

**CITY OF GAHANNA AND
ECONOMIC AND COMMUNITY DEVELOPMENT INSTITUTE
AGREEMENT**

This Contract is made and entered into by and between the **CITY OF GAHANNA, OHIO**, (hereinafter the "City") a municipal corporation, and the **ECONOMIC AND COMMUNITY DEVELOPMENT INSTITUTE**, (hereinafter the "Recipient") an Ohio non-profit corporation.

WHEREAS, the City seeks to engage the services of the Economic and Community Development Institute (ECDI) for the purpose of administering the City of Gahanna Small Business Revolving Loan Fund being funded by the City of Gahanna; and

WHEREAS, the City of Gahanna Small Business Revolving Loan Fund administered by the ECDI will include revolving loan funds; and

WHEREAS, this Contract is pursuant to Ordinance No. _____ passed this _____ day of _____, 2010;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree to the following:

I. DEFINITIONS

- A. *Agreement* is defined as the City of Gahanna and Economic and Community Development Institute's Agreement.
- B. *Parties* is defined as both the City of Gahanna and ECDI.
- C. *City of Gahanna Funds* is defined as the monies committed by the City of Gahanna for the implementation of the City of Gahanna Small Business Revolving Loan Fund.
- D. *ECDI Funds* is defined as the monies committed by the ECDI for the implementation of the City of Gahanna Small Business Revolving Loan Fund.
- E. *City of Gahanna Program Income* is defined as the interest income generated from loaning City of Gahanna Funds to businesses through this Agreement.
- F. *ECDI Program Income* is defined as the interest income generated from loaning ECDI Funds to businesses through this Agreement.

II. SCOPE OF SERVICES

- A. The City agrees to provide City of Gahanna Funds in the amount of \$300,000 and the Recipient agrees to provide ECDI Funds in the amount \$450,000 to establish the City of Gahanna Small Business Revolving Loan Fund. The total amount of monies available to the Gahanna Small Business Revolving Loan Fund will be \$750,000.
- B. This fund is established for ECDI to provide microenterprise training and loan activities on behalf of the City of Gahanna. The funded projects will generate City of

EXHIBIT A

Gahanna Program Income and ECDI Program Income repayments to the revolving loan fund; funds then become available for new loans to other businesses.

- C. RECIPIENT agrees to administer the City of Gahanna Small Business Revolving Loan Fund Program in the City of Gahanna. Program description attached hereto as Exhibit A. Program Guidelines and Procedures attached hereto as Exhibit B.

RECIPIENT will assume all responsibility for loans and related servicing issues. Responsibilities will include but not limited to:

1. The application process
2. The training process
3. The underwriting process
4. The closing process
5. The technical assistance process
6. The servicing process
7. The reporting process

All collection activities shall be undertaken by Recipient in consultation with the City.

- D. The RECIPIENT is responsible to see that all loan activities utilizing ECDI Funds and the City of Gahanna Funds are carried out in compliance with all applicable local, state and Federal law and regulations.
- E. The RECIPIENT shall only lend City of Gahanna Funds to businesses located within the City of Gahanna, Ohio.
- F. The RECIPIENT shall track the following performance measures during the life of the contract:
1. Jobs created and retained
 2. Additional funds leveraged
 3. Applications received/loans closed
 4. Default rate

III. TIME OF AGREEMENT

Services of the Recipient shall be for a two year period that starts on the ____ day of _____, 2010 and ends on the ____ day of _____, 2012. The term of this Agreement and the provisions herein may be extended to cover any additional time period. Loans in process at time of contract end date may be finalized and closed with prior approval of City.

At the conclusion of the Agreement term, the City of Gahanna will evaluate the success of the City of Gahanna Revolving Loan Fund Program. If the City does not wish to extend the Agreement, ECDI may receive the City of Gahanna Program Income on the remaining loans that require servicing after the original term. The City shall receive the outstanding principle on the remaining loans.

IV. BUDGET

The Recipient's detailed Budget is attached to this agreement as Exhibit C. The Recipient, will not spend over the amount allocated for each budgeted line item without prior written approval from the City.

V. COMPENSATION

- A. The City shall not be obligated to compensate or reimburse the Recipient for any expenses incurred for services rendered or performed pursuant to this Contract unless such expenses were incurred so as not to exceed beyond the time of this Contract as set forth in Section II hereof.
- B. ECDI shall provide invoices for administrative fees to the City of Gahanna at such time that ECDI completes a loan closing for the City of Gahanna Small Business Revolving Loan Fund. The administrative fees shall not exceed the agreed upon amount as specified in Exhibit C.
- C. Any ECDI Program Income earned during the contract period will be available to the Recipient for lending purposes. Any City of Gahanna Program Income will be returned to the City of Gahanna Small Business Revolving Loan Fund for lending purposes.

VI. REPORTING AND MONITORING

The Recipient further agrees to submit to the City, Activity Reports and Portfolio Performance Reports, on a quarterly basis as referenced in Exhibit B. Activity reports will include a summary of the monthly activities including loan repayments, loans disbursed and other miscellaneous expenses. Activity and Performance Reports will be used to evaluate the progress achieved by the Recipient in meeting the City's stated objectives as referenced in Exhibit A.

Recipient further agrees to submit to the City, Job Creation Reports on a quarterly basis. Reports will be submitted according to information required by Form A attached hereto as Exhibit D. The Recipient further agrees to ensure the cooperation of its staff, responsible officials, employees and other representatives, in the efforts of the City to monitor and evaluate the Recipient's activities and agrees to regular on-site visits by the City to the Recipient's location to monitor the progress of the activities agreed upon under the terms of this Agreement, to review compliance with the terms of this Agreement, and to offer assistance in the conduct of the project.

Recipient shall provide the City all reports required by all applicable state and local laws, regulations, codes and ordinances as amended, in a timely and proper manner as determined by the City.

