



BuildFund

BUILD FUND, LLC

POLICIES & PROCEDURES MANUAL

FEBRUARY, 2017

**as amending the September 14, 2016 policies & procedures manual;
as amending the March 14, 2016 policies & procedures manual;
as amending the June 12, 2015 policies & procedures manual**

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FOREWORD

King Park Development Corporation (King Park) created the Build Fund, LLC (Build Fund) to provide strategic capital investment for economic development projects within Marion County. The Build Fund targets investment for new, expanding, and relocating businesses as well as retention desired businesses. The borrowers commit to creating employment opportunities, principally for the benefit of low- and moderate- income persons.

As loans are repaid by borrowers, the funds are used to capitalize new loans, creating a Revolving Loan Fund (RLF). The Build Fund will increase the funding available to invest by adding earned interest and other capital infusions into the fund. The Build Fund exercises due diligence by performing a thorough credit analysis, adequately securing loans, and providing wrap-around services to borrowers to ensure borrower viability.

This manual contains the policies and procedures that have been adopted by the Build Fund Loan Review Committee to govern the administration of the Build Fund. For assistance and guidance, please contact Mr. Evan Tester, Deputy Director, at info@buildfund.org or (317) 924-8152.

SECTION 1. GENERAL PROVISIONS

1.1 PURPOSE

The purpose of the policies and procedures contained within this manual is to establish the governing criteria for the activities assisted through the Build Fund.

1.2 OBJECTIVES

Activities assisted through the Build Fund are intended to meet the following objectives:

- (1) To encourage the creation and retention of permanent employment opportunities within the Target Market, which provide a wage, appropriate to the skills and experience of the local labor force and that is competitive. Borrowers must commit to fulfill job creation requirements, pay competitive wages, and target employment to low- and moderate-income persons. The specific terms of each loan will be delineated in the Business Loan Agreement, Promissory Note, and/or other contractual agreements between the Build Fund and the Borrower.
- (2) To encourage new, private investment into the Build Fund's Target Market, particularly in land and buildings, which is complementary to the existing residential development.
- (3) To maintain and promote a thriving business climate focused on business retention, expansion, and attraction as part of a comprehensive community development strategy.
- (4) To implement the Build Fund goals and objectives.
- (5) To maintain and promote a diverse mix of employment opportunities and to minimize the impact of cyclical employment fluctuations.
- (6) To further the charitable purposes of King Park Development Corporation, the sole member of the Build Fund, LLC.

1.3 AMENDMENTS and MODIFICATIONS

Build Fund may, from time to time, amend the policies and procedures contained within the Build Fund Manual.

SECTION 2. ADMINISTRATION

2.1 LOAN REVIEW COMMITTEE

- (1) The King Park Development Corporation Board of Directors shall establish and appoint members to the Loan Review Committee consisting of no fewer than five (5) members and include as members the Executive Director and Deputy Director of King Park (hereafter, "Staff"). Staff of the Loan Review Committee shall report to the Treasurer of the King Park Board of Directors.
- (2) The Loan Review Committee shall have the authority to review, select, and approve loan applications for funding. The Committee shall have the authority to establish underwriting standards and loan policies.
- (3) Staff shall be charged with marketing the Build Fund to prospective applicants, respond to requests for information, assist applicants in completing applications, process requests for financing, and present applications to the full Loan Review Committee with recommendations.
- (4) Staff shall periodically review Borrower's financial statements, review and approve documentation of business expenditures financed with the Build Fund, record security instruments, maintain accounting records which shall be segregated from other King Park accounts, and report quarterly to the full Loan Review Committee.
- (5) Staff shall prepare all loan agreements, review all promissory notes and mortgage or lien instruments, and inform the full Loan Review Committee on default matters. No fewer than two (2) members of the Loan Review Committee and legal counsel shall review and approve all final agreements with Borrowers prior to execution.
- (6) Staff shall make loan review committee and King Park board aware of funds that have been awarded to it and will periodically update the committee and board as to the use of existing funds.
- (7) The Executive Director shall be responsible for the maintenance of all other records, particularly those related to the expenditures of monies for program administration purposes.
- (8) Staff of the Build Fund will report to Loan Review Committee and Financial Committee no less than annually on performance of loans and benchmarks achieved to fulfilling funding source requirements.

2.2 MEETINGS

The Loan Review Committee shall meet on an as-needed basis. Committee members shall be given prior notice of each meeting. A majority (51%) of the total Committee then appointed shall be required to constitute a quorum and conduct official Committee action. Official actions must have the support of the majority (51%) of the total Committee.

