, cash flow projections and any other documents requested within five (5) business days of the moratorium request.

### **REVOLVING LOAN FUND PORTFOLIO STANDARDS AND TARGETS**

Portfolio standards for the IA RLF are designed to maintain a balanced and diverse loan portfolio representing different sizes and types of businesses while managing risk. While individual loans are looked at to achieve standards, each will vary case by case based on potential economic impact, as long as the total cumulative economic impact of the loan portfolio as a whole achieves

the set standards. Invest Aurora will strive to maintain a mix of 40% working capital and 60% fixed asset loan ratio.

The IA RLF portfolio will aim to create a mix of loans provided to eligible businesses within the identified targeted industries in the City of Aurora. No predetermination of the percent of each industry where loans are to be made has been determined, and it is anticipated that the concentration of loans within each target industry will vary based on the current economic climate and needs of the region.

### **III. LOAN APPLICATIONS & INITIAL SCREENING**

#### **APPLYING FOR A LOAN**

Loan applications may be submitted at any time. Applications are available on the Invest Aurora web site at [www.investaurora.org](http://www.investaurora.org) or may be obtained by contacting Invest Aurora staff at (630) 256-3160.

Applications meeting the minimum application requirements will be processed in the order they are received.

#### **LOAN APPLICATION MINIMUM REQUIREMENTS**

The application requirements will differ depending on the type of project proposed. The following items represent the minimum documentation that must be submitted before a loan application will be accepted.

- A. Completed and signed loan application;
- B. Business plan including market analysis and hiring plan;
- C. Map of the business location;
- D. Resumes of the applicant's owners and key management staff;
- E. Applicant's financial statements, and if available, CPA prepared balance sheets and income statements for the most recent three years with 3-year projections with one (1) year month-to-month projections and detail supporting the assumptions used to support the projections. Also, interim statements not less than 45 days old and federal tax returns covering the most recent 3-year period for the applicant business, for owners of 20% or more of the applicant, and for all proposed guarantors; and
- F. Personal financial statements of owners of 20% or more of applicant.

#### **INITIAL SCREENING OF THE LOAN APPLICATION**

The initial screening criteria are thresholds that must be met or exceeded before an application will be forwarded to board evaluation and an environmental review. Loan applications will be screened by the IA RLF staff to determine that the following criteria are met:

- A. Loan application is complete and signed;
- B. All required supporting documentation has been provided;
- C. Business or project to be assisted is in the City of Aurora;
- D. Project reflects the IA RLF's articulated goals and the City of Aurora's articulated goals and priorities for economic development, and capitalizes on existing regional assets;

- E. Project is an eligible use of IA RLF funds;
- F. The project is consistent with the Comprehensive Plan of the City of Aurora etc.
- G. The commitment to jobs to be created is consistent with the required public benefit standard and meets the minimum cost/job ratio; and
- H. Enough funds are available in the IA RLF to meet the request and the project meets the IA RLF's goals for a diversified portfolio.

#### **MAXIMUM LOAN AND JOB/COST RATIO**

The maximum loan that can be made from this fund is \$750,000. The IA RLF has set a ratio of \$50,000 disbursed per 1 job created/retained. Invest Aurora does understand that this goal may not be obtainable in certain situations, and those that do not meet this goal will be assessed on a case by case basis.

The estimated jobs created or retained will be included in the loan application. The borrower must provide the estimated number of jobs created/retained along with a justification for their estimates. At the end of each year loan recipients are required to provide an annual job survey to show that the stated targets of job creation/retention have been met.

#### **APPLICATIONS DEEMED INCOMPLETE**

If IA RLF staff determines that a submitted application is incomplete, staff will provide the applicant with a written checklist describing the omissions and ask the applicant to provide the missing information and/or documentation.

#### **APPLICATIONS THAT PASS THE INITIAL SCREENING**

Once the IA RLF staff determines that an application is complete, staff will screen the application to determine whether it meets the threshold eligibility requirements described in this manual. Applications that pass the initial screening will be referred for an environmental review as needed, and underwriting.

If the project will involve rehabilitation, or demolition of real property, an in-person meeting will be scheduled with the loan applicant and IA RLF staff.