VII. SUSPENSION OF FUNDS/TERMINATION

A. Termination for Convenience of City.

The City reserves the right to terminate this contract at any time at its convenience by providing ninety (90) days written notice to the Recipient of the date of termination.

The Recipient is entitled to just and equitable compensation under the terms of this agreement for services rendered up to the date of termination.

B. Termination for Convenience of Recipient

The Recipient reserves the right to terminate this contract at any time at its convenience by providing ninety (90) days written notice to the City of the date of termination.

C. Termination Closeout Reports

Recipient agrees to submit to the City a Contract closeout report, final invoice, and/or settlement payments not later than ninety (90) days following the termination of this Agreement, notwithstanding cause.

D. City Assets

If this agreement is terminated under any circumstances, with or without cause, Recipient shall immediately produce and hand over to the City any materials, documents, files, accounts which shall include but not be limited to all moneys, funds, program income, loan portfolio, documents, instruments, and files relating to this agreement and any action or service provided pursuant to this agreement. It is the intent of this paragraph that all assets and documentation supporting same shall be voluntarily given to the City and that no such materials or assets shall remain in the hands of a non-governmental entity.

VIII. SEVERABILITY

The provisions of this Agreement are severable and in the event that one or more of the provisions are found to be inconsistent with legal requirements upon any party, and therefore unenforceable, the remaining provisions shall remain in full force and effect.

IX. GENERAL CONDITIONS

A. Compliance With Laws

The Recipient agrees to comply with all applicable federal, state, and local laws in the conduct of the work hereunder. The Recipient accepts full responsibility for payment of all taxes; including, without limitation, unemployment compensation insurance premiums, all income tax deductions, social security deductions, and any and all other taxes or payroll deductions required for all employees engaged by the Recipient in the performance of the work authorized by this Agreement. The City shall not be liable for any taxes under this Agreement. When required by the City, the Recipient shall furnish one (1) copy of its Workers' Compensation Insurance Certificate.

B. Independent Contractor Status

Nothing contained in this agreement is intended to, or shall be construed in any manner, as creating or establishing the relationship of employer/employee between the Parties. The Recipient shall at all times remain an independent contractor with respect to the services performed under this Agreement. The City shall be exempt from payment of any Unemployment Compensation, FICA, retirement, life and/or medical insurance and Worker's Compensation Insurance because the Recipient is an independent contractor.

C. Amending Agreement

The City or Recipient may amend this Agreement at any time provided that such

amendments make specific reference to this Agreement, are executed in writing, and signed by a duly authorized representative of both organizations. Such amendments shall not invalidate this Agreement, nor relieve or release the City or Recipient from its obligations under this Agreement. The City may, in its discretion, amend this Agreement to conform with federal, state or local governmental guidelines, policies and available funding amounts, or for other reasons. If such amendments result in a change in the funding, the scope of services, or schedule of activities to be undertaken as part of this Agreement, such modifications will be incorporated only by written amendment signed by both City and Recipient.

D. Secondary Market Sales

The Recipient will not sell or transfer any City assets including the loan portfolio on the secondary market.

X. ADMINISTRATIVE REQUIREMENTS

A. Financial Management

1. Accounting Standards

The Recipient agrees to comply with OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," and agrees to adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.

2. Cost Principles

The Recipient shall administer its program in conformance with OMB Circulars A-122, "Cost Principles for Non-Profit Organizations." These principles shall apply for all costs incurred.

B. Documentation and Record-Keeping

1. Records to be Maintained

The Recipient shall maintain all records required by the Federal regulations specified in 24 CFR Part 570.506 that are pertinent to the activities to be funded under this Agreement. Such records shall include but not be limited to:

- a. Records providing a full description of each activity undertaken;
 - b. Records demonstrating that each activity undertaken meets one of the Objectives of the City of Gahanna Revolving Loan Fund Program;
 - c. Records required to determine the eligibility of activities;
 - d. Financial records as required by OMB Circulars A-110, A-122 and A-133;
- and

2. Retention

The Recipient shall retain all records pertinent to expenditures incurred under this contract for a period of five (5) years after the termination of all activities funded under this Agreement. Records for non-expendable property acquired with funds under this contract shall be retained for four (4) years after final disposition of such property. Records for any displaced person must be kept for four (4) years after he/she has received final payment. Notwithstanding the above, if there is

litigation, claims, audits, negotiations or other actions that involve any of the records cited and that have started before the expiration of the four-year period, then such records must be retained until completion of the actions and resolution of all issues, or the expiration of the four-year period, whichever occurs later.

3. Client Data

The Recipient shall maintain client data demonstrating client eligibility for services provided. Such data shall include, but not be limited to, client name, address, income level or other basis for determining eligibility, racial and ethnicity characteristics and description of service provided. Such information shall be made available to the City for review upon request.

4. Disclosure

The Recipient understands that client information collected under this contract is private and the use or disclosure of such information, when not directly connected with the administration of the City's or Recipient's responsibilities with respect to services provided under this contract, is prohibited unless written consent is obtained from such person receiving service and, in the case of a minor, that of a responsible parent/guardian.

5. Close-Outs

The Recipient's obligation to the City shall not end until all close-out requirements are completed. Activities during this close-out period shall include, but are not limited to: making final payments, disposing of program assets (including the return of all unused material, equipment, program income balances, and accounts receivable to the City), and determining the custodianship of records.

6. Audits and Inspections

All Recipient records with respect to any matters covered by this Agreement shall be made available to the City, its designees, or the Federal Government, at any time during normal business hours, as often as the City or its designees deem necessary to audit, examine, and make excerpts or transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by the Recipient within thirty (30) days after receipt by the Recipient. Failure of the Recipient to comply with the above audit requirements will constitute a violation of this contract and may result in the withholding of future payments.

The Recipient hereby agrees to comply with the audit requirements of OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Institutions."