2.3 RECORDS

Written records of all program activities, including program meetings, loan applications, and related documents, shall be maintained in appropriate files. All files should be maintained in a secure place with limited access by authorized personnel.

The Build Fund shall establish and maintain files, either in hard copy or electronic, for each loan containing the following:

- (1) Loan Application:
Containing all application, business financial statements, personal financial statements, credit reports, if applicable, business plan documents, correspondence, and other supporting loan information submitted to the Loan Review Committee.

- (2) Loan Recommendation:
Containing a summary of the analysis, recommended actions for the application, and a copy of the minutes for the Loan Review Committee meeting summarizing the action taken on the loan request.
- (3) Loan Closing Documents:
Containing copies of all loan-closing documents. This file contains all the legal documents from the loan closing, including security instruments, the note and other applicable correspondence and shall be placed in a locked, fireproof safe. Copies of the loan closing documents and an amortization schedule will be provided to the loan recipient, along with a loan Closing Statement, which includes all loan closing costs and servicing fees.
- (4) "Tickler " System:
A tickler file system shall be maintained to ensure that loan repayments, financial information, the loan agreement, UCC updates, and other time sensitive documentation requirements are tracked and obtained as required. The system shall include:
 - a. Expiration dates for property, casualty and life insurance policies;
 - b. Due dates for all financial statements;
 - c. Expiration dates for UCC financing statements, the reminder to update being at least 45 days prior to the expiration of the UCC filing on hand;
 - d. Scheduled dates of annual loan performance and covenant reviews;
 - e. Dates for site visits;
 - f. Due dates for property tax payments and dates by which the Build Fund expects to hear from the borrower regarding confirmation of payment of taxes;
 - g. Review dates for job monitoring; and
 - h. Dates on which loan recipients will be notified of scheduled changes in the loan amortization scheduled per loan agreements.
- (5) Financial Statements:
Containing the business' periodic financial statements as required by the loan covenants.
- (6) Site Visit Documentation:
Containing documentation of site visits and records monitoring conducted periodically to each loan recipient.
- (7) Loan Review Documents:
All loans are to be reviewed on an annual basis, and at such other times as may be deemed necessary by the Committee. A report on the loan review shall be in the file and address the following: status of payments; outstanding balance of the loan; timeliness of monthly payments; condition of collateral securing the loan and status of security documents (i.e. mortgages, UCC filings); overall financial condition of the business; presence of material liens or lawsuits; and violations of loan covenants; and suggested corrective actions.

2.4 ADMINISTRATION

Reasonable administrative funds may be withdrawn from the Build Fund to cover personnel costs and other administrative expenses. Administrative expenses of no more than twenty (20) percent of program proceeds may be used for direct loan administrative costs. In addition to paying costs for administrative staff, these funds may be used for the following:

- (a) Legal costs;
- (b) Consulting fees for credit analysis, business plan reviews and technical assistance;
- (c) Office supplies, copying, typing, mailing, and related;
- (d) Training costs;
- (e) Filing Fees and Recording Costs

To generate additional revenue to cover administrative costs, the Loan Review Committee may also establish loan origination fees, closing fees, servicing fees, and other fees to cover charges directly

related to either processing an application or servicing a loan. All fees collected go to the Build Fund. The accounting of the fee revenue placed in the Build Fund shall include separate line items to track recovered administrative expenses, if any.

SECTION 3. ELIGIBILITY CONSIDERATIONS

3.1 ELIGIBLE AREA

The Build Fund shall operate within the corporate limits of Marion County, Indiana and the Loan Review Committee may designate certain Target Areas. Priority shall be given to applicants within the historic King Park Development Corporation service area.

3.2 ELIGIBLE APPLICANTS

- (1) Applications may be submitted by the owner(s) or Chief Executive Officer of any business wishing to establish a new operation or relocate/expand an existing operation within the Eligible Area. Applications must be signed by all owners with either 1) a twenty-five percent (25%) ownership stake in the business or 2) decision-making authority if the ownership percentage does not apply.
- (2) No member of the governing body, loan review board, or any other official, employee, or agent of the King Park who exercises decision-making functions or responsibilities in connection with the implementation of this program is eligible for financial assistance under this program.
- (3) Applicants shall not be disqualified based on basis of race, color, religion, national origin, sex, or sexual orientation.