## **IV. DETAILED CONSULTATION & REVIEW**

### **OBJECTIVES**

These underwriting guidelines are designed to provide a framework for selecting projects that are financially viable and will make the most effective use of available funds. The objectives of the underwriting guidelines are to ensure that:

1. Project costs are reasonable;
2. All sources of project financing are committed;
3. The project is financially feasible and has the potential to grow over the loan period;
4. The return to the owner's equity investment will not be unusually high;

A background check will be conducted on the applicant business, the principals, and the proposed guarantors.

The financial feasibility of the project will be examined by applying various industry standards, ratios, and statistical analysis appropriate in the examination of the financial information provided by the applicant.

### **ON-SITE VISIT**

The underwriter and IA RLF staff will conduct an on-site visit to the project during the application process. The on-site visit is a vital step in understanding the business and to better inform the underwriting process. The underwriter may ask for additional specific information during the on-site visit.

The IA RLF staff will also conduct an on-site visit upon completion of the project and may conduct on-site visits at any point during the project period.

### **BACKGROUND CHECKS**

Background checks are conducted on businesses, owners, principals, and guarantors to determine the strength of the business and the capacity of principals and guarantors to manage the business, provide collateral, and to achieve projects. As part of this examination, the following resources, among others, may be used:

- Kane County Register of Deeds – to determine mortgages and liens recorded against any property that is being used for collateral;
- Westlaw – to check on out-of-state criminal or civil filings and any additional financial history that may be relevant to the solvency and integrity of the applicant, principals or guarantors;
- Illinois Circuit Court Access Program – to check on outstanding litigation that may impact the ability to operate the business or to maintain assets;
- Illinois Department of Safety and Professional Services and related agencies – to verify that needed licenses and certifications are obtained and are current;
- Kane County Treasurer – to determine the payment history and status of real and personal property taxes involving the business, the applicant, business owners, guarantors and operators; and
- Office of the Illinois Secretary of State – to determine the location of the business, identify the property owners, and to obtain information on whether property taxes are current.

### **UNDERWRITING CRITERIA**

The main criteria for underwriting IA RLF loans are:

*Ability to Repay:* Usually expressed in a simple calculation of the debt service coverage ratio (DSCR). The DSCR is equal to Cash Flow Available for Debt Service divided by Debt Service. The minimum preferred DSCR is 1.15. acquisition, construction and improvement of real property are not an eligible use of loan funds but may be part of a broader project. If a project involves real property acquisition or improvements, the feasibility of the project and the ability of the project to generate sufficient income are also considered.

*Collateral:* Provides security to IA RLF in the event of loan default and the subsequent liquidation of assets pursuant to the terms of the Security Agreement between IA RLF and the Borrower. The value of collateral securing the loan is measured by the loan to value ratio (LTV). The LTV ratio equals the loan divided by the lesser of 1) Cost or 2) market value. LTV ratios vary as to the nature of the assets being financed. An appraisal is used to determine market value in real estate deals. The following are generally accepted LTV standards:

<b>Asset</b>	<b>Maximum LTV</b>
Real Estate	80%
Machinery & Equipment	75%
Inventory	50%
Receivable	75%

**Balance Sheet Analysis:** An examination of the financial soundness of the business by calculating the ability to collect receivables and pay bills in a timely fashion, manage inventory, generate sufficient cash flow relative to cash needs, and whether the owner is paid a reasonable salary or charges reasonable fees, according to usually customary business practices and accounting standards.

**Management Expertise:** The management team needs to have industry experience in all aspects of the business (sales and marketing, finance, operations, personnel, etc.). The management team normally shall include the principals, directors, senior management and consultants.

**Development Team Experience:** To the extent a project involves investment in real estate, IA reserves the right to review the experience of the development team involved in the acquisition, development, or modification of the real property. The development team normally shall include the developer, architect, contractor, property manager, syndicator, leasing agents, etc. In small projects, the owner may perform all these roles. The business reputation and credit history of the project developer are a focus of analysis.

**Business Plan:** The strength of the business plan and the first-year monthly cash flow statements are important. A startup or small business applicant needs to demonstrate an understanding of the market in order to create a market niche or offer a unique product or service to differentiate itself. For existing businesses, the applicant is in an industry experiencing stable trends and/or the applicant has a favorable competitive position and there is demonstrated demand for the applicant's product or service.

**Borrower and Community Commitment:** The commitment to the project shown by both the applicant and the community in which the project is, or will be, located.