C. Conditions of Payment

Compensation as provided in this Contract shall be paid by City to Recipient pursuant and subject to the following requirements and conditions:

1. Payment Procedures

See Exhibit E for City Payment Procedures.

D. City and Other Taxes

Business funded by this program will be required to withhold all City Income Taxes

due or payable under the provisions of Part 1, Title 7, Chapter 167 of Gahanna City Code, for wages, salaries, and commissions paid to its employees, and further agrees that any of its subcontractors shall be required to agree to withhold any such city income taxes due under said Chapter for services performed under this Contract.

XI. PERSONNEL AND PARTICIPANT CONDITIONS

A. Civil Rights Compliance

The Recipient agrees to comply with Title VI of the Civil Rights Act of 1964 as amended, Title VIII of the Civil Rights Act of 1968 as amended, Section 104(b) and Section 109 of Title I of the Housing and Community Development Act of 1974 as amended, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Age Discrimination Act of 1975, Executive Order 11063, and with Executive Order 11246 as amended by Executive Orders 11375 and 12086.

B. Nondiscrimination

1. The Recipient will not discriminate against any employee or applicant for employment because of race, color, creed, religion, ancestry, national origin, sex, disability or other handicap, age, marital/familial status, or status with regard to public assistance. The Recipient will take affirmative action to insure that all employment practices are free from such discrimination. Such employment practices include but, are not limited to the following: hiring, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff, termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Recipient agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.
2. The Recipient will, in all solicitations or advertisements for employees placed by or on behalf of the Recipient, state that the Recipient is an Equal Opportunity Employer.
3. The Recipient and any subcontractor will include a summary of this Equal Opportunity clause in every subcontract. The Recipient will take such action with respect to any subcontractor as is necessary as a means of enforcing the provisions of the Equal Opportunity clause.
4. The Recipient agrees to refrain from subcontracting any part of this Contract or Contract modification thereof to a Recipient not holding a valid certification number as provided for in Article ___, Title ___, Gahanna City Code.

C. Land Covenants

This contract is subject to the requirements of Title VI of the Civil Rights Act of 1964 (P.L. 88-352) and 24 CFR 570.601 and 602. In regard to the sale, lease, or other transfer of land acquired, cleared or improved with assistance provided under this contract, the Recipient shall cause or require a covenant running with the land to be inserted in the deed or lease for such transfer, prohibiting discrimination as herein defined, in the sale, lease or rental, or in the use or occupancy of such land, or in any improvements erected or to be erected thereon, providing that the City and the United States are beneficiaries of and entitled to enforce such covenants. The

Recipient, in undertaking its obligation to carry out the program assisted hereunder, agrees to take such measures as are necessary to enforce such covenants, and will not itself so discriminate.

D. Section 504

- 1.. The Recipient will ensure compliance with Section 504 of the Rehabilitation Act of 1973 which provides that "no otherwise qualified handicapped individual shall, solely by reason of his handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance." A handicapped individual is any person whom (a) has a physical or mental impairment, which substantially limits one or more of his or her major life activities; (b) has a record of such impairment; or, (c) is regarded as having such an impairment.
2. Recipients receiving \$25,000 or more must also take initial and continuing steps to notify current and potential participants, beneficiaries, applicants and employees that they do not discriminate on the basis of handicapped status. This notification should state, in accordance with 31 CFR 51.55 (e)(1), that the recipient does not discriminate on the basis of handicapped status in admission or access to, or treatment or employment in, its programs and activities. Notice of Nondiscrimination should be included in publications and recruitment materials and visible at program sites. Notice must be available in forms accessible to the hearing and visually impaired.
3. The Recipient agrees to abide by the provision of the Americans with Disabilities Act of 1990 which states that, "No individual shall be discriminated against on the basis of disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages, or accommodations of any place of public accommodation by any person who owns, leases (or leases to), or operates a place of public accommodation."

XII. AFFIRMATIVE ACTION

A. Female/Minority Business Enterprise

Recipient will use its best efforts to afford minority and female-owned business enterprises the maximum practicable opportunity to participate in the performance of this Contract. As used in this Contract, the term "minority and female business enterprise" means a business at least fifty-one (51) percent owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are African-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans and American Indians. A subcontractor may rely on written representations by regarding their status as minority and female subcontractors in lieu of an independent investigation.

XIII. EMPLOYMENT RESTRICTIONS

A. Prohibited Activity

The Recipient is prohibited from using funds provided herein or personnel employed in the administration of the program for: political activities, sectarian or religious activities, lobbying, political patronage, and nepotism activities.

B. Labor Standards

The Recipient agrees to comply with the requirements of the Secretary of Labor in accordance with the Davis-Bacon Act as amended, the provisions of Contract Work Hours and Safety Standards Act, the Copeland "Anti-Kickback" Act (40 U.S.C. 276a-5; 40 USC 327 and 40 USC 276c) and all other applicable federal, state and local laws and regulations pertaining to labor standards insofar as those acts apply to the performance of this Contract. The Recipient shall maintain documentation, which demonstrates compliance with hour and wage requirements of this part. The Recipient will provide the required documentation from the projects prime contractor to the City's labor standards administrator, for review.

XIV. CONDUCT

A. Assignability

The Recipient shall not assign or transfer any interest in this contract without the prior written consent of the City thereto; provided, however, that claims for money due or to become due to the Recipient from the City under this contract may be assigned to a bank, trust company, or other financial institution without such approval. Notice of any such assignment or transfer shall be furnished promptly to the City.

B. Subcontracts

1. Monitoring

The Recipient will monitor all subcontracted services on a regular basis to assure contract compliance. Results of monitoring efforts shall be summarized in written reports and supported with documented evidence of follow-up actions taken to correct areas of noncompliance.

2. Content

The Recipient shall cause all of the provisions of this contract in its entirety to be included in and made a part of any subcontract executed in the performance of this Agreement.