3.3 ELIGIBLE ACTIVITIES

Program loans shall be available to eligible applicants for the following activities:

- (1) Acquisition of land, buildings, and equipment;
- (2) Installation of equipment;
- (3) Site preparation and the construction or reconstruction of buildings;
- (4) Clearance, demolition, removal of structures, or environmental remediation of a site;
- (5) Construction management, architectural consulting, permitting and related fees, and other soft costs (not to exceed 20% of the total loan amount);
- (6) Other activities determined to further the charitable purposes of King Park Development Corporation.

3.4 INELIGIBLE ACTIVITIES

Funds shall not be available for the following activities:

- (1) Refinancing or consolidating of existing debt;
- (2) Reimbursement for expenditures prior to loan approval;
- (3) Residential building construction or reconstruction, except as performed by King Park Development Corporation;
- (4) Routine maintenance;
- (5) Professional services such as feasibility and marketing studies, accounting, management services, and similar services. Legal fees incurred in the closing of a loan may be eligible.
- (6) Other activities that the Loan Review Committee may identify during the administration of the program.

3.5 INELIGIBLE BUSINESSES

Funds shall not be available for the following businesses:

- (1) Speculative investment companies;
- (2) Real estate investment companies unless providing direct benefit to tenant businesses;
- (3) Lending institutions;
- (4) Gambling operations;

- (5) Non-public recreation facilities;
- (6) Other businesses not serving the interests of the King Park area or the area being served.

3.6 MINIMUM REQUIREMENTS

Proposed projects must meet all of the following minimum requirements to be eligible:

- (1) Leverage Private Funds:
Borrowers must leverage a minimum of one dollar (\$1.00) of private funds for every one dollar (\$1.00) of Build Funds requested. Higher leverage may be required at the discretion of the Loan Review Committee.
- (2) Job Creation Requirements:
All Borrowers must commit to job creation requirements as established by the Loan Review Committee and defined in the Loan Agreement. The Committee may establish higher job creation requirements taking into consideration type of jobs, hourly wage, and other factors.
- (3) Financial Feasibility and Business Viability:
The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to repay the funds.
- (4) Regulatory Eligibility:
Each project must satisfy the regulatory requirements of the source of funds. Projects funded with Community Development Block Grant (CDBG) funds must meet the national objective of benefiting low- to moderate-income persons (LMI Persons). Projects funded through the Office of Community Services (OCS) must meet the specified neighborhood resident hiring requirements as defined in the Loan Agreement.
- (5) Compliance Documentation:
Borrowers must maintain the following documentation: A listing of all job titles which were planned to be held by or made available to low to moderate income persons, a commitment to hire or make best efforts to make jobs available to low- to moderate-income persons, a written plan for how such persons were given first consideration for jobs including what hiring process was used, and a list of the low- to moderate-income persons interviewed for particular positions. Documentation must be collected and maintained demonstrating the low- to moderate-income status of new employees. Borrowers must produce and maintain documentation of all expenditures paid with Build Funds, as directed by Staff.
- (6) Compliance with Applicable Laws:
Applicants shall comply with all applicable local, state, and federal laws and codes.
- (7) Project Completion:
Unless otherwise specified, all projects shall be completed within twelve (12) months from the date of the loan approval. Project completion shall include, *inter alia*, expending all loaned funds, satisfaction of job creation requirements, and providing all compliance documentation.
- (8) Federal Anti-Piracy:
Borrower must certify that it does not have immediate plans to relocate jobs in violation of CDBG Anti-Piracy regulations. The following language will be included in all agreements with the borrower. "The Borrower certifies it is and will maintain compliance with CDBG Anti-Piracy regulations as stated in 24 CFR 570.482(h). Violation of this regulation will constitute and Event of Default."

SECTION 4. TERMS AND CONDITIONS

4.1 TERMS AND CONDITIONS

Loan terms and conditions shall be structured on need and ability to repay. Minimum standards shall include the following:

- (1) Loan Amount - Loan amounts are subject to the availability of program funds.
- (2) Interest Rate - Interest rates shall be established by the Loan Review Committee.
- (3) Terms for Loans -
 - (a) Loans for machinery, equipment, and fixtures shall have a maximum term of ten (10) years;
 - (b) Real estate loans shall have a maximum term of twenty (20) years;
 - (c) Construction loans shall have a maximum term of twelve (12) months.
- (4) Period of Payment - Terms may include longer amortization schedules with balloon payments at the discretion of the Loan Review Committee. All loans shall require monthly payments.
- (5) Repayment - Payment of interest and/or principal may be deferred for twelve (12) months after the first draw provided that, at no time, the principal plus accrued interest exceeds the value of the collateral. Upon termination of the initial deferral period, an interest only payment period may be approved at the discretion of the Loan Review Committee. Interest shall accrue during the initial deferral period and any additional interest only term. Interest may be paid in full or added to the principal amount of the loan. Upon entering standard repayment, interest and principal shall be paid for the remaining term of the loan.
- (6) Prepayment - There shall be no prepayment penalties.
- (7) Collateral - The Loan Review Committee shall ensure sufficient collateral and collateral position to ensure that loans are adequately secured.
- (8) Principal Reduction - Loan agreements may include performance measures by which a portion of the loan may be forgiven. The principal reduction shall be applied to the outstanding balance of the loan on the first day of the month following approval by the Loan Review Committee that the terms triggering principal reduction have been satisfied.

SECTION 5. APPLICATION PROCEDURES

5.1 DISCUSSION OF REQUIREMENTS

Applicants must discuss the proposed project and loan request with Staff prior to submitting an application. Staff shall assist the applicant, as is reasonably necessary, in completing the application.

5.2 TIMING

Applications shall be accepted and evaluated on a rolling basis.

5.3 PRIORITY

Complete applications shall be reviewed in the order received and projects shall be evaluated based on readiness to proceed. In the event that application requests exceed available funds, the following criteria will be used to determine which business(es) will be awarded the loan(s):

- (1) Eligibility of the applicants.
- (2) Eligibility of the project.
- (3) Geographic proximity to Target Area(s) or Target Market
- (4) Amount of private funds leveraged.
- (5) Number of jobs created, type of jobs, and wages paid.
- (6) Available collateral.
- (7) Ability to repay the loan.
- (8) Size of the loan requested.
- (9) Timing of the proposed expenditures.
- (10) Completeness of application.
- (11) Other factors as deemed appropriate.

5.4 LOAN APPLICATION

Applicants shall submit an application using the form available from the King Park website. A complete application shall include at least the following:

- (1) Business Information - A written description of the business, location, type of operation, legal structure, markets, and products.
- (2) Applicant Information - Including the borrower, borrower's legal status, a list of all owners, ownership interests, and residency status.
- (3) Financial Information - Two (2) years State and Federal tax filing History, current balance sheets, profit/loss statements, and cash flow statements.
- (4) Project Description - Description of the project and proposed uses for the requested funds.
- (5) Business Projections - A *pro forma* or business plan covering a three-(3) year period.
- (6) Additional Information - Additional information as required by the Loan Review Committee.

The Build Fund may charge a reasonable application fee, as approved by the Loan Review Committee.

5.5 REVIEW PROCESS

Specific steps in the review process include the following:

- (1) Preliminary Review - Staff will review the application for completeness and verify that the proposed project meets the minimum requirements provided in Section 3.6. Staff will inform the applicant of the deficiencies. Staff will forward complete applications with staff recommendations to the Loan Review Committee for Formal Review.
- (2) Formal Review - The Loan Review Committee will review applications within thirty (30) days of the receipt of a completed application from Staff. If funding is approved, the Loan Review Committee will authorize Staff to contact the business in writing to review and explain the proposed terms of the loan.

- (3) Notice of Award - If the application is approved and all terms agreed upon, closing will be scheduled to execute the necessary loan documents.
- (4) Rejection of Award - If the application is not approved, the Staff will send a letter to the applicant stating the reasons for rejection and offer to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

SECTION 6. DRAW-DOWN OF FUNDS

6.1 PROCEDURES

Any advanced funds shall be restricted by the Build Fund and listed on the organizational financial document as “Refundable Advances” until the underlying loan closes. Should the borrower fail to close on the loan after the advanced funds have been draw, staff shall contact funder to determine appropriate steps.

SECTION 7. DISTRIBUTION OF FUNDS

7.1 LOAN PROCEDURES

Prior to release of funds, the following documentation must be in place or provided at the appropriate time during the term of the loan.

