

**Independent Review of the
Regional Revolving Loan Trust
Fund**

**New York State
Urban Development Corporation**

December 21, 2022

New York State Urban Development Corporation
Empire State Development
633 Third Avenue
New York, NY 10017

We have performed an independent review of the Regional Revolving Loan Trust Fund, as required by the Urban Development Act 174/68, Section 16-A, subdivision 21. As required by this legislation, we have been retained to conduct an independent review to assess the following:

- Perform a review of the program administration for each participating lender to ensure that their processes are consistent with the program's requirements
- Audit the participating lenders' loan portfolios to ensure adherence to the Regional Revolving Loan Trust Fund requirements set forth in the UDA and the Rules and Regulations of the State of New York, Chapter L., Part 4209.

The procedures performed are detailed in the accompanying report, but generally consisted of a review of the documented policies, procedures and processes in place at each of the participating lenders. Additionally, we selected a sample of loan transactions from the loan portfolios of the participating lenders. Through our review of the documentation provided for each of the samples we attempted to determine whether the participating lenders were adhering to the loan criteria established by the Rules and Regulations of the State of New York, Chapter L., Part 4209. We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use by the New York State Urban Development Corporation for distribution as required by statute, and is not intended to be, and should not be used by anyone other than the New York State Urban Development Corporation and the intended recipients, without their consent.

Sincerely,

EFPR Group, CPAs, PLLC

EFPR Group, CPAS, PLLC

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BACKGROUND

The Regional Revolving Loan Trust Fund (RRLTF) was enacted through the Omnibus Economic Development Act of 1987. The purpose of the RRLTF is to authorize Regional Corporations, as selected by the Urban Development Corporation, to administer Trust Fund Proceeds to assist Eligible Businesses in the implementation of projects that demonstrate a substantial likelihood of providing increases in net new permanent jobs or retaining jobs in businesses that need financial assistance to remain viable.

Empire State Development has capitalized the RRLTF programs operated by regional not-for-profit organizations in New York State for the purpose of making working capital loans, of up to \$100,000 or 90% of a total project cost, to small businesses employing fewer than 100 employees. Through March 2021, there were ten active Participating Lenders managing the RRLTF program throughout New York State. The number of Participating Lenders has fluctuated throughout the life of the program. As of March 2021, RRLTF lenders have issued a total of 385 loans, with \$19,232,491 in loan proceeds disbursed.

ENGAGEMENT OBJECTIVE AND SCOPE

Pursuant to Section 16-A, subdivision 21 of Part B of the Urban Development Act 174/68, EFPR Group (“EFPR”) was engaged to perform an independent evaluation of the administration of the Regional Revolving Loan Trust Fund and provide a report detailing the results of this review. Included in the report must be an assessment of the following areas:

Program Administration Review

Section 16-A outlines the processes to which the participating lenders must adhere. The scope of the engagement incorporated a review of the policies, procedures and processes of the Participating Lenders for adherence to the following:

- The issuance of loans to gives priority to businesses that:
 - are resident in New York State and employ one hundred or fewer persons on a full-time basis
 - will provide increases in new permanent jobs
 - are located in economically distressed areas or employ persons who live in such areas
 - are minority or women owned or owned by dislocated workers as defined in the Workforce Investment Act (P.L. 105-220); and
 - are in the early stages of development that have been denied access to credit.
- The RRLTF loan funds are deposited in a separate loan fund account and include only the grant monies and interest accrued and ensures these funds are available to lend to eligible small businesses
- Lender operates in at least two entire contiguous counties in their defined region
- Has staff with sufficient expertise to analyze applications for financial assistance, to regularly monitor financial assistance to clients, and can provide management or technical assistance to clients
- Markets the RRLTF to small business through local and regional community and economic development partners; and

- Has an established loan committee of five or more persons experienced in commercial lending or in the operation of a for-profit business and a staff person of the regional office of Empire State Development.