**Private Investment Leverage and Potential:** The extent to which the project leverages private investment that would not otherwise come to fruition without the RLF's investment, with the understanding that the project cannot be fully funded through traditional banking channels. Potential for growth and future private sector capital investment will also be considered. The target future private sector capital investment would be \$2 in private financing for every \$1 in RLF financing within twelve months of loan award.

**Job Creation:** The ability of the project to meet or exceed HUD's public benefit standards requiring the creation and/or retention of permanent full-time equivalent jobs 51% of which must be held or made available to, low-and-moderate income residents. The skill-level and salary of created jobs will also be taken into consideration. The

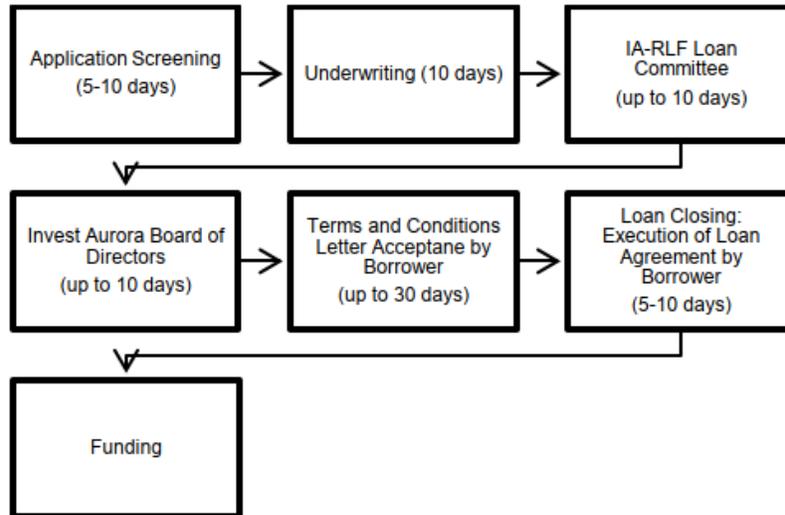
**Environmental Review:** IA requires compliance with applicable environmental laws and regulations, including but not limited to 13 CFR Parts 302 and 314, the National Environmental Policy Act of 1969 and other Federal environmental mandates. At a minimum:

- The RLF Administrator with the assistance of appropriate staff, shall determine whether the project will result in a significant adverse environmental impact unless that impact is to be mitigated to the point of insignificance with such mitigation efforts becoming a part of the loan conditions;
- The applicant shall provide information regarding whether or not there are hazardous materials such as EPA listed hazardous substances (see 40 CFR 300), leaking underground storage tanks, asbestos, polychlorinated biphenyls (PCB), or other hazardous materials present on or adjacent to the affected property that have been improperly handled and have the potential of endangering public health; and
- The RLF Administrator with the assistance of appropriate staff, shall assess the significance of all environmental impacts of activities to be financed in compliance with the National Environmental Policy Act of 1969 and other Federal environmental mandates, as per the Assurances (SF 424D as revised) executed with the Economic Development Administration. No activity shall be financed which would result in a significant adverse environmental impact unless the impact is to be mitigated to the point of insignificance. When necessary to ensure compliance, any required mitigation shall be made part of the loan conditions.
- No project shall be approved which would result in the alteration of or have an adverse impact on any wetland without prior consultation with the U.S. Department of the Interior, Fish and Wildlife Service, and, if applicable, obtaining a section 404 permit from the Army Corps of Engineers.
- Consistent with E.O. 11988, no project shall be approved which would result in new above ground development in a 100-year flood plain. This determination will be made by reviewing the proposed development against FEMA Flood Insurance Rate Maps.
- The State Historic Preservation Officer, (SHPO) shall be notified of each loan proposal that involves significant new construction or expansion and asked to submit comments on the effect of the proposed activity on historic and archaeological resources. The RLF Administrator shall work with the SHPO and EDA in cases where the SHPO has recommended actions or has been determined an adverse impact.
- All loan applicants shall be requested to provide information indicating whether or not there was hazardous materials such as EPA listed (see 40 CFR 300), hazard substances, leaking underground storage tanks, asbestos, polychlorinated biphenyls (PCB), or other hazardous materials on site that have been improperly handled and have the potential of endangering public health. If deemed necessary, loan applicants may be required to perform or provide evidence of a Phase I site assessment to identify possible sources of contamination, a Phase II site assessment to test soil and/or groundwater samples, and a Phase III site remediation involving mitigation of applicable contaminants. In cases where there are unresolved site contamination issues, the RLF Administrator shall work with the loan applicant and the appropriate state environmental agency office to resolve these outstanding issues.

