Wyoming Business Council

Loan Policies and Standards

(as of January 20, 2023)

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GENERAL POLICY

1.1 Introduction

Loan standards and procedures that are uniform throughout the Wyoming Business Council (WBC) are necessary for quality control to ensure good, consistent service to our borrowers, and fiduciary responsibility to the State of Wyoming and the Federal Government. Uniform standards will allow the WBC to be familiar with the normal requirements for each type of loan in our portfolio.

The Board of Directors, in making loans and providing direction to other WBC personnel and Service Organizations engaged in the preparation, administration and safekeeping of loan documents, shall be guided by the following Loan Policy and Standards as adopted by the Board of Directors.

The basic loan policy of the WBC is to provide financing to business entities and communities in the State of Wyoming in an effort to promote economic development within the state and to service the loan portfolio in a responsible manner. Financing provided by the WBC is intended to be an alternative and/or complement to existing commercial financing sources that are available, not as the primary lending source

The provision of finance at below-market interest rates, when viewed in terms of a risk adjusted return basis, should be done only when necessary to assist or encourage business.

The Board of Directors realizes the lending of money by the WBC includes some business risk and some losses are to be expected. It is the policy of this Board of Directors to maintain a reserve for future loan losses. Loans, with the approval of the Board of Directors, may be charged off only after such loans have received maximum collection effort.

1.2 Loans Not Considered Desirable

The following loans are not considered desirable for the purpose of the WBC. Such loans will ordinarily be declined unless specifically approved by the Board for reasons that justify an exception to this policy.

(1) Loans that do not promote economic development within the State of Wyoming.
(2) Real estate mortgage loans secured by proceeds of the settlement of an estate, unless these loans are fully collateralized or guaranteed by the estate and approved by the WBC's attorney.
(3) Loans secured by stock in a closed corporation which has no ready market.
(4) Loans secured by restricted or lettered stock.
(5) Capital loans to a business enterprise in which the loan cannot be repaid within a reasonable period except by borrowing elsewhere or by liquidating the business.
(6) Unsecured loans.

1.3 Appraisal Program for Loans Involving Real Estate

Appraisals shall be performed by a qualified, independent, fee paid appraiser selected by the WBC or lead lender who is competent and knowledgeable of the relevant markets. The WBC does not favor appraisers from one or more councils or exclude individuals based on their lack of such membership. The appraisal policy will be based on compliance with Part 323 of Federal

Deposit Insurance Corporation Rules and Regulations. This regulation identifies which transactions by financial institutions require an appraisal by a certified or licensed appraiser. The appraisal regulations apply to both commercial and residential transactions, however, the threshold above which an appraisal is required is different for residential transactions, commercial real estate transactions, and qualifying business loans as described in Part 323.3(a)(1),(5), and (13).

The appraisal should conform to the Uniform Standards of Professional Appraisal Practice (USAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. For transactions that are otherwise exempt from appraisal requirements, an appropriate evaluation of the real property will be performed. However, prudent lending standards still require such loans and other real estate related transactions be supported by adequately prepared estimations of collateral value. An independent appraisal is one in which the appraiser is not involved in the loan.

The appraisal performed by an independent appraiser must reflect a value and an analysis as to how the value is determined. Any deviation from this policy will also be based on compliance with Part 323 of Federal Deposit Insurance Corporation Rules and Regulations. If a real estate loan is renewed, a new appraisal is not required if:

(1) The borrower has performed satisfactorily according to the original terms.
(2) No additional money has been advanced other than as previously agreed.
(3) The credit standing of the borrower has not deteriorated.
(4) There has been no significant deterioration in market conditions or physical aspects of the property that would threaten the collateral protection.

Part 323.3(b) of the FDIC Rules and Regulations requires appropriate evaluations for real estate-related transactions that do not require the services of a state certified or licensed appraiser.

In the event an appraisal is not required for a transaction involving an existing extension of credit, an evaluation may be obtained, provided that:

(1) There has been no obvious and material change in market conditions of physical aspects of the property that threatens the adequacy of the institution’s real estate collateral protection after the transaction, even with the advancement of new monies; or
(2) There is no advancement of new monies, other than funds necessary to cover reasonable closing costs.