Verification of RRLTF Loan Requirements

Part 4209 of Chapter L of the Rules and Regulations of the State of New York details the requirements for the issuance of RRLTF loan funds to which the participating lenders must adhere. The scope of the engagement incorporated an audit of a sample of loans for the loan portfolios of the participating lenders to confirm adherence to the following:

- Loan amounts should not exceed ninety percent (90%) of the total project costs, or one hundred thousand dollars (\$100,000), whichever is less
- Loans should have an interest rate of five percent (5%) or higher and a loan term of five (5) years or less
- They should be secured by lien positions on collateral at the highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project
- The applicant has demonstrated that there is little prospect of obtaining the project financing requested from other public sources of funding within the region
- The applicant has a minimum equity interest of at least ten (10%) in the business or project
- There is a reasonable prospect of repayment
- The project is located in the region represented by the regional corporation
- The project will comply with any applicable environmental rules and regulations
- A site visit was conducted of the applicant's place of business
- Financial commitments for the project have been obtained from other public and private sources
- The applicant has certified that it will not discriminate against any employee or any applicant for employment because of race, religion, color, national origin, sex, or age; and
- Loans were not issued for:
 - projects that would result in the relocation of any business operation from one municipality within the state to another, except under one of the following conditions:
 - when a business is relocating within a municipality with a population of at least one million where the governing body of such municipality approves such relocation; or
 - the regional corporation notifies each municipality from which such business operation will be relocated, and each municipality agrees to such relocation
 - projects of newspapers, broadcasting or other news media, medical facilities, libraries, community or civic centers, or public infrastructure improvements
 - refinancing any portion of the total project cost or other existing loans or debts of an applicant, except for the purpose of transferring to the employees or to the local ownership a company that would cease or substantially reduce operations in the state
 - to provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners or shareholders of the applicant, except as ordinary income for services rendered, or
 - for retail projects, except where there will be an increase in net new permanent jobs.

Participating Lenders

The following table presents the Participating Lenders that were incorporated into the audit for the period of review:

<p>Community Capital New York, Inc. Rachel Dubin, Senior VP Lending 44 Executive Boulevard Elmsford, NY 10523 <u>Mid-Hudson Region</u> www.communitycapitalny.org</p>	<p>Community Loan Fund of the Capital Region Linda MacFarlane, Executive Director 255 Orange Street, Suite #103 Albany, NY 12210 <u>Capital Region</u> www.mycommunityloanfund.org</p>
<p>Cooperative Federal Meagan Weatherby, Communications Director 800 North Salina Street Syracuse, NY 13208 <u>Central New York Region</u> www.cooperativefederal.org</p>	<p>Development Authority of the North Country Michelle Capone, Director of Regional Development 317 Washington Street, Watertown, NY 13601 <u>North Country Region</u> www.danc.org</p>
<p>Pursuit Lending Brad Seader, Vice President 50 Beaver Street Albany, NY 12207 Long Island, Southern Tier, Capital and Finger Lakes Regions www.pursuitlending.com</p>	<p>Renaissance Economic Development Corp. Jessie Le, Managing Director 2 Allen Street, 7th Floor New York, NY 10002 <u>New York City</u> www.renaissance-ny.org</p>
<p>Southern Tier Enterprise Development Corporation Richard Zink, STEDO Administrator 4039 Route 219, Suite 200 Salamanca, NY 14779 Western New York Region www.sotherntierwest.org</p>	<p>Southern Tier Regional Council Development Corporation. George Miner, Secretary REDEC 109 Canada Road, Suite 150 Painted Post, NY 14870 Southern Tier Region www.redec.us</p>
<p>Western Region Corporation Richard Zink, President 4039 Route 219, Suite 200 Salamanca, NY 14779 Western New York Region www.southerntierwest.org</p>	<p>Central New York Enterprise Development Corporation David Bottar, Executive Director 100 Clinton Square, Suite 200 126 North Salina Street Syracuse, NY 13202 Central New York Region www.cnyrpdb.org</p>

INFORMATION OBTAINED

In performing our review, we requested and/or obtained and examined the following information:

- Policies, procedures and processes of the participating lenders, including:
 - Loan approval, collection, and write-off processes
 - Program economic monitoring.
- Detail regarding participating lenders, including:
 - Staff and loan committee composition
 - Detail regarding marketing initiatives.
- RRLTF Bank Statements
- Detail of RRLTF loan activity
- Loan documentation, including:
 - Loan applications
 - Loan packages
 - Loan committee meeting documentation/minutes.

PROCEDURES PERFORMED

The procedures performed are detailed in the accompanying report, but generally consisted of a review of the Program policies and procedures for each of the participating lenders, as well as detail surrounding the composition of lender staff and the loan committee. With respect to the sample of loans from the loan portfolios of the participating lenders, we reviewed the loan documentation retained by the lenders, which included the loan applications, loan committee meetings, and loan packages (loan agreement, security agreements, etc.). We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

The scope of this engagement included a review of RRLTF Program activities for the period April 1, 2017 through March 31, 2021.