## LOAN REVIEW PROCESS

### *Overall Process and Timeline*

The overall process and timeline are depicted below. The loan agreement is not valid until positive action is taken by the appropriate oversight bodies, it is signed by all parties, and all conditions of closing are met.



### *IA RLF Loan Advisory Committee*

When the underwriting of the loan application is complete, the loan application and the underwriter's report (created by IA RLF staff) will be reviewed by the IA RLF Loan Advisory Committee (See Section V for more information on IA RLF Loan Advisory Committee Membership). The IA RLF Loan Advisory Committee usually meets the first (1st) Tuesday of each month.

Prior to the meeting of the IA RLF Loan Advisory Committee, each member of the committee will receive a copy of the loan application, supporting materials, and the underwriting report. Information of a personal nature, such as bank and investment account numbers, social security numbers, etc. will be redacted from the materials before they are provided to the committee. Upon review and consideration of the application, supporting materials and underwriter's report, the IA RLF Loan Advisory Committee will make a recommendation to the Invest Aurora Board of Directors. The IA RLF Loan Advisory Committee may recommend:

- Approve the loan application as presented; or
- Approve the loan application with additional items or conditions on the loan; or
- Table the loan application until the applicant submits additional information; or
- Deny the loan application.

The recommendation of the advisory committee is non-binding and the final determination regarding the loan application is at the sole discretion of the Invest Aurora Board of Directors.

### *Invest Aurora Board of Directors*

The Invest Aurora Board of Directors serves as the final loan administration board, and usually meets the second (2nd) Tuesday of each month (see Section V for Board of Director

Membership). After consideration of the IA RLF Loan Advisory Committee’s recommendation, the Invest Aurora Board of Directors will vote. The Invest Aurora Board of Directors may choose to:

- Approve the loan application as presented; or
- Approve the loan application with additional items or conditions on the loan; or
- Table the loan application until the applicant submits additional information; or
- Deny the loan application.

To avoid both perceived and actual conflicts of interest, certain members of the Invest Aurora Board of Directors may have to recuse themselves from time to time.

#### *Terms and Conditions Letter*

If the loan application is approved, IA RLF staff will draft a Terms and Conditions Letter stating the loan terms and conditions as dictated by the approval. The Borrower will have 30 days from the date of the Terms and Conditions Letter to sign the Letter and return it to:

Invest Aurora IA RLF Administration  
43 W. Galena Blvd.  
Aurora, IL 60506

We encourage the use of certified/registered USPS mailing.

A sample Terms and Conditions Agreement is included in the Appendix to this Manual

### **LOAN EXECUTION**

#### *Loan Agreement*

If the Borrower accepts the Terms and Conditions, by signing and returning, in a timely manner, the Terms and Conditions Letter, IA RLF staff will draft the Loan Agreement, Promissory Note, Security Agreement, Guaranty(ies) and all other required Loan Documents.

A sample Loan Agreement, Promissory Note, Security Agreement, Guaranty and other related Loan Documents are included in the Appendix to this Manual.

## **V. REVOLVING LOAN FUND OPERATIONAL PROCEDURES**

### **ADMINISTRATIVE STRUCTURE**

Invest Aurora is a public/private economic development partnership dedicated to expanding economic opportunities in Aurora, Illinois. Invest Aurora is a subsidiary of the “Seize the Future Development Foundation,” a 501(c)(3) organization. Staff at Invest Aurora provide critical RLF functions that include meeting arrangements, assisting borrowers with filling out the application, obtaining information necessary for a complete application, coordinating with city, county, chamber of commerce, and state level stakeholders, performing program and policy development activities, and working with other local public and private lending agencies. Waubonsee Community College and local chambers of commerce (including the Aurora Regional Hispanic

Chamber and the Quad County African American Chamber) aid borrowers with completing applications.

IA staff do not conduct environmental reviews, which should only be conducted by those that are licensed to do so. Potential loan recipients should contact their attorneys for further advisement in this area.