C. Hatch Act

The Recipient agrees that no funds provided, nor personnel employed under this contract, shall be in any way or to any extent engaged in the conduct of political activities in violation of Chapter 15 of Title V United States Code.

D. Conflict of Interest

The Recipient agrees to abide by the provisions of 24 CFR 570.611 with respect to conflicts of interest, and covenants that it presently has no financial interest and shall not acquire any financial interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under this Agreement. The Recipient further covenants that in the performance of this Agreement no person having such a financial interest shall be employed or retained by the Recipient hereunder.

E. Copyright

If this contract results in any copyrightable material or inventions, the City and/or grantor agency reserves the right to royalty-free, non-exclusive and irrevocable

license to reproduce, publish or otherwise use and to authorize others to use, the work or materials for government purposes.

F. Religious Organization

The Recipient agrees that funds provided under this contract will not be utilized for religious activities, to promote religious interests, or for the benefit of a religious organization in accordance with the Federal regulations specified in 24 CFR 570.200(j).

XV. FINAL AUTHORITY

All powers not explicitly vested in the Recipient by the terms of this Contract remain with the City.

XVI. RESPONSIBILITY FOR CLAIMS

The Recipient agrees to hold the City harmless from any and all claims for damages resulting from negligent or intentionally wrongful activities of the Recipient, its officers, directors, employees, and agents in furtherance of the work hereunder. The Recipient shall reimburse the City for any judgments for infringement of patent or copyright rights. The Recipient agrees to defend against any such claims or legal action if called upon by the City to do so.

Recipient shall not be liable for any losses incurred by the City due to the failure of any borrower to repay any loan.

XVI. SPECIAL PROVISIONS

- A. Administrative Practices. The Recipient shall have available upon request a written copy of its practices governing administrative practices, including policies with respect to employment, salary and wage rates, working hours and holidays, fringe benefits (health and hospitalization and the like), vacation and sick leave privileges, and travel.
- B. Indemnity. Recipient agrees to indemnify, hold harmless and defend the City of Gahanna, and all of the officers, agents and employees of said City, from and against all liability, judgment or claims for bodily injuries to or death of, any and all persons (including Recipient's employees) or damage to property caused by, or purportedly caused by Recipient, its agents or employees', or Recipient negligent activities anywhere in connection with the operations permitted under this Agreement. Each party hereto shall give to the other prompt and timely written notice of any claim made or suit instituted coming to its knowledge which may in any way, directly or indirectly, contingently or otherwise, affect either, and both have the right to participate in the defense of same to the extent of its own interest. Approval of policies by the City shall in no way affect or change the terms and conditions of this Indemnity clause.
- C. Public Relations. Any information given to the public by the Recipient (whether by news release, interview, brochure or other means) on a program activity funded in

part or fully by the City must identify the City as a sponsor of the program. All buildings, offices, facilities, stationary and any means used by the Recipient to fulfill its obligations under this Contract shall identify the City as a sponsor of the activity or services under said Contract in a manner to be designated by the City, where such is not in conflict with any legal restriction or impediments upon Recipient in connection herewith.

D. Drug-Free Workplace Policy. Recipient shall have in place a drug free workplace policy.

IN WITNESS WHEREOF, the duly authorized representatives of the parties have herein set their hands in agreement to this Contract.

**ECONOMIC AND COMMUNITY
DEVELOPMENT INSTITUTE**
an Ohio non-profit corporation
475 E. Mound Street
Columbus, Ohio 43215

CITY OF GAHANNA, OHIO

By _____
Inna Kinney, CEO/Founder

By _____
Becky Stinchcomb, Mayor

Date _____

Date _____

Approved:

Tom Weber, City Attorney

EXHIBIT A

CITY OF GAHANNA SMALL BUSINESS REVOLVING LOAN FUND PROGRAM DESCRIPTION

PROGRAM DESCRIPTION

A. ECDI Objectives

The Economic and Community Development Institute was created in 2004 to address the needs of the entrepreneurs who wished to start or expand their own businesses.

1. In support of its mission, ECDI seeks to offer small business loans through the City of Gahanna Small Business Revolving Loan Fund.
2. Loans are made to clients who lack conventional collateral and financial documentation or pose a high risk, and may have been turned down by conventional lenders. The loan program provides assistance to qualified individuals by creating the opportunity for self-employment and/or by creating and retaining new jobs through the expansion or start-up of businesses.

B. City of Gahanna Objectives

The City of Gahanna intends to achieve the following objectives by implementing the City of Gahanna Small Business Revolving Loan Fund Program.

1. **Small Business Growth.** The City of Gahanna Small Business Revolving Loan Fund is intended to assist small businesses to grow within the City of Gahanna. Small Business Growth can be classified as increasing employment size, payroll amount, expanding business operations and making capital investment.
2. **Job Creation and Retention.** The City of Gahanna Small Business Revolving Loan Fund is intended to assist small businesses in creating employment opportunities within the City of Gahanna. In addition, this program is intended to assist small businesses in retaining their employment opportunities within the City of Gahanna.
3. **Business Training.** The City of Gahanna Small Business Revolving Loan Fund is intended to assist small businesses by providing technical training courses and educational seminars. Business Training is seen by the City of Gahanna as essential for the overall success of the Gahanna Business Community.
4. **Support Entrepreneurs.** The City of Gahanna Small Business Revolving Loan Fund is intended to assist entrepreneurs in starting and expanding their business operations. Entrepreneurialism is seen by the City of Gahanna as essential for the overall success of the Gahanna Business Community.

C. Mission Statement

"To build the capacity for self-sufficiency and encourage the development of economic opportunities within the City of Gahanna, specifically targeting the Olde Gahanna District."