PROGRAM ADMINISTRATIVE REVIEW

As previously noted, the objective of this engagement was to provide an assessment of the policies, procedures and processes for each of the Participating Lenders to confirm adherence to RRLTF requirements. For each of the Participating Lenders, we have created a matrix outlining each of the program requirements and the results of our review.

Community Capital New York, Inc.

Program Requirements		Review Comments
1.)	Issuance of loans to and gives priority to business that:	
	Reside in NYS and employ <100	Requirement Met
	Will provide increases in permanent new jobs	Requirement Met
	Locted in economicallylly distressed areas	Requirement Met
	MWBE	Requirement Met
	Early stages of development/ denied access to credit	Requirement Met
2.)	RRLTF loan funds are deposited in a separate loan fund and includes only grant money and interest accrued	Requirement Met
3.)	Lender operates in at least two contiguous counties in their region	Requirement Met
4.)	Has staff with sufficient expertise to analyze financial applications, to monitor financial assistance and can provide management or technical experience	Requirement Met
5.)	Markets the RRLTF to small businesses through local and regional community and economic development partners	Requirement Met
6.)	Has an established loan committee of five or more persons in commerical lending or in the operation of a for-profit business and a staff person of the regional office of ESD	Requirement Met

Community Loan Fund of the Capital Region

Program Requirements		Review Comments
1.)	Issuance of loans to and gives priority to business that:	
	Reside in NYS and employ <100	Requirement Met
	Will provide increases in permanent new jobs	Requirement Met
	Locted in economicallylly distressed areas	Requirement Met
	MWBE	Requirement Met
	Early stages of development/ denied access to credit	Requirement Met
2.)	RRLTF loan funds are deposited in a separate loan fund and includes only grant money and interest accrued	Requirement Met
3.)	Lender operates in at least two contiguous counties in their region	Requirement Met
4.)	Has staff with sufficient expertise to analyze financial applications, to monitor financial assistance and can provide management or technical experience	Requirement Met
5.)	Markets the RRLTF to small businesses through local and regional community and economic development partners	Requirement Met
6.)	Has an established loan committee of five or more persons in commerical lending or in the operation of a for-profit business and a staff person of the regional office of ESD	Requirement Met

Cooperative Federal

Program Requirements		Review Comments
1.)	Issuance of loans to and gives priority to business that:	
	Reside in NYS and employ <100	Requirement Met
	Will provide increases in permanent new jobs	Requirement Met
	Locted in economicallly distressed areas	Requirement Met
	MWBE	Requirement Met
	Early stages of development/ denied access to credit	Requirement Met
2.)	RRLTF loan funds are deposited in a separate loan fund and includes only grant money and interest accrued	Requirement Met
3.)	Lender operates in at least two contiguous counties in their region	Requirement Met
4.)	Has staff with sufficient expertise to analyze financial applications, to monitor financial assistance and can provide management or technical experience	Requirement Met
5.)	Markets the RRLTF to small businesses through local and regional community and economic development partners	Requirement Met
6.)	Has an established loan committee of five or more persons in commerical lending or in the operation of a for-profit business and a staff person of the regional office of ESD	Requirement Met

Development Authority of the North Country

Program Requirements		Review Comments
1.)	Issuance of loans to and gives priority to business that:	
	Reside in NYS and employ <100	Requirement Met
	Will provide increases in permanent new jobs	Requirement Met
	Locted in economicallly distressed areas	Requirement Met
	MWBE	Requirement Met
	Early stages of development/ denied access to credit	Requirement Met
2.)	RRLTF loan funds are deposited in a separate loan fund and includes only grant money and interest accrued	Requirement Met
3.)	Lender operates in at least two contiguous counties in their region	Requirement Met
4.)	Has staff with sufficient expertise to analyze financial applications, to monitor financial assistance and can provide management or technical experience	Requirement Met
5.)	Markets the RRLTF to small businesses through local and regional community and economic development partners	Requirement Met
6.)	Has an established loan committee of five or more persons in commerical lending or in the operation of a for-profit business and a staff person of the regional office of ESD	Requirement Met

Pursuit Lending

Program Requirements		Review Comments
1.)	Issuance of loans to and gives priority to business that:	
	Reside in NYS and employ <100	Requirement Met
	Will provide increases in permanent new jobs	Requirement Met
	Locted in economicallly distressed areas	Requirement Met
	MWBE	Requirement Met
	Early stages of development/ denied access to credit	Requirement Met
2.)	RRLTF loan funds are deposited in a separate loan fund and includes only grant money and interest accrued	Requirement Met
3.)	Lender operates in at least two contiguous counties in their region	Requirement Met
4.)	Has staff with sufficient expertise to analyze financial applications, to monitor financial assistance and can provide management or technical experience	Requirement Met
5.)	Markets the RRLTF to small businesses through local and regional community and economic development partners	Requirement Met
6.)	Has an established loan committee of five or more persons in commerical lending or in the operation of a for-profit business and a staff person of the regional office of ESD	Requirement Met