Marketing for the RLF is performed by staff from IA, as well as through the City of Aurora, Downtown Community Organization, and local chambers of commerce. IA also has working relationships with local private lending agencies who refer potential borrowers to the IA RLF.

#### *Invest Aurora Employees*

- Bryan Gay – President and CEO
- Jonathon Monsma – Economic Development Specialist, Grants & Loans
- Loretta Daly – Economic Development Specialist, Business Retention
- Christopher Faber – Economic Development Specialist, Business Attraction
- Alexis Alaimo – Communications Coordinator
- Erik Carlson – Economic & Workforce Development Associate

#### *Invest Aurora RLF Loan Advisory Committee*

As discussed in Section IV, a loan committee reviews RLF applications and provides a recommendation for the Board of Directors to make ultimate loan decision. The IA RLF Loan Advisory Committee is comprised of at least one member from each participating IA RLF bank and have interest and expertise in housing, economic development, and community services. The exact number of members varies. Loan recommendations are made based on simple majority votes.

#### *Invest Aurora Board of Directors*

As discussed in Section IV, the Invest Aurora Board of Directors officially approves loan applications. The current members of the Invest Aurora Board of Directors are:

- Don Pilmer – Chairman of the Board
- Nelson Santos – Vice Chairman
- Melinda Kruder – Board Secretary, Treasurer
- Richard Irvin
- Terry Bohr
- Marcee Brummel
- Brian Dahl
- Charlie Doss
- Dan Dolan
- Alex Lopez
- Dharmish Patel
- Dr. Christine Sobek
- Matt Winkle

A majority of the members of the executive committee shall constitute a quorum.

## **DISBURSEMENT OF FUNDS**

No loan funds will be disbursed until the borrower has executed all required Loan Documents and the Loan Agreement has been signed by all parties. Disbursement of funds shall be suspended in the case of any technical and/or material default by Borrower as defined by the terms of the Loan Agreement. The events of default under the terms of the Loan Agreement will include, at a minimum: failure to make timely payment of interest and principle; failure to provide timely, complete and accurate records; and failure to meet hiring/retention requirements. The determination that an event of default has occurred, and the suspension and resumption of disbursements will be within the sole discretion of the Director of the IA RLF in consultation with the IA RLF Loan Committee.

Prior to the disbursement of loan funds, the following documentation must be in place, or provided at the contractually agreed upon time during the term of the loan:

1. Loan Agreement: The Loan Agreement which shall be executed by all parties.
2. Promissory note: A promissory note shall be signed by the Borrower. The note must be dated, reference the Loan Agreement between IA RLF and the applicant, and it must specify the amount and terms of the loan.
3. Security: Mortgage or lien instruments and personal guarantees provided as security for all loans shall be executed at the time of the loan closing. The IA RLF staff or designee shall record the instrument and place a copy in the project file to include the following documents to provide adequate loan security:
  - a. Mortgage and/or security instrument
  - b. UCC searches and filing
  - c. Corporate and Personal Guarantee(s)
  - d. Title insurance or Abstract
  - e. Assignment of Life Insurance
  - f. Casualty Insurance binder
  - g. Other documentation as may be appropriate
4. Repayment Schedule: The IA RLF staff shall prepare a loan repayment or amortization schedule after the loan proceeds are fully disbursed providing for monthly payments of principal and accrued interest during the life of the loan. The repayment schedule shall be dated and signed by all parties. At that time, the repayment schedule shall be attached to both parties' copies of the agreement.
5. Evidence of Permits, etc.: Documentation must be provided by the applicant that all necessary permits, licenses, and any other registrations required have been obtained by the applicant within 30 days of execution of the Loan Agreement.
6. Evidence of Program Expenditures: Documentation must be provided by the applicant to evidence project expenditures either prior to or within 15 days of the release of funds. Documentation shall include the originals of bills and invoices or receipts for materials, final bills of sale or canceled checks. The IA RLF staff shall review all documentation and may request additional information as needed.

7. Fixed Equipment. Fixed equipment financed with program funds must have been purchased, delivered, and installed within 30 days of the release of funds. The IA RLF staff shall verify the installation of fixed equipment in an on-site visit. Written documentation and photographs of the installed equipment, sufficient to ensure identification and verification, shall be appended to the file.