In the case of a BRC loan, an appraisal may be waived in accordance with BRC rules.

1.4 Environmental Risk

Loans to be secured by real estate must be carefully examined for possible environmental risk through an environmental review that will be completed prior to loan processing.

The WBC should focus on hazardous construction materials (e.g. lead paint, asbestos), hazardous waste storage sites, leaking drums, retention ponds, discolored vegetation, underground storage tanks, and adjacent properties.

Any evidence of environmental contamination will require a more detailed assessment; the results of which may dictate the borrower remediate the hazardous waste before closing the loan. In addition, during the due diligence process prior to making the loan, the WBC's Loan Portfolio Manager should determine if the borrower shall execute warranties and indemnifications at the closing as to the property's environmental condition and proposed use.

A questionnaire is attached.

1.5 Repayment Terms

All loans should have a realistic repayment plan. The maturity of the loan should be related to the anticipated source of repayment, cash flow of the borrower, purpose of the loan, the useful life of the collateral and be consistent with State Statutes.

Collateral does not repay loans; cash flow repays loans. The collateral package provided as security should reflect the source of repayment. At all times, the collateral should be sufficient to adequately protect the commercial lender from a decline in market value. Substantial collateral does not alone justify an extension of credit.

1.6 Guaranty of Loans

It is the policy of the WBC that all loans to closely held companies will be guaranteed by the principals of the company. Where this requirement is waived, it must be substantiated by the financial strength of the company and documented in the credit file. Any deviation from this policy must have the prior approval of the Board.

1.7 Loan Authority

All loan requests under the Challenge Loan program are to be submitted to the Investments Committee, and ultimately to the Board for final approval.

All loan requests under the Business Ready Community program are to be submitted to the Investments Committee and ultimately to the Board for recommendation to the State Loan and Investment Board (SLIB) for final approval.

All presentations to the Board will include at a minimum the following information as applicable:

(1) Borrower's name
(2) Business/project description and purpose of the loan request
(3) Amount of loan
(4) Term of loan
(5) Proposed interest rate
(6) Economic development benefits to the State of Wyoming
(7) Total repayment program
(8) Financial information and analysis demonstrating an ability to repay the loan
(9) Risks and mitigants
(10) Proposed guaranty(s)
(11) Proposed collateral
(12) Value of collateral
(13) Terms and conditions of the proposed loan agreement, including covenants

1.8 Underwriting Guidelines

The WBC may impose loan terms, conditions, and covenants to monitor loan performance and economic development. Examples of those terms, conditions, and covenants, which would be established on a loan-by-loan basis may include:

(1) No dividends or other shareholder distributions, except for loans with S-Corporations and partnerships whereby income taxes are assessed at the shareholder level. Those distributions will require prior approval by the WBC.
(2) Limitations on shareholder salaries and increases in shareholder salaries.
(3) Restrictions on additional indebtedness, salary increases, capital expenditures.
(4) Restrictions for lease payments for the use of property and equipment owned by affiliated entities.
(5) Pre-established ratios and other specifically identified measurement requirements.
(6) Periodic reports, including financial statements and other reports deemed necessary to monitor the operations of the business and the economic development impacts within the State of Wyoming.

Under the Challenge Loan programs, maximum loan to value shall not exceed 85%, unless otherwise specified, however a borrower may desire to finance 100% of the project cost and may provide additional collateral in lieu of cash down payment.

1.9 Loan Administration

The WBC shall prepare a credit application/memorandum to the credit file for each type of loan. The credit application/memorandum will be in writing and will cover the following points:

(1) The credit worthiness of the borrower
(2) The purpose of the loan
(3) The economic development benefits for making the loan
(4) Financial statement analysis to show an adequate source of repayment
(5) Collateral/guarantor analysis to demonstrate adequate backup sources of repayment
(6) Personal guarantees by corporate officers/shareholders if a closed corporation
(7) An analysis of whether a business plan or pro-forma financial statements are required
(8) Other information used to come to a decision on making the loan

A credit file shall be established and maintained for each borrower, which shall include in all cases the borrower's current financial statement, tax returns and the credit application/ memorandum. Loan agreements should clearly identify the borrower's responsibility for providing future required information (e.g. audited financial statements, internal financial statements, tax returns, compliance with loan covenants, required UCC updates, etc.) and when such information is due to the WBC and/or servicing agent. The information needs and due dates will be compiled into a database that will be used to establish a tickler system to maintain compliance with this policy. The credit file will include copies of all documents and correspondence pertinent to each loan.