D. Policy Goals

1. ECDI's primary goal is to assist motivated individuals to establish or expand their small businesses and microenterprises. This goal is achieved by combining business training and technical assistance with needed capital.
2. A specific goal of ECDI is that the small businesses (microenterprises) are located and operated within the City of Gahanna.
3. Another goal of ECDI is that these businesses provide substantial employment, at least for the business owner. Substantial employment shall be defined as permanent positions, lasting at least the life of the loan, and contributing to an improved quality of life for the individual.
4. A final goal of this program is to improve access to money and credit to those individuals who are unable to obtain or are precluded from traditional financing for their small businesses. Of foremost importance is an examination of the circumstances in relation to the financial need, and a need to preserve the flexibility with ECDI programs to accomplish financing goals with these individuals. It is expected that as a result of such assistance these individuals will strive to become financially self-sufficient and engage in traditional credit opportunities in the future, i.e. private unsubsidized loans.

E. Primary Service Area

City of Gahanna Small Business Revolving Loan Fund will operate within the limits of the City of Gahanna, specifically targeting the Olde Gahanna District.

F. Availability of Funds

Loans will be made to borrowers upon availability of funds for the program. Funding for this loan fund will come from resources granted by the City of Gahanna, as well as other grants or resources procured by the Economic and Community Development Institute for this purpose. In the event that the loan fund resources become scarce, ECDI will prioritize loan requests in the following order:

1. Business applicant intends to create new jobs (substantial employment) as a result of the requested loan for persons who, at the time of their employment, are of low to moderate income. At least 51% of newly created positions must be held by low to moderate income persons.
2. Business is located in a CDBG identified target area, as identified by 2000 Census data.
3. Woman, and/or Minority owned businesses
4. Other (to be determined by ECDI)

G. Disclaimer

1. ECDI reserves the right to accept or deny any loan application, within reason, according to the various requirements of the City of Gahanna Small Business Revolving Loan Fund, or ensuing modifications received from funders about

those requirements.

2. ECDI reserves the right to accept or deny any loan application, within reason, if, in the opinion of the ECDI management, it would not be in ECDI's best interest to make or deny a particular loan.

EXHIBIT B

CITY OF GAHANNA SMALL BUSINESS REVOLVING LOAN FUND PROGRAM GUIDELINES AND PROCEDURES

LOAN POLICIES AND PROCEDURES

A. Uses of Funds

1. Eligible uses of loan proceeds include:
 - a. Expansion of existing businesses (0-7 years of operation.)
 - b. Establishment of new businesses. (An exception may be granted to potential business owners with a demonstrated background/experience in the proposed business activity.)
 - c. Job creation and/or retention
 - d. Purchase of equipment, leasehold improvements, machinery, or supplies/inventory
 - e. Start-up operating costs/working capital (limited to no greater than 50% of request)
 - f. Other purposes as approved by the management and described within the loan documents
 - g. Construction or physical expansion of existing operations
2. Ineligible loan uses are:
 - a. Payment of other loans
 - b. Repayment of partners or principals
 - c. Speculative real estate purchases
 - d. Production, distribution of any illegal substance/activity
 - e. Any non-business use of funds
 - f. Investments and/or pyramid schemes
 - g. Other uses as deemed ineligible by the Loan Advisory Committee

B. Types of Businesses

1. Generally, ECDI will finance the following legally constructed types of businesses:
 - a. Retail
 - b. Service
 - c. Manufacturing
 - d. Contractor
 - e. Agribusiness
 - f. Home-based
 - g. Commercial
 - h. For-profit
 - i. Start-up
 - j. Expansion
 - k. Sole proprietor

- l. Partnership
- m. Corporation
- n. Non-profit
- o. Combination of above

C. Rates and Terms

- 1. The rates and terms of loans will be dictated by each individual borrowing situation, the entrepreneur's projections, and his or her ability to repay. No program at this point is billed as low interest. The rates are an outcome of ECDI's willingness to handle higher risk loans, or that portion of a loan that is higher risk, and is accepted by clients and other lending partners. Rates from the City of Gahanna Small Business Revolving Loan Fund will be capped at 12% interest rate.
- 2. Terms will vary depending upon loan purposes and amount, with a projected maximum of 72 months. (It is anticipated that the average loan shall not exceed 36 months.) ECDI strives to structure deals so they make sense for the borrower. Flexible structuring, like seasonal payments or deferred principal is also available. Monthly installments are the most utilized structure.
- 3. To receive funding from the City of Gahanna Small Business Revolving Loan Fund, the borrower must contribute at least ten percent (10%) of the total project costs to the project and commit to a minimum annual payroll in the City of Gahanna of \$47,000.

D. Collateral

- 1. Though ECDI does work with clients in a higher risk category, a full collateral package (at 100%) is sought with every customer. In a shared deal, the party having the most exposure will generally hold the strongest collateral.
- 2. ECDI seeks to obtain the best position possible, since most collateral is assigned, on a blanket lien to the originator of the fund being utilized.
- 3. ECDI considers the business assets first, what is being purchased with loan proceeds, and what else the business holds. If insufficient, then personal collateral shall be sought.
- 4. Personal guarantees are always taken (personal corporate guarantees in the case of a corporation).
- 5. Third party appraisals are utilized when estimating the value of real property, and are often used for other types of assets as well.
- 6. Hard assets are sought first for collateral and may include, but are not limited to, such things as land, buildings, machinery and equipment.
- 7. When personal collateral is sought, it will be ECDI's goal to identify something that has value and meaning to the clients, in order to gain their stake in the business.
- 8. All collateral taken must be insured and proof of insurance is required.

9. Acceptable valuations of collateral may vary, but are generally as follows:
 - a. Land and building: 75%-80% of appraised value
 - b. Machinery and equipment, less than one year old: 80% of appraised value
 - c. Machinery and equipment, greater than one year old: 50% of appraised value
 - d. Inventory, supplies, consumables: 25% - 50% of market value
 - e. Vehicles: Blue book loan value
 - f. Other: Fair market value, or comparable to bank partner's valuation.
10. ECDI tries to maintain flexibility in its acceptance of collateral, and is willing to review the feasibility of accepting used vehicles, personal items (such as antiques, collectibles, and jewelry), livestock, etc. on a per loan basis. City of Gahanna Small Business Revolving Loan Funds may not be secured with antiques, collectibles, jewelry, or livestock.