- (1) Notice of Award – Staff shall issue a Notice of Award to the applicant which includes the material terms of the loan as approved by the Loan Review Committee.
- (2) Loan Agreement – Staff shall prepare a Loan Agreement, which shall contain all the terms of conditions of the loan. The Loan Agreement must be approved by two (2) Loan Review Committee members prior to execution. The Loan Agreement shall be executed by the Staff and either the Chief Executive Officer or Owner of the business.
- (3) Promissory Note - Staff shall prepare a Promissory Note, which shall contain all the terms of conditions of the loan. The Promissory Note must be approved by two (2) Loan Review Committee members prior to execution. The Promissory Note shall be executed at Closing by Staff and either the Chief Executive Officer or Owner of the business. The Promissory Note must be dated, reference the Loan Agreement, and specify the amount and terms of the loan.
- (4) Security – Mortgage, lien instruments, and/or personal guarantees provided as security for all loans shall be prepared by Staff and be approved by two (2) Loan Review Committee members prior to execution. The Security document shall be executed at Closing by Staff and Borrower. Staff shall record the instrument and place a copy in the project file.
- (5) Repayment Schedule - A loan repayment or amortization schedule shall be prepared by Staff prior to loan disbursement. The repayment schedule shall be delivered to borrower prior to loan Closing.
- (6) Evidence of Program Expenditures - Documentation must be provided by the Borrower to evidence program expenditures, includes bills, invoices, receipts for materials, final bills of sale, canceled checks, and/or executed purchase agreements. All documentation shall be reviewed and approved by Staff.
- (7) Other Documentation - As appropriate or necessary, the borrower may be asked to provide the following:
 - (a) A certificate of existence/good standing from the Indiana Secretary of State;
 - (b) Organizational Documents;
 - (c) Board resolution to borrow funds;
 - (d) Current financial statements;
 - (e) Evidence of having secured other funds necessary for the project;
 - (f) A Phase I/II Environmental Site Assessment for real estate loans, depending on the environmental condition of the site;
 - (g) Certificate of Insurance naming the Build Fund as an additional insured.

All documents will be executed before funds are disbursed, mortgages shall be recorded with the Marion County Recorder and UCC Statements shall be recorded with the Indiana Secretary of State.

SECTION 8. POST APPROVAL REQUIREMENTS

8.1 OBLIGATION OF LOAN RECIPIENT

In addition to the terms and conditions in the Loan Agreement, all Borrowers shall agree to comply with the following:

- (1) Create the agreed upon number of jobs within twenty-four (24) months of the date of the execution of the Loan Agreement.
- (2) Jobs shall be considered to be full-time if estimated weekly hours worked are 40 hours, unless Staff state otherwise. Multiple part-time employee hours may be added together to equal full-time employment of 40 hours per week, called Full Time Equivalent (FTE).
- (2) Not to discriminate on the basis of age, race, religion, gender, disability, sexual orientation, or national origin in any activity related to the use of funds.
- (3) To use the loan money only for the activity for which the funds were awarded.
- (4) To permit inspections of all projects and properties assisted with funds by persons authorized by the Build Fund. Related project materials shall also be open to inspections, including, but not be limited to, contracts, materials, equipment, payrolls, and conditions of employment.
- (5) To maintain records on the project as may be requested by the Build Fund. These files shall be maintained for the duration of the loan or for at least four (4) years after completion of the work for which the loan has been obtained, whichever is longer.
- (6) To submit periodic progress reports to Staff in accordance with the schedule in the Loan Agreement. These reports shall report on project progress including number of jobs created or retained during the loan agreement.
- (7) To maintain insurance coverage as required in the Loan Agreement. The Build Fund shall be listed as Loss Payee, Mortgagee, or "additional" insured on the policy. Term life insurance may be required of the Borrower to cover the loan balance through the life of the loan.
- (8) To abide by all federal laws, when applicable. These include, but may not be limited to: The Civil Rights Act of 1964; the Age Discrimination Act of 1975; the Davis-Bacon Act, as amended; the Contract Work Hours and Safety Standards Act; the Copeland "Anti-Kickback" Act; and, all regulations pursuant to these Acts.
- (9) To abide by all federal, state and local laws rules and ordinances in undertaking Build Fund financed projects including all regulations listed in the loan agreements.
- (10) To allow the Build Fund permission to use the Borrower's name, photograph, likeness, statements, business descriptions, and/or biographical material (collectively, "Material") for publicity, advertising, promotion, and publication of the Build Fund or the funded project. Materials may be edited, adapted, expanded, revised, or modified at the sole discretion of the Build Fund.

SECTION 9. PERFORMANCE MONITORING

9.1 PRIVATE LEVERAGE COMMITMENTS

Staff shall monitor the use of the funds and expenditure of private leverage commitments. Documentation may include bills, invoices, receipts for materials, final bills of sale, canceled checks, and/or executed purchase agreements.