Upon submission of a request for reimbursement and pertinent documentation, the IA RLF staff shall monitor and verify the use of the funds and expenditure. If verified, and upon the approval of the Director of the IA RLF, the staff will prepare payment reimbursement within ten days of receiving the request.

All disbursements are made by check from IA RLF to the borrower and mailed to the borrower address given under terms of the Loan Agreement.

### **COLLECTION OF FUNDS**

Loan repayment of principle and accrued interest shall occur on a monthly basis according to the amortization schedule prepared by the IA RLF staff.

At Closing, Borrower shall provide the bank information and all authorization(s) necessary to allow IA RLF to withdraw funds in an ACH debit transaction from the borrowers' financial institution. This bank information shall be in writing and shall include the ABA Number of the subject bank, the complete mailing address of the bank, the subject account number from which the funds will be drawn, and the type of account (Checking or Savings).

The ACH withdrawal will take place on the 15th of each month. If the 15th falls on a Saturday or Sunday, the draw will occur on the following Monday. If the 15th is a holiday, the draw will occur on the next business day.

Should the Borrower change financial institutions, the Borrower shall provide its new banking information to the IA RLF staff within 3-business days. All changes must be in writing on the Borrower's letterhead.

It is the Borrower's responsibility to have sufficient funds in the account prior to the draw date. No draw date will be altered except as described above. If the draw is returned for insufficient funds or any other reason, the technical default provisions will commence.

### **LOAN MODIFICATION**

The terms of a fully executed Loan Agreement will not be modified in any respect, except upon the written agreement of all parties thereto. Modification of loan terms is within the authority of the IA RLF Loan Advisory Committee.

Borrowers seeking any modification of the Loan Agreement must provide re-application information as directed by IA RLF staff at least fifteen (15) days prior to the date on which the modification request is scheduled to be heard by the IA RLF Loan Advisory Committee. Incomplete re-applications will not be placed on an agenda.

Borrowers requesting modification will be charged the full cost of underwriting, special meeting fees, and all other expenditures, which the IA RLF, at its sole discretion, determines to be attributable to the modification request. This special meeting fee shall not exceed \$500.00 and is due and payable in certified funds five (5) days prior to the meeting date at which the modification request is on the IA RLF Loan Advisory Committee agenda. Failure to pay the full

costs, and/or to pay timely, will result in deleting the item from the agenda and/or meeting cancellation.

### **MONETARY DEFAULT**

When any IA RLF loan payment is 30 days or more past due, the loan is in default. IA RLF staff or designee will notify the Borrower in writing of the default status. The IA RLF reserves the right to pursue all rights and remedies under the loan documents and applicable federal and state law to collect loan amounts outstanding. These options include, but are not limited to: securing a new loan payment plan approved by the borrower and IA RLF Loan Advisory Committee; turning collection of the loan over to a collection agency; imposing late payment penalties and higher loan repayment interest rates, in addition to and not in lieu of any other remedy; and declaring the loan in default.

Should the loan be declared in default, the account will be turned over for legal action in order to recover the proceeds through whatever collections action the IA RLF deems appropriate including, but not limited to, the liquidation of collateral and the exercising of personal guarantees.

#### *Notice of Default*

In the event the Borrower is in default as defined by the Loan Agreement the Dane County Corporation Counsel, or designee, shall prepare a written Notice of Default and mail such Notice to the Borrower. The Notice shall specify the following:

- The event and date of the alleged default.
- The action required to cure the default.
- A date, not less than ten (10) days from the date of the Notice of Default for monetary default and thirty (30) days from the Date of Default for non-monetary default, by which the default must be cured to avoid foreclosure or other collection action.
- Any penalties incurred as a result of the default.

### **LATE PAYMENT PENALTY**

A late payment penalty in the amount of \$200 for any portion of the monthly payment that is more than 15 days past due from the regular due date specified in the Loan Agreement shall be assessed and payable on the 16th day after the applicable monthly due date. The same process used to collect the monthly payment will be used to collect any late penalties.

### **MONITORING**

Monitoring includes ensuring loan recipients maintain evidence of ongoing compliance with loan requirements including annual insurance filings, collateral and financial reporting. Proof of insurance, copies of tax returns and an annual job survey are required to be submitted to the Invest Aurora office. This information must be received in a timely fashion after the end of the year. Staff at Invest Aurora may also conduct yearly site visits.

