



Missouri Brownfields Revolving Loan Fund

Prudent Lending Practices Guidelines

Overview

The Environmental Improvement and Energy Resources Authority (EIERA) is the recipient from the United States Environmental Protection Agency (EPA) of a Brownfields Revolving Loan Fund. Funding may be provided for the cleanup of both hazardous substances and petroleum contaminated sites. EIERA will offer both loans and subgrants. No more than 40% of the cleanup funds may be awarded in subgrants. The maximum principal amount of a subgrant may not exceed \$100,000 per site, without a waiver from EPA, and may be made only to entities which would be eligible recipients of an EPA Brownfields Grant which own fee simple title to the properties which meet the definition of Brownfields (or excluded but eligible for a property-specific funding determination) to be cleaned up/remediated including political subdivisions, Indian tribes and qualifying non-profit organizations. There is no maximum principal amount for loans and eligible borrowers may include for-profit enterprises that meet the Brownfields Law criteria.

Loan/Subgrant Application and Approval Process

Applications will be taken on a first-come, first-served basis. Applicants will complete a Pre-Application which EIERA staff will review to determine if the Applicant, Property and Project meet all program eligibility requirements. Eligible Applicants will then be invited to complete a Full Application. Applicants will be made aware that eligible costs do not include administrative costs.

Credit Worthiness/Financial Evaluation Procedures

In light of the foregoing and for purposes of determining the financial need, credit worthiness and sufficiency of collateral security, each potential Participant shall submit for EIERA's review a completed "Full Application for Credit Analysis and Financial Evaluation" with all requested documentation.

EIERA's staff may waive receipt of certain requested information exercising reasonable discretion. Upon receipt of a completed Full Application, the EIERA staff may undertake additional investigation including obtaining credit reports from recognized credit reporting agencies. EIERA staff, in consultation with its Financial Advisor or other resource professionals shall review all such information and undertake the following:

1. The EIERA staff/Financial Advisor shall perform such analysis as is reasonably prudent to make an informed decision as to the potential Participant's ability to pay existing and anticipated debts (including the proposed financial assistance) as they become due. This analysis may include performing liquidity ratios such as a "current ratio" (a comparison of Participant's current assets to current liabilities) and an "acid test" (a comparison of Participant's most liquid assets to its most liquid liabilities). EIERA does not adopt any specific target ratio. Rather the staff shall, in consultation with the EIERA's financial advisor or other resource professionals, advise as to whether or not they believe the potential Participant can be reasonably expected to satisfy current and long-term obligations as they become due.
2. Staff/Financial Advisor may also perform analyses aimed at testing the potential Participant's chances for long-run solvency such as an "equity ratio" (a comparison of the potential Participant's equity to debt). EIERA does not adopt any specific target ratio. Rather, in consultation with the EIERA's financial advisor or other resource professionals, EIERA staff shall advise as to whether or not they believe the potential Participants can reasonably be expected to continue as a viable economic enterprise in light of all financial circumstances.
3. The staff/Financial Advisor shall consider the potential Participant's current and anticipated cash flow in light of the proposed project.
4. The staff/Financial Advisor shall consider the potential Participant's ability to service the Project debt service by reviewing the anticipated net operating income and considering the potential "debt coverage ratio". EIERA does not adopt any specific debt coverage target. Rather, in consultation with the EIERA's financial advisor or other resource professionals, the staff shall advise as to whether they believe the potential Participant can be reasonably expected to comfortably service the Loan.
5. The staff shall/Financial Advisor consider the Applicant's equity interest in the Property and the proposed completed Project when considering the "loan to value" aspects of the proposed loan. EIERA does not adopt any specific "loan to value" target ratio. Rather, in consultation with the EIERA's financial advisor or other resource professionals, the staff shall advise as to whether or not additional security above and beyond the subordinated deed of trust would be prudent and advisable.

Upon completion of such review, EIERA staff/Financial Advisor shall make its written recommendation, including a written summary of findings, to the Application Evaluation Team. If the Application Evaluation Team recommends proceeding with the Loan or Subgrant, EIERA staff will then bring a resolution to the EIERA Board requesting approval of the Loan or Subgrant. EIERA staff and legal counsel will work with the Participant to execute the documents to the loan or subgrant may be funded.

Standard Repayment Terms and Conditions

It is anticipated that the typical (standard) loan will be evidenced by a promissory note bearing interest at a rate of three percent (3%) per annum with one payment per month with a term of five years secured by collateral that may include, but not limited to: personal guaranties, security agreements covering personal property and deeds of trust. Given EIERA's collateral position, EIERA will generally not secure a lender's policy of title insurance covering a second deed of trust.

The Application Review Team may recommend deviation from the standard terms and conditions described above in order to justify, as prudent, the making of a Loan to the Participant where doing so would advance important social, environmental and redevelopment goals. Deviation from the standard may include one or more of the following: lower interest rate, longer term, periods of "stand-still" (interest continues to

accrue but payments held in abeyance), requirements for additional security or a “due upon sale” provision whereby the principal plus accrued interest (or pro-rata portions thereof) is not due and payable until the later of the sale of the subject property or a specific date.

Unlike a loan, a subgrant will contain clauses declaring the grant terms have been met in the event the Participant shall complete the proposed Project (including the receipt from the Missouri Department of Natural Resources of a “No further Action” letter with respect to the known contamination within the agreed time schedule). As would be expected, the Subgrantee would not be expected to make payments during the construction period.

Collection Procedures

Borrowers who miss a payment are sent a letter by the EIERA notifying them that they are in danger of default on their loan. If payment is still not made at 60 days a second letter is sent to the Borrower. Once the loan is 90 days delinquent, the matter is turned over to EIERA Legal Counsel and a notice of acceleration is sent to the Borrower requiring payment of the loan balance in full. If the Borrower fails to contact the EIERA, a petition is drafted and filed in Circuit Court.