Loan administration may be delegated to a servicing agent approved by the Board. The contract with the servicing agent will specify those duties and responsibilities to be performed, including reporting to the WBC and/or the Board on a frequent basis.

Minimum documentation for real estate loans shall include the promissory note, environmental check, a written recorded copy of the mortgage, Title Opinion or Title Insurance, a copy of the appraisal of the property, and an insurance certificate or binder insuring the property against damage and showing the WBC / or lead lender as loss payee.

Minimum documentation for loans secured by marketable equipment shall consist of the promissory note, a security agreement that can be supported by a financing statement. At least one of these documents must be filed with the appropriate authority. Documentation on loans made on the titled equipment shall include, in addition to the security agreement, recorded copies of the title showing the WBC / or lead lender as the secured party and an insurance certificate or binder insuring the property against damage and showing the WBC / or lead lender as loss payee.

All personnel shall take the utmost care in the security and safekeeping of loan documents. All promissory notes shall be kept in a secure fireproof location with a third-party servicing agent.

The WBC or its designee shall conduct loan review documentation on a continuing basis for all loans.

Interest due on loans is to be collected from borrowers according to the terms and conditions of the loan agreement and note.

1.10 Loan Review

Successful loan review systems have specified time frames for reviews, accountability through required reporting to the proper level of the organization and a consistently applied system.

The portfolio will be reviewed for credit quality and documentation requirements annually either by the Department of Audit, Division of Banking, or the Independent Auditors Financial Report. These external audits will be the loan review process until the portfolio grows to justify staff independent of the loan function to perform reviews.

1.11 Reserve for Loan Loss Policy

The WBC will implement the policies and procedures as a means of analyzing the adequacy of the loan loss allowance on an ongoing basis. The purpose of the analysis will be to identify the risks in the loan portfolio with the exception of BRC loans and assure the allowance is adequate should those risks become future losses. Items that should be considered when identifying such risks are listed in Appendix A to this chapter.

The adequacy of the allowance will be made at the end of each quarter and reports, as specified in this policy, of the analysis will be presented to the Board. The Board will determine if the reserve is adequate.

The reserve will be arrived at per the following:

- All loans that are delinquent (over 30 days past due) will be reviewed. A specific reserve will be allocated for each of these loans if the review warrants.

- There will be an additional unallocated reserve of one-half of one percent of the total portfolio balance.
- There will be a 10% reserve for Economic Disaster loans.

1.12 Loan Collections

The WBC has reasonably conservative loan polices designed to preclude delinquencies and losses in the loan portfolio. If polices are followed, the WBC should not experience an undue amount of collection problems. Successful collections and workouts depend on early identification of credit weaknesses so the relationship between loan collections and loan monitoring cannot be emphasized enough.

A 10-day notice in advance of maturity is mailed. Late notices are to be sent on the 10th day a note becomes delinquent. Contacts and collection efforts should be started on the 10th delinquent day. From that point forward, all remarks pertaining to the workout of the delinquent account should be dated with the day, month, and year the contact is made. All loans 30 days or more past due are required to be reported to the Board.

Late charges are not only a deterrent to late payment by the borrower but also compensate the WBC for the extra cost of collection and loss of use of the payment amount. It is the WBC's policy to collect all late charges and great selectivity will be exercised in making any exceptions. In addition, interest will be collected to the actual date of payment for loans paid after maturity. Once a decision has been made to call the loan, the following steps will be taken:

(1) The WBC will consult with its attorney in all matters.
(2) It is preferable that the note be past due when the note is called. If, while working a problem loan the note must be renewed, it should either be renewed as a demand note or it should contain an enforceable clause.
(3) Once a decision has been made for demand of a note, a letter is sent which spells out the reasons the WBC is making demand. The WBC's policy is not to use demand letters as idle threats. The WBC does not send demand letters until it is ready to call the loan.
(4) The collateral securing the loan must be protected. The WBC may take physical possession of the collateral early in the process or the WBC may take a physical inventory.
(5) It is important that the WBC does not lose its guarantees by oversight during the liquidation process.