### **LOAN FILES**

RLF Loan Files will include:

- Signed loan application
- Signed and data closing documents
- Copy of private lender loan agreement
- Financial statements

- Annual insurance certifications
- Annual site visit reports
- General correspondence and job reports

Additional materials within the file can include 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.

Invest Aurora will maintain loan files for three (3) years after a loan has been paid off. All loan files are kept in a fire-proof container. Loan documents and loan closing documents will be placed in a locked, fireproof container.

### **CONFLICT OF INTEREST**

In order to eliminate any real or perceived conflict of interest, any transaction involving an employee, officer or board member of IA RLF will require that the employee, officer or board member remove him or herself from any position of influence or authority as it pertains to the transaction. This includes abstaining from voting on loan approval and re-assignment of duties (such as Loan Summary preparation and Loan Monitoring) as they pertain to the transaction. In no case shall ULGC's relationship with an employee, officer or director provide a basis for deviating from the credit standards or repayment expectations identified in this policy. In addition, EDA requires inclusion of the following:

#### **I. *Conflicts of Interest Rule***

- Recipient must adhere to EDA conflicts of interest rules set forth at 13 CFR § 302.17, including the following rules specific to RLFs:
- An Interested Party of Recipient shall not receive, directly or indirectly, any personal or financial benefit resulting from the disbursement of RLF loans. A financial interest or benefit may include employment, stock ownership, a creditor or debtor relationship, or prospective employment with the organization selected or to be selected for a subaward.
- Recipient shall not lend RLF funds to an Interested Party.
- Former board members of Recipient and members of their Immediate Family shall not receive a loan from the RLF for a period of two years from the date that the board member last served on the board of directors.

#### **II. *Duty to Disclose***

- Recipient must, in a timely fashion, disclose to EDA in writing any actual or potential conflict of interest.

#### **III. *Written Standard of Conduct***

- Recipient must maintain written standards of conduct to establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of a personal or organizational conflict of interest or personal gain in the administration of this RLF Award.
- Recipient must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts. See Section K, Other EDA Requirements, Subsection 4., Codes of Conduct and Sub-Award, Contract and Subcontract Provisions.

#### IV. *Definitions*

- An “Interested Party” is any officer, employee or member of the board of directors or other governing board of Recipient, including any other parties that advise, approve, recommend or otherwise participate in the business decisions of Recipient, such as agents, advisors, consultants, attorneys, accountants or shareholders. An Interested Party also includes the Interested Party’s “Immediate Family” (defined as a person’s spouse or partner in a domestic relationship, parents, grandparents, siblings, children and grandchildren, but not distant relatives, such as cousins, unless the distant relative lives in the same household as the person) and other persons directly connected to the Interested Party by law or through a business arrangement.
- A conflict of interest generally exists when an Interested Party participates in a matter that has a direct and predictable effect on the Interested Party’s personal or financial interests or there is an appearance that an Interested Party’s objectivity in performing his or her responsibilities under the Project is impaired.
- An appearance of impairment of objectivity could result from an organizational conflict where, because of other activities or relationships with other persons or entities, a person is unable or potentially unable to render impartial assistance, services, or advice. It also could result from non-financial gain to the individual, such as benefit to reputation or prestige in a professional field.

#### **WRITE-OFFS**

Write-offs of loans are initiated by the Invest Aurora staff during a Loan Advisory Committee meeting. The history of the loan and its default beyond salvaging are discussed and the Committee makes a recommendation by a simple majority vote to write off the loan. Once the recommendation is made, it is brought to a regular meeting of the Invest Aurora Board of Directors for discussion and a vote. A simple majority vote from the Board of Directors approves the write-off of a loan. Once the Board has voted, Invest Aurora staff inform the bank that the loan is no longer active, and it is written off the books as a loss.

#### *Priority of payments on defaulted and written off RLF loans*

When an RLF Recipient receives proceeds on a defaulted or written off RLF loan that is not subject to liquidation pursuant to §307.21, such proceeds shall be applied in the following order of priority:

- (1) *First*, towards any costs of collection;
- (2) *Second*, towards outstanding penalties and fees;
- (3) *Third*, towards any accrued interest to the extent due and payable; and
- (4) *Fourth*, towards any outstanding principal balance.