E. Lending Criteria

1. The amount of information that the ECDI requests at the application stage in order to make a good loan decision is not insignificant. This area is where the loan counselor will provide critical technical assistance to help the applicant package his/her loan request. ECDI believes that this process is important in further testing the business idea's feasibility, and the potential borrower's understanding of their business.
2. The criteria to be reviewed include:
 - a. Completed loan application
 - b. Completed Business Education Course from ECDI training department.
 - c. Completed business plan
 - d. Pricing strategy chart
 - e. Start-up businesses - cash flow projections for years one and two
 - f. Existing businesses - two to three years' past income tax returns, current balance sheet, payables and income statement.
 - g. Sources and uses table for financing of the business
 - h. Personal financial statement of all principals, past 2 years personal income tax returns, and equity position
 - i. Verification of costs in proposals (i.e. quotes, pricing lists, buy/sell agreements, etc.)
 - j. Itemization and verification of collateral (i.e. appraisals, serial numbers, titles, insurance, etc.)
 - k. Verification of customer base (i.e. lists of current and/or projected customers; market survey summary, etc.)
 - l. Verification of character: references, resumes, etc.
 - m. Other: Licenses/certificates/zoning verification, insurance quotes, etc.

F. Business Education Course

1. All applicants shall demonstrate an appropriate level of business knowledge prior to receiving a loan. As such, applicants shall demonstrate that they have completed a course of study (training or individualized business counseling),

resulting in a creation of a business plan.

2. Only applicants that can verify completion of a Business Education Course or business counseling from ECDI shall be eligible for City of Gahanna Small Business Revolving Loan Fund monies. Exceptional circumstances, such as past experience and education may be considered on a case-by-case basis. The management of ECDI must specifically approve all such exceptional circumstances.

G. Loan Advisory Committee; Conflict of Interest

1. Composition of the Loan Advisory Committee shall be composed not less than seven members, of which may include ECDI staff and/or ECDI appointed board members. The City of Gahanna shall have a member ex-officio position and be invited to participate in all loans created with resources provided by and through the City of Gahanna.
2. No member of the Loan Advisory Committee shall vote on any matter, which would involve a conflict of interest.
3. Whenever a member of the Loan Advisory Committee has cause to believe that a matter to be voted upon would involve him or her in a possible conflict of interest, they shall announce such possible conflict of interest, and the question of whether an actual conflict exists shall be decided by a majority vote of the Loan Advisory Committee, excluding the member announcing the possible conflict of interest, and excluding any other member already disqualified from voting on the matter because of their own conflict of interest.
4. No loans shall be made by ECDI to its Officers, Employees, or Loan Advisory Committee members.
5. No loans shall be made with City of Gahanna Small Business Revolving Loan Funds to current City of Gahanna employees.
6. Any contract for the furnishing of services or supplies between ECDI and any of its Loan Advisory Committee members or Officers shall:
 - a. Have the fact and nature of such interest fully disclosed or known to the members of the Loan Advisory Committee present at the meeting at which such contract is so authorized.
 - b. Be authorized by majority of a quorum meeting of the Loan Advisory Committee at which the presence of such member is not necessary to constitute a quorum and the vote of such member is not necessary for such authorization.

LOAN DECISION PROCESS

- A. The following steps are followed to acquire a loan from the City of Gahanna Small Business Revolving Loan Fund:
 1. The applicant is referred to the program. Referrals may be directed from any of the following: but not limited to the City of Gahanna, Gahanna community development organizations and/or City of Gahanna recognized Business

Education providers. The applicant and Loan Counselor complete a program intake form. Application may be completed or not at this stage, depending upon the referral source. If application is submitted, a non-refundable application fee must accompany it.

2. The business plan must be completed.
3. Loan Counselor follows up with a phone call to the applicant and sets meeting time out in the field, at the site of the business, or at the proposed business.
4. Loan Counselor meets with applicant to advise on documentation (see checklist) needed for loan package, how to complete the application process, and to gather information on the situation. Options discussed on how to develop documentation for loan package.
5. Applicant gathers information and may have additional meetings with Loan Counselor to develop pro formas, provide more documentation, develop technical assistance plan (including training needed), etc.
6. Loan Counselor verifies the information submitted.
7. Applicant's package is ready for review when all required documentation is submitted.
8. Loan Counselor prepares a summary proposal which the applicant approves. This loan summary is then sent to the members of the Loan Advisory Committee.
9. The loan is reviewed/reported at the next scheduled meeting of the Loan Advisory Committee.
10. If approved, loan closing procedures are engaged, and the applicant is notified.
11. If denied, applicant is notified. Applicant has the right to appeal to the Chair of the Loan Advisory Committee. Appeals must be in writing and be postmarked within 15 days of notification of denial.

B. Due Diligence

ECDI realizes that underwriting by the Loan Counselor is of key importance. It is a special kind of underwriting, since the City of Gahanna Small Business Revolving Loan Fund applicants do not have many of the traditional pieces in place that a mainstream business may have.

1. The emphasis is on due diligence in regard to testing what the applicant is telling ECDI, and examining his or her character. ECDI has a primary emphasis on character lending.
2. Contact with the borrower and site visits are continued throughout the period of the loan.
3. ECDI believes that the better loans we can make up front, the fewer collection problems we will have in the end and the more successful businesses we will help create.

- C. Once loans are approved, the Loan Advisory Committee empowers the lending staff to

carry out the servicing and collection processes for the loans.