1.13 Renewals and Extensions

All requests for short-term deferrals or extensions may be considered.

All requests to renew loans shall adhere to the same process as the underwriting standards and documentation for the initial provision of credit.

The Board or its designee shall review all renewals, and these shall be treated as any other loan with respect to the Board's authority and approval. It is customary that if such requests are granted, that amendment fees are appropriate, as well as a potential change in interest rates and other terms. Potential problems will be immediately and appropriately dealt with. Renewals, deferments, and extensions shall not be used to defer a potential problem or loss to a later date.

It is important for the WBC to maintain its position in regards to the collateral; therefore, renewal or extension of a loan may be necessary to accomplish this objective. On any extension or renewal, a complete comment shall be placed in the credit file as to the nature of the extension or renewal, new interest rate, maturity date, etc.

1.14 Non-Accrual of Interest

The WBC will not accrue interest and report income in the WBC's financial statements when:

(1) Any loan which is maintained on a cash basis because of the deterioration in the financial position of the borrower.
(2) Any loan for which payment in full of interest or principal is not expected.
(3) Any loan upon which principal or interest has been in default for a period of 90 days or more unless it is both well secured and in the process of collection.

From the perspective of the borrower's liability to the WBC, the loan will continue to accrue interest in accordance with the terms of the loan agreement.

A non-accrual loan may be restored to an accrual status when payments are current or when it otherwise becomes well secured and in the process of collection.

1.15 Loan Charge Off Procedures

It is the WBC's policy to charge-off those loans whose collectability is sufficiently questionable that the WBC can no longer justify showing the loan as an asset in its financial statements. These loans are charged-off by crediting the appropriate loan category and debiting the reserves for loan accounts. Charged-off loans must be approved by the Board prior to charging-off.

Collection efforts will continue on all charge-off loans unless the balance is determined uncollectable due to bankruptcy, complete liquidation and settlement agreement, death or any other occurrence, which will render the balance uncollectable.

A report will be presented annually to the Board.

1.16 Reporting Requirements

Reporting requirements to the Board or its designee with respect to the loan portfolio will include the following:

(1) Listing of loans 30 days or more past due provided at each Board meeting.
(2) Computation of allowance for loan losses provided at each Board meeting.
(3) Report of examination by the Department of Audit, Division of Banking will be presented at the first Board meeting following the receipt of the report.
(4) Report as required by W.S. 9-12-306(b) to the Board prior to July of each year.

CHALLENGE LOAN POLICY

2.1 Purpose

To provide loan policies and procedures that are uniform and for quality control to ensure good, consistent service.

2.2 Scope

The WBC Board of Directors and any staff that has oversight of the Challenge Loan portfolio or loan administration responsibilities. Please refer to the Wyoming Partnership Challenge Loan Program Rules for detailed requirements, procedures, and definitions.

2.3 Loan Policy

The basic loan policy of the WBC will be to service the borrowing needs of entities that enhance the economic development of the State of Wyoming on a sound and prudent basis that is beneficial to the people of Wyoming.

The Board, in discharging its duty, will ensure that loans in the WBC's portfolio are made on a sound and collectable basis promoting economic development within statutory authorization.

2.4 Types of Loans

The types of loans and financing the WBC will provide to entities in promoting economic development are as follows:

50-50 Financing Program Loans
The 50/50 Financing Program, in participation with a Bank, is designed to help businesses requesting debt financing get to their next milestone. This program, as set forth by W.S. 9-12-301 (a)(vi), is typically used for business expansion. The benefits are a blended interest rate that benefits the business, as well as shared risk or increased lending capacity that could be a benefit to a Bank.