#### **INTEREST BEARING ACCOUNT**

All RLF funds are deposited in separate interest-bearing accounts.

#### **REVOLVING LOAN FUND INCOME**

IA RLF income is utilized in two ways: it is placed in the IA RLF capital base and used for the purpose of making loans; or utilized by Invest Aurora to cover eligible administrative costs for the RLF’s operation.

Administrative Costs include:

- Cost of personnel hours to perform IA RLF tasks;

- Direct expenses related to the IA RLF;
- Indirect expenses necessary for the operation of the IA RLF fund.

The anticipated maximum usage of income for administrative costs is 50%.

### **ALLOWABLE CASH PERCENTAGE**

Effective Jan. 2, 2018, EDA replaced the Capital Utilization Rate of 25 percent with region-specific Allowable Cash Percentage (ACP) that is updated annually. The ACP is the average cash available for CARES ACT RLFs in the Chicago EDA region and is used for risk rating CARES ACT RLFs according to the Risk Analysis System.

Lending activity will be managed so that the cash available for lending is less than the current ACP in effect for the Chicago Region. However, if the Cash Available for Lending is greater than 50% of the CARES ACT RLF Capital Base for 24 consecutive months, EDA may take action to disallow the persistent excess cash.

### **ACCOUNTING**

The IA RLF utilizes the accrual method of accounting to maintain its financial records. Invest Aurora maintains accurate records on the use of RLF funds and will follow 2 CFR Part 200, Subpart F “Uniform Guidance” and Compliance Supplement IX. Invest Aurora accounts are audited annually, including the IA RLF.

As stated above, IA should maintain its account for the CARES ACT RLF so that repayments and interest income are clearly identifiable and auditable. The EDA CARES ACT RLF portfolio and cash are clearly distinguishable from any other loan program. This includes both the EDA and local share portions of the CARES ACT RLF. IA will ensure that the CARES ACT RLF is operating in accordance with Generally Accepted Accounting Principles (GAAP).

### **PERFORMANCE ASSESSMENT**

The performance of the IA RLF is evaluated by Invest Aurora staff in consultation with the Invest Aurora Loan Advisory Committee. The overall health of the fund is discussed at monthly Loan Advisory Committee Meetings and Invest Aurora Board meetings. This discussion includes evaluation of specific loans, current enforcement and repossession actions, and payment activity.

The RLF Management Plan is reviewed on a yearly basis by staff at Invest Aurora. Any necessary updates are noted and brought to the attention of the Loan Advisory Committee. The document is updated with comments provided by the committee and Invest Aurora staff.

Every five years at a minimum, the IA RLF Management plan is brought to the Invest Aurora Board of Director’s for approval. Invest Aurora staff discuss any changes that have been made to the plan. Once the Board of Director’s approves the five-year update to the IA RLF. Upon approval of the updates, it will be submitted to the EDA for approval.

### **EDA REPORTING**

Invest Aurora will comply with all EDA RLF Reporting Requirements

### **AUDITS**

The IA RLF acknowledges that EDA CARES ACT RLF funds are subject to an annual audit in accordance with 2 CFR Part 200, Subpart F. ULGC will ensure that the auditor performs the required federal audit procedures.

The IA RLF will be included in a Single Audit to the federal government per required federal audit procedures.

**Addendum to the Invest Aurora EDA CARES ACT RECOVERY ASSISTANCE  
Revolving Loan Fund Plan (“Plan”) dated \_\_\_\_\_.**

EDA has provided certain flexibilities to recipients of EDA-funded RLF awards in light of the impact of COVID-19 on small businesses, the increasing demand for RLF loans, and the need for RLFs to provide credit quickly and efficiently to their communities.

These flexibilities include waiving for the Disbursement Phase\* of the RLF, the following regulations that:

- Establish a minimum interest rate for RLF loans (13 CFR 307.15(b)(1))
- Require RLF loans to leverage additional capital (13 CFR 307.15(c))
- Require evidence demonstrating credit is not otherwise available (13 CFR 307.11(a)(1)(ii)(H))

***\*The Disbursement Phase of this Award is the period of lending activity during which award funds have not been fully disbursed to the EDA Recipient. During the Revolving Phase when RLF funds are re-lent to new borrowers the three above-listed regulations will apply to the RLF.***