Renaissance Economic Development Corporation

Program Requirements		Review Comments
1.)	Issuance of loans to and gives priority to business that:	
	Reside in NYS and employ <100	Requirement Met
	Will provide increases in permanent new jobs	Requirement Met
	Locted in economicallly distressed areas	Requirement Met
	MWBE	Requirement Met
	Early stages of development/ denied access to credit	Requirement Met
2.)	RRLTF loan funds are deposited in a separate loan fund and includes only grant money and interest accrued	Requirement Met
3.)	Lender operates in at least two contiguous counties in their region	Requirement Met
4.)	Has staff with sufficient expertise to analyze financial applications, to monitor financial assistance and can provide management or technical experience	Requirement Met
5.)	Markets the RRLTF to small businesses through local and regional community and economic development partners	Requirement Met
6.)	Has an established loan committee of five or more persons in commerical lending or in the operation of a for-profit business and a staff person of the regional office of ESD	Requirement Met

Southern Tier Enterprise Development Organization, Inc.

Program Requirements		Review Comments
1.)	Issuance of loans to and gives priority to business that:	
	Reside in NYS and employ <100	Requirement Met
	Will provide increases in permanent new jobs	Requirement Met
	Locted in economicallly distressed areas	Requirement Met
	MWBE	Requirement Met
	Early stages of development/ denied access to credit	Requirement Met
2.)	RRLTF loan funds are deposited in a separate loan fund and includes only grant money and interest accrued	Requirement Met
3.)	Lender operates in at least two contiguous counties in their region	Requirement Met
4.)	Has staff with sufficient expertise to analyze financial applications, to monitor financial assistance and can provide management or technical experience	Requirement Met
5.)	Markets the RRLTF to small businesses through local and regional community and economic development partners	Requirement Met
6.)	Has an established loan committee of five or more persons in commerical lending or in the operation of a for-profit business and a staff person of the regional office of ESD	Requirement Met

Southern Tier Regional Council Development Corporation

Program Requirements		Review Comments
1.)	Issuance of loans to and gives priority to business that:	
	Reside in NYS and employ <100	Requirement Met
	Will provide increases in permanent new jobs	Requirement Met
	Locted in economicallly distressed areas	Requirement Met
	MWBE	Requirement Met
	Early stages of development/ denied access to credit	Requirement Met
2.)	RRLTF loan funds are deposited in a separate loan fund and includes only grant money and interest accrued	Requirement Met
3.)	Lender operates in at least two contiguous counties in their region	Requirement Met
4.)	Has staff with sufficient expertise to analyze financial applications, to monitor financial assistance and can provide management or technical experience	Requirement Met
5.)	Markets the RRLTF to small businesses through local and regional community and economic development partners	Requirement Met
6.)	Has an established loan committee of five or more persons in commerical lending or in the operation of a for-profit business and a staff person of the regional office of ESD	Requirement Met

Western Region Corporation

Program Requirements		Review Comments
1.)	Issuance of loans to and gives priority to business that:	
	Reside in NYS and employ <100	Requirement Met
	Will provide increases in permanent new jobs	Requirement Met
	Locted in economicallly distressed areas	Requirement Met
	MWBE	Requirement Met
	Early stages of development/ denied access to credit	Requirement Met
2.)	RRLTF loan funds are deposited in a separate loan fund and includes only grant money and interest accrued	Requirement Met
3.)	Lender operates in at least two contiguous counties in their region	Requirement Met
4.)	Has staff with sufficient expertise to analyze financial applications, to monitor financial assistance and can provide management or technical experience	Requirement Met
5.)	Markets the RRLTF to small businesses through local and regional community and economic development partners	Requirement Met
6.)	Has an established loan committee of five or more persons in commerical lending or in the operation of a for-profit business and a staff person of the regional office of ESD	Requirement Met