SERVICING

LOAN CLOSINGS

- A. The lending staff are responsible for all loan closings but may designate closings to another properly trained staff member.
 - 1. A detailed Cognovit Promissory Note and security documents are drawn up to affect the closing.
 - 2. Covenants regarding clients following their technical assistance plans, attending trainings, working with the ECDI staff, and turning in timely reports are all included in the note, and in discussion at closing.
 - 3. Borrowers and/or co-signers, as applicable, sign the note, both personally and as a business.
 - 4. The closing is used as an effective tool to enforce the serious nature of the steps the entrepreneur is taking.
- B. The procedure for closing a loan with an ECDI customer is outlined below.
 - 1. A brief pre-closing meeting is held between the borrower(s) and the loan counselor/RLF coordinator on staff to ensure that all necessary collateral documentation is in place. If so, the loan closing can proceed. If not, the loan closing must be rescheduled.
 - 2. Generally, the lending staff conducts all loan closings at the ECDI office in Columbus, Ohio. However, offsite closings can be accommodated based on proven need, subject to reasonable conditions.
 - 3. The first step in the loan closing is to review the source of loan money and explain the borrower(s) role in the success of the lending program.
 - 4. The loan closing checklist covers the following steps. Review of the note, with disclaimer that this is not a legal interpretation, highlighting:
 - a. Purpose of loan and borrower's responsibility in adherence to purpose
 - b. Amount borrowed
 - c. Rate and terms
 - d. When payment begins
 - e. When regular amortization and payment schedule starts
 - f. Repayment Schedule (Share table with borrowers)
 - g. Special condition of loan, such as location, job creation, technical assistance plan (Explain technical default possibilities here), and financial reporting requirements.
 - h. Signatures needed as company, and personal guarantees.
 - 5. Review delinquency process and late fees
 - a. Explain the late fee charge of 5% of past due payment amount, when the payment is more than 5 days late past the due date.
 - b. Outline progressive action or delinquency from day-after phone calls

- through series of 10-30-45-60 day letters.
- c. Explain possibility of working with loan counselor/RLF manager up to 60-day point as helper to situation.
 - d. Past 60-days, the account goes into the collections process
 - e. Reporting to Credit Bureau
6. Review default procedures, including:
 - a. Collection of collateral
 - b. Obtaining judgments in court
 - c. Garnishment of wages
 - d. Full pursuit under the law
 7. Review Security Documents, including:
 - a. Review of collateral pledged
 - b. Location of collateral
 - c. Insurance of collateral with ECDI named as loss payee
 - d. Borrower's inability to sell or dispose of collateral without written express permission of ECDI.
 - e. Maintenance of collateral in good condition
 - f. Current status must be maintained on all taxes the company must pay
 - g. Explanation of ECDI's ability to file a criminal suit in the event of disappearance of collateral
 - h. UCC - explain as borrower's public pledge of their collateral, on record at State and County
 - i. In the event of mortgages, vehicle titles, etc.; Likewise, explain as public pledge of ECDI lien
 8. Review and assess technical assistance fees owed.
 9. Review other forms that may be needed, per loan fund such as:
 - a. Debarment form
 - b. Assignment of collateral
 - c. Release of information
 - d. Job Creation Form (Exhibit D, Form A)
 10. Ask borrower if they have any questions. If so, provide further explanation. If not, proceed.
 11. Sign all documents.
 - a. Includes borrower's initials on all pages of note, and personal guarantees.
 - b. Ensure all signatures are made, by both the borrower(s) and the Revolving Loan Fund Coordinator.
 12. Complete loan closing checklist by having borrower initial each item to make sure it is thoroughly understood.
 13. Disburse checks, (usually written to vendor), to borrower or drawdown schedule, check request either to vendor or 3rd party. **File should maintain copies of invoices to be paid by disbursements.**
 14. File copied completely, placed in pocket folder and given to the borrower,

explaining that this is the borrower's permanent file with ECDI and should be maintained. This folder includes receipts of technical assistance fees.

15. Congratulate and strongly encourage the borrower to remain in contact with the loan counselor, regardless of the situation.
- C. Following the closing of the loan, the technical assistance process for borrowers begins in earnest. Now the technical assistance plan developed by the Loan Counselor and the borrower comes into play as the new small business owner is supported along the way to success.

COLLECTIONS

Not every loan that ECDI makes works out as expected. For this reason, staff at ECDI have developed and refined a standard approach to loan monitoring and collections.

A. Current loans

For current loans, ECDI will provide a payment schedule to each borrower. This schedule will show the amount of principal and interest to be paid, the amounts already paid and the balance due after each payment is made. ECDI will require monthly or quarterly financial statements from its borrowers as is appropriate.

1. Payments are due on either the first or the fifteenth of the month. When they are received, they are entered into a daily log, the computer system and deposited in the bank by the Financial Services Coordinator. The computer system is developed to track loans individually, accruing interest annually and track statistical fields necessary for reporting.
2. The lending staff reviews financial reports when received, looks for progress, and potential trouble spots. Telephone contacts and/or site visits are maintained with the companies monthly, for assessing progress and troubleshooting.
3. The lending staff review each loan monthly and prepare loan status reports for the Loan Advisory Committee on a quarterly basis.

B. Delinquencies

Naturally, with high-risk loans, some have occasion to fall behind in payments. The ECDI VP of Lending handles delinquent loans.

1. On the first business day following a loan payment due date, telephone calls are made to those current borrowers who have not made their payments. At this time the client is informed that a site visit will take place within the next three days by an ECDI staff member who will pick up the loan payment. Failing an immediate response, late payers receive a 10-day notice, assessing a late fee, if not paid within 10 days.
2. Customers who are 15 days late receive a letter from the ECDI. Co-signers will also be called when a payment has not been received within 15 days of the payment due date.
3. At 30 days late, letters are sent demanding immediate payment. If no response is received, a follow-up letter is sent at 45 days past the due date.