- WBC max participation is $2,500,000 or 50% of total project costs, whichever is less. The business must contribute 15% or more of the total project costs.
- Maximum repayment term is not to exceed 10 years. Term may be extended and amortized up to 25 years if approved by the WBC board of directors.
- Interest rate is set at a minimum of 4% and there is a minimum loan origination fee of 1%
- Eligible use of funds is working capital, equipment, inventory, real estate, and other fixed assets.

Large Loan Program
The Large Project Loan Program is specifically designed for large economic impact projects. These projects should have a high likelihood of completion, create jobs, increase sales and property taxes, and demonstrate a significant increase in the assessed valuation of the county or counties in which the project is located. The amount a business can qualify for is based on economic impact modeling over 3 years.

- Total loan amount shall not exceed twenty-five million dollars ($25,000,000) and project costs shall not be less than five million dollars ($5,000,000).
- Loan shall not exceed 75% loan-to-value (LTV) or loan-to cost (LTC) ratio (whichever is less).
- Maximum term and amortization schedule is project dependent.
- Interest rate is set at a minimum of 4% and there is a minimum loan origination fee of 1%.
- Eligible use of funds is working capital, equipment, inventory, real estate, and other fixed assets.

Economic Disaster Loans
Economic disaster loans will be granted only after an economic disaster has been declared, as defined by law and adopted rules.

- The WBC can only approve loans to applicants with a reasonable ability to repay the loan and other obligations from earnings. The terms of each loan are established in accordance with each borrower's ability to repay but shall not exceed 120 months.
- As required by law, the interest rate for each loan is based on the WBC's determination of whether each applicant has the ability to repay. Substantial economic injury is the inability of a business to meet its obligations as they mature and to pay its ordinary and necessary operating expenses.
- Due to the nature of these loans, ongoing financial information from the borrower(s) may not be required if deemed prudent by WBC staff. This program has historically been used for agricultural needs/losses and many borrowers may have existing debt instruments with financial institutions. This loan is designed to help in the case of an emergency for a borrower and not interfere with the ongoing operations of the business/borrower and/or the financial institution.

Natural gas fueling infrastructure loans
Natural gas fueling infrastructure loans are direct loans from the challenge loan program for natural gas fueling infrastructure.

- Funds must be used for the costs of the engineering, design, real property, equipment, and labor necessary to install a functioning natural gas fueling station.
- Payment terms consist of no interest or principal payments due for the first two (2) years of the term loan. All deferred interest during the first two (2) years of the term loan shall accrue to the principal balance.
- Loans are to be amortized over a period not to exceed 240 months. Loans should not exceed 75% of the total costs of land, building and equipment or one million dollars ($1,000,000), whichever is less.

Partnership Challenge Loan
The Partnership Challenge Loan is a means of financing to be used to assist any community or state development organization to build, acquire, purchase, or complete projects for the purpose of economic or community development purposes within the state of Wyoming.

- Eligible applicants are communities, EDOs, SDOs, and Joint Powers Boards.

- Total loan amount shall not exceed one million dollars ($1,000,000) to a community development organization. Total loan amount shall not exceed three million five hundred thousand dollars ($3,500,000) to a state development organization.
- The community, EDO, SDO, or Joint Powers Boards shall contribute no less than 20% of a partnership challenge loan. Loan shall not exceed 80% Loan-to-Value (Must have collateral).
- Maximum repayment term is not to exceed 10 years. Term may be extended and amortized up to 25 years if approved by the WBC board of directors.
- Interest rate is set at a minimum of 4% and there is a minimum loan origination fee of 1%.

Succession Loans
Keeping Wyoming businesses running is the goal of the Succession Loan Program. As it is set forth in W.S. 9-12-301 (a)(xii) the Succession Financing Loan is designed to help transition ownership of an existing Wyoming business. The Succession Loan in participation with a bank would provide financing for the purchase of a business that is at least 7 years old. The WBC portion of the loan would be used to fill the unsecured or "blue sky" portion of a purchase helping to enable Wyoming Businesses to continue in Wyoming.