9.2 HIRING OF NEW EMPLOYEES

Staff shall monitor the Borrower's progress towards satisfying the agreed upon job creation commitments. Job creation must be documented using payroll records and other tracking mechanisms approved by Staff. Before-project and after-project payroll records should be provided by the borrower to document job creation. Failure of the business to provide the targeted number of jobs may be a condition for default.

9.3 DEFAULT

In the event of default on any of the terms and conditions of the Loan Agreement, all sums due and owing, including penalties, shall, at the Build Fund's option, become immediately due and payable by the Borrower. To exercise this option, the Build Fund shall prepare a written notice to the business. The notice shall specify the following:

- (a) The nature of the default.
- (b) The action required to cure the default.
- (c) A date, not less than thirty (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action.
- (d) Any penalties incurred as a result of the default.

9.4 DELINQUENT LOANS

In the event a Borrower becomes delinquent on loan payments Build Fund staff will contact Borrower to discuss. If, through the discussion, it becomes apparent that other non-managerial or lack of ability re-pay loan is indicated the loan will be put on a watch list for two months. If however, the delinquency is a sign of instability within the business a formal meeting with the Borrower will be conducted. The meeting findings will be presented to the Loan Review Committee. The Loan Review Committee will guide actions to bring Borrower back into stable re-payments.

SECTION 10. USE OF LOAN REPAYMENTS AND REPORTING

10.1 USE OF LOAN PROCEEDS

Loan repayments shall be used to recapitalize the Build Fund or for administrative expenses. All loan payments shall be deposited into the designated Build Fund accounts and used in a manner consistent with the policies and procedures manual. A separate accounting record for each loan shall be kept to account for all funds loaned. The Build Fund shall be audited on an annual basis and the Staff shall provide an annual report to the Loan Review Committee.

10.2 REPORTING TO BOARD

Staff shall measure performance against pre-set goals no less than annually. Staff shall report to Board of Directors and Loan Review Committee no less than annually regarding performance goals achieved by Borrowers and the Build Fund's performance goals to be reported to funders. If appropriate progress is not made toward accomplishing performance goals Staff will set into action procedures to reach goals or verify suitability of goals.

SECTION 11. LOAN SERVICING

11.1 MONITORING

Staff or regulatory agencies shall monitor each loan to ensure compliance with the Loan Agreement terms and conditions. Staff or regulatory agencies shall monitor the financial health of the business, compliance with recordkeeping requirements, expenditure eligibility, and satisfaction of job creation commitments. A loan servicing file shall be established and maintained for each loan recipient as defined above.

11.2 FINANCIAL MANAGEMENT

Staff shall maintain financial management records of the Build Fund, including:

- (a) Records of all deposits and disbursements to and from the Build Fund, including funds used for administration of the Build Fund.
- (b) Records of all transactions, expenses, disbursements, and payments by source of funds.
- (c) Records of all transactions, expenses, disbursements, and payments by Borrower.

SECTION 12. RISK ASSESSMENT AND MITIGATION

12.1 RISK RATING

The Loan Review Committee shall establish a Risk Rating system. Staff shall prepare a Risk Rating of each loan and report findings to the Loan Review Committee on an annual basis. The Loan Review Committee may require Borrowers take appropriate actions it deems necessary to reduce the risk of default.

12.2 LOAN LOSS RESERVE FUND

The Build Fund shall establish and maintain a Loan Loss Reserve Fund. The Build Fund shall maintain sufficient assets in the Reserve Fund adequate to absorb all estimated losses in the loan portfolio based on the Risk Ratings of all eligible outstanding loans.

SECTION 13. SPECIAL PURPOSE FUNDS

13.1 SPECIAL PURPOSE FUNDS

At the sole discretion of the King Park Board of Directors, the Build Fund may create and administer Special Purpose Funds that further the charitable purposes of King Park or the Build Fund. All Special Purpose Funds must meet at least one of the objectives identified in **Section 1.2** and satisfy the requirements of **Sections 2.3 Records** and **10.1 Monitoring**. The King Park Board of Directors may delegate authority to the Loan Review Committee to establish Policies and Procedures specific to each Special Purpose Fund.

SECTION 14. BORROWER REPORTING

14.1 BORROWER REPORTING

Borrowers will sign a term sheet and a loan agreement with reporting requirements delineated. These reporting requirements may vary dependent on sources of funds used to make loans. The term sheet will list the borrower reporting frequency. See also **Section 11.1 Monitoring** for other reporting requirements.