4. During all of these notifications, the loan fund staff maintain contact and assists the client, and takes note of good faith efforts to make payments or work out a payment plan. Beyond this, ECDI seeks other remedies in its efforts to collect including handing over accounts to a third party collection agency.
5. Borrowers that are 60-days late receive a letter, which demands them to surrender their collateral pledged to the loan.
6. If no response is received within 15 days, letters demanding collateral surrender is sent certified mail, with a copy mailed first class. They include:
 - a. Notification of account's default status
 - b. Request for collateral surrender
 - c. Appointment date and time to appear at ECDI with collateral
 - d. A delinquency letter showing options:
 - i. Bring account current (amount due listed)
 - ii. Pay account in full (amount due listed)
 - iii. Negotiated amount due (amount listed)
 - iv. Other used at Counselor's discretion
7. At 90 days late, borrowers are called into default with a letter, and notification that legal action will be taken. If an account becomes more than 90 days delinquent, further action is decided on a case-by-case basis and notification is provided. Further collection options include:
 - a. Restructuring of loan
 - b. Small Claims Court
 - c. Collateral repossession and sale
 - d. Civil Court action seeking Judgment, which may result in:
 - i. Wage garnishment
 - ii. Debtor's exam
 - iii. Lien attachment to personal property
 - iv. Lien attachment to real property
 - v. Lien attachment to cash assets
 - vi. Lien attachment to accounts receivable
8. Borrowers are pursued all the way to legal judgment, seizure of collateral, replevin actions, wage garnishment, and whatever it takes legally to recover the loan.
9. ECDI also reserves the right, through the note signed with the client, to take additional collateral, if this seems appropriate or necessary to the situation. It cannot be emphasized enough with the client that the borrowing experience with ECDI is a real one and that without repayment, ECDI programs cannot exist.
10. Accounts deemed uncollectible are brought before the ECDI's President and ECDI's CEO at the end of each quarter. If decision is made to charge-off the account, it is so documented. Steps are then taken to post to accounting and revolving loan systems.
11. In the event of a charge-off, UCC's are not released at County or State level.

WORK OUT PROCESS

- A. Some borrowers have excellent reasons why they cannot repay their loans. A series of steps are taken to work with them.
 - 1. Lending Staff will examine small business management techniques with borrowers such as ways of expanding markets, and improving cash flow.
 - 2. Good faith efforts and consistent open communication may prevent a borrower from undergoing legal action.
 - 3. When conventional means don't seem to answer their dilemma, Lending Staff will work on structured workouts with the client. Sometimes this takes the shape of a reduced payment plan with a longer term or balloon payment, or other alternative payment structure. These are negotiated by the Lending Staff, but the final decision is with the senior management team.
 - 4. In no case are restructures permitted without proven commitment on the part of the client to improve the situation. To demonstrate this, clients usually must pay a regular "good faith" reduced amount to ECDI at least three times, at equal intervals, in order to be considered for a workout.

ACCOUNTING

- A. Payments are recorded upon receipt and retained for audit purposes. The following information is documented:
 - 1. Borrower's name
 - 2. Amount of payment
 - 3. Method of payment (check #, cash, etc.)
 - 4. Date received
 - 5. Recorders initials
- B. Funds are promptly entered into the revolving loan software
- C. Deposits into appropriate bank accounts are made on the day received. No funds, cash, checks, etc. shall be held at the ECDI office.
- D. Payments are recorded in the accounting system and reconciled at month-end with the revolving loan software. Journal entries are then made to post payments to Notes Receivable, interest earned, and miscellaneous fee accounts.
- E. All accounts are reconciled annually through an audit.

REPORTS

- A. Quarterly status reports are prepared for the City of Gahanna, reflecting:
 - 1. Borrowers name
 - 2. Account number
 - 3. Loan fund
 - 4. Date of most recent payment
 - 5. Principal balance

6. Status of account
 7. Status of account as of last report
 8. Statistical reports are pulled from revolving loan software on a quarterly basis, and retained for audit purposes.
- B. All funding providers including but not limited to the City of Gahanna are supplied with timely, accurate reports as required, which will include, but are not limited to:
1. Quarterly Portfolio Performance Reports on all City of Gahanna loans
 2. Quarterly Activity Reports for the City of Gahanna Small Business Revolving Loan Fund
 3. Yearly Consolidated Annual Performance Report
 4. Periodic miscellaneous reports are requested by funders, and all are provided in a timely, accurate manner.

EXHIBIT C

City of Gahanna Small Business Revolving Loan Fund Administrative Cost

Gahanna Business Technical Assistance/Training

During the term of this agreement, the City and ECDI have the option to implement a Business Technical Assistance & Training Initiative. This Initiative would require ECDI to host events that will provide Gahanna Businesses with specialized training and loan assessment services. Within the term of this agreement, it is estimated that ECDI can provide the following number of service hours for each type of Technical Assistance/Training activity:

| | |
|--|------------------|
| Total Service Hours for Business Training | <i>144 hours</i> |
| Total Service Hours for Pre Loan Assessment | <u>120 hours</u> |
| Total Hours of Business Technical Assistance & Training | 264 hours |
| Total Cost of Business Technical Assistance & Training | \$23,321 |

Administration of Gahanna Small Business Revolving Loan Fund

During the term of this agreement, it is estimated that ECDI will successfully process 15 loans for Gahanna Small Businesses. With this number of loan recipients, ECDI agrees to provide the following number of service hours for each type of loan processing activity:

| | |
|---|-------------------------|
| Total Service Hours for Training, Screening, Pre-Assessment and Due Diligence | <i>300 hours</i> |
| Total Service Hours for Credit Analysis, Underwriting, Review, Approval, and Auditing | <i>105 hours</i> |
| Total Service Hours for Loan Closings, Filings, Servicing, and Collections | <i>105 hours</i> |
| Total Service Hours for Post Loan Servicing | <u>75 hours</u> |
| Total Hours of Program Administration | 585 hours |
| Proposed Administration Costs (Payable upon loan closing) | \$3,500 per loan |
| Total Cost of Loan Fund Administrative Costs | \$51,678 |