- Eligible applicants are new business owners that are purchasing a Wyoming Business that has been around for the last seven years. Where the new owners are requesting debt financing from a bank.
- Maximum WBC participation is the lesser of $500,000 or 50% of the total loan amount.
- Maximum repayment term is not to exceed 10 years.
- Interest rate is set at a minimum of 4% and there is a minimum loan origination fee of 1%.
- Use of funds is strictly for the purchase of the Wyoming business that has been around for the last seven years.

Contract Loan
This Contract Loan program was designed to help Wyoming businesses have a way to take on larger orders by financing the raw materials. Contract Financing Loans provide liquidity to businesses and the business uses the proceeds of the contract and raw materials as collateral for the financing. This program was set forth by W.S. 9-12-301 (a)(xi) helping Wyoming businesses scale and compete for contracts.

- Eligible applicants are businesses that are requesting financing to acquire raw materials to fulfill a large contract.
- $200,000 is the maximum loan amount.
- Maximum repayment term not to exceed two (2) years unless this provision is specifically waived by a motion of the WBC Board of Directors and new loan term is established in writing.
- Business shall contribute no less than 10% of total cost to acquire raw materials used in contract.
- WBC must be listed as co-payee on contract alongside the borrower.

- Upon payment of contract from payor, borrower shall pay off principal & interest within 15 calendar days.
- Interest rate is set at a minimum of 4% and there is a minimum loan origination fee of 1%.
- Use of funds is strictly for the acquisition of raw materials to fulfill contractual obligations.

Main Street Loans
The mission of the main street loan program is to help maintain historical buildings. WBC participates with a commercial lender to provide financing for building improvements to maintain the structure's historical character.

- Maximum WBC participation is 75% of the proposed total cost or $100,000, whichever is less.
- Interest rate is set at a minimum of 4% and there is a minimum loan origination fee of 1%.
- Maximum repayment term is not to exceed 10 years. Term may be extended and amortized up to 25 years if approved by the WBC board of directors.
- Use of funds is for the rehab and remodeling of main street buildings with the intent to preserve the historical character.

Future Investment or Loan Programs
Modifications will be made to the policy in this chapter as necessary to reflect changes made to existing state statute.

BUSINESS READY COMMUNITY LOAN POLICY

3.1 Purpose

To provide loan policies and procedures that are uniform and for quality control to ensure good, consistent service.

3.2 Scope

The WBC Board of Directors and any staff that has oversight of the Business Ready Community (BRC) Loan portfolio or loan administration responsibilities. Please refer to the Business Ready Community Grant and Loan Program Rules for detailed requirements, procedures, and definitions.

3.3 Loan Policy

A BRC loan may be made to fund a portion of any project that is an eligible activity. A BRC loan can be used in conjunction with a BRC grant. In no event shall a loan be made to pay off or refinance an existing loan.

The Board, in discharging its duty, will ensure that loans in the WBC's portfolio are made on a sound and collectable basis promoting economic development within statutory authorization.

3.4 Additional Information

Applicant shall supply to the Wyoming Business Council any relevant ongoing or new information that arises any time after applicant's initial submission of the above information which may influence or bear upon the review of the proposed loan, including without limitation, new or altered financing arrangements, statutory, regulatory or rule changes which may impact applicant's project or operations or the proposal thereof, or any other changes.

In addition to information in the project application, the Wyoming Business Council may ask for additional information necessary for the Wyoming Business Council to conduct its due diligence in review of the application. Applicants shall respond to such requests in a timely manner with complete and current information.

For interest rate, term and fee specifics please refer to the Business Ready Community Grant and Loan Program Rules.

3.5 Collateral

Please refer to the Business Ready Community Grant and Loan Program Rules for detailed requirements and procedures. In addition, the following must be adhered to:

(1) All loan projects that create a lease or sales revenue based asset must be secured.
(2) Preferred collateral must be held in the name of the public borrower. Underlying collateral (e.g. notes, leases) shall be assigned to the WBC.
(3) Permanent real estate loans shall be secured preferably by first mortgages on improved business or commercial properties.

INDICATING TROUBLE

Problem and Work-Out Loans

The following list represents only a small portion of the many causes of borrowers' financial problems and many of these problems exist in perfectly good companies. One item by itself does not necessarily mean a company is in trouble; however, a combination of these symptoms may indicate a problem loan, either now or in the future.

These symptoms have been labeled as non-financial because they do not appear directly on the borrower's financial statement, but their effects too often do. They often involve the expenditure of money, and many are quasi-financial in nature.

(1) Inability to meet commitments on schedule:
These may involve production, delivery, or contract completion. The results can be canceled orders, returned goods, penalties assessed, and payments held back. These conditions often arise from overselling or poor planning. They are a direct reflection on the quality of a company's management.

(2) Recurrence of problems presumed to have been solved:
Personnel problems rank high on the list here. A constant turnover of bookkeepers or office managers, each expected to correct the shortcomings of his predecessor, is a good example. Too often this indicates highly questionable management practices and a lack of executive stability.

(3) Lack of functional planning:
Forecasts for both short and long-range operations are non-existent, vague, or downright unreliable. What actually occurs seldom bears any practical relationship to what was predicted. All plans are based on the needs of the moment.

(4) Capital stagnation:
Owners are unwilling to supply needed additional capital on either a temporary or permanent basis. Profits are regularly drained off. Owners have a set limit on risk capital and will inject no more funds in the business. Creditors are expected to assume all risks above an established capital base. Often owners are unwilling to pay the price (in the form of money or loss of control) for new capital funds.

(5) Poor financial housekeeping practices:
Owners are unwilling to pay the price for quality auditing reports or functional bookkeeping systems. Procedures to protect assets such as cash and inventories are missing. Maintenance of books and ledgers is sloppy, and posting schedules are erratic.

(6) Loss of senior management or other staff:
Loss of senior management and/or high employee turnover.

ENVIRONMENTAL CHECKLIST

BUSINESS COUNCIL

Borrower ____ Date_____________________________

Address____

Property Type ____

Loan Amount $______________

Contact Person ____

Phone _______________________

YES	NO
☐	☐
☐	☐
☐	☐
☐	☐
☐	☐
☐	☐
☐	☐
☐	☐
☐	☐
☐	☐
☐	☐
☐	☐
☐	☐

1. Has the property ever been used for industrial or manufacturing purposes?
   If Yes: Dates of industrial or manufacturing use? ___________________________
2. Has the property ever been used for commercial purposes which involve storage, use or disposal of chemicals, or agricultural purposes?
   If Yes: Dates of commercial agricultural use? __________________________________
3. Are there any storage tanks located on the property or underground? (Inspect noticeable cleared areas that might indicate possible burial of substances)
4. Is there any evidence of waste materials on the property (e.g. 55 gallon drums, pails, barrels, bottles, refuse piles, sludge, concrete slabs with rust stains, vertical piping, etc.)?
5. Is there any sign of stained soils, standing liquids or odors?
6. Is there any sparse, stunted, dead or distressed vegetation?
7. Are there any ponds, lagoons or wetlands on the property that (a) have ever been used for industrial or commercial purposes, or (b) contain evidence of oily sheens or discoloration? *(Circle those that apply)*
   If Yes: Dates of industrial or commercial use __________________________________
8. Are there electrical transformers or capacitors on the property that may contain PCBs?
9. Does the property have old structures which (a) may have asbestos containing materials (e.g. insulation, sprayed-on fireproofing, pipe wrap, friable ceiling tiles or acoustical plaster, (b) have had expandable foam insulation either pumped on or blown in (especially formaldehyde foam) insulation, (c) lead-based paint, or (d) have had radon exposure? *(Circle those that apply)*
10. Could activities at adjacent businesses pose potential environmental risks?
11. Do any procedures violate on-site and off-site waste disposal practices?
12. Are any hazardous substances used or created in a production process on the premises?
    If Yes: What kind? ____
    How are they delivered, handled and stored? ___________________________________
13. Are conditions such that hazardous substances located on the premises or related to the real property may contaminate our personal property collateral (e.g. inventory, equipment)?

Additional Assessments Conducted:

Records Search	☐	Date: _____________________	☐ Waved
Phase I	☐	Date: _____________________	☐ Waived
Phase II	☐	Date: _____________________	☐ Waived

I hereby certify that, to the best of my knowledge, the above information is true and complete.

____

(Individual Inspecting Property) Date