Central New York Enterprise Development Corporation

Program Requirements		Review Comments
1.)	Issuance of loans to and gives priority to business that:	
	Reside in NYS and employ <100	Requirement Met
	Will provide increases in permanent new jobs	Requirement Met
	Locted in economicallly distressed areas	Requirement Met
	MWBE	Cannot Determine
	Early stages of development/ denied access to credit	Cannot Determine
2.)	RRLTF loan funds are deposited in a separate loan fund and includes only grant money and interest accrued	Requirement Met
3.)	Lender operates in at least two contiguous counties in their region	Requirement Met
4.)	Has staff with sufficient expertise to analyze financial applications, to monitor financial assistance and can provide management or technical experience	Requirement Met
5.)	Markets the RRLTF to small businesses through local and regional community and economic development partners	Requirement Met
6.)	Has an established loan committee of five or more persons in commerical lending or in the operation of a for-profit business and a staff person of the regional office of ESD	Requirement Met

EFPR Comments

As illustrated, it appears that the Participating Lenders are generally in compliance with RRLTF program requirements. Central New York Enterprise Development Corporation did not respond to our requests for information for the audit. The information reviewed was available through the CNYEDC web site, but we were unable to validate that all of the program requirements were met through review of this information.

VERIFICATION OF RRLTF LOAN REQUIREMENTS

To verify adherence to RRLTF loan requirements, we selected a sample of loans from Participating Lenders that had lending activity over the course of the period of review. Through our review of lending activity for the Participating Lenders, it was noted that two Participating Lenders did not issue any loans over the course of the period of review: Community Capital New York, Inc. and Community Loan Fund of the Capital Region. As previously noted, Central New York Enterprise Development Corporation did not respond to our requests for information.

For the sample of loans that were selected, EFPR requested the underlying loan portfolios and supporting documentation from the Participating Lenders. The information provided included the loan application, loan agreement(s), security/lien agreement(s), loan committee meetings minutes, etc. Through our review of the documentation provided, EFPR attempted to confirm that the loans issued adhered to the underlying RRLTF loan requirements. For each of the Participating Lenders and the loans selected, we have created a matrix outlining the loan and the results of our review.

Cooperative Federal

Borrower:	Borrower #1								
Location:	Syracuse, New York								
RRLTF Loan Requirements								Review Comments	
1.)	Loan amounts do not exceed 90% of total project costs or \$100k							\$100,000	
2.)	Loans should have an interest rate of 5% or higher, term of 5 years or less							60 months; 7.25%	
3.)	Loan secured by lien position on collateral at highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project								Requirement Met
4.)	The applicant has demonstrated that there is little prospect of obtaining financing from other public sources of funding								Requirement Met
5.)	The applicant has a minimum equity interest of 10% in the business/project								Requirement Met
6.)	There is a reasonable prospect for repayment								Requirement Met
7.)	The project is located in the region represented by the Lender/Regional Corporation								Requirement Met
8.)	The project will comply with applicable rules or regulations								Requirement Met
9.)	A site visit was conducted of the applicants place of business								Requirement Met
10.)	Financial commitments for the project have been obtained from other public and private sources							\$10,000	
11.)	The applicant has certified that it will not discriminate against any employee or any applicant for employment								Requirement Met
12.)	Loans were not issued for:								
	Projects that would result in the relocation from one municipality to another								Requirement Met
	Projects of newspapers, broadcasting or other news media, medical facilities, libraries, community/civic centers, public infrastructure improvements								Requirement Met
	Refinancing any portion of the total project cost or other existing loans or debts of an applicant, unless to transfer to the employees or other local ownership a company that would cease or substantially reduce operations								Requirement Met
13.)	To provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners/shareholders								Requirement Met
14.)	For retail projects, except where there will be an increase in net new permanent jobs								Requirement Met

Review Comments

As illustrated, the terms of the loan to Borrower #1 appear to agree to the requirements of the RRLTF Program. Through review of the loan roll forward, as of March 31, 2021, the loan status was identified as Current.

Development Authority of the North Country (Continued)

Borrower:	Borrower #2								
Location:	Malone, New York								
RRLTF Loan Requirements								Review Comments	
1.)	Loan amounts do not exceed 90% of total project costs or \$100k							\$100,000	
2.)	Loans should have an interest rate of 5% or higher, term of 5 years or less							60 months; 5.00%	
3.)	Loan secured by lien position on collateral at highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project								Requirement Met
4.)	The applicant has demonstrated that there is little prospect of obtaining financing from other public sources of funding								Requirement Met
5.)	The applicant has a minimum equity interest of 10% in the business/project								Requirement Met
6.)	There is a reasonable prospect for repayment								Requirement Met
7.)	The project is located in the region represented by the Lender/Regional Corporation								Requirement Met
8.)	The project will comply with applicable rules or regulations								Requirement Met
9.)	A site visit was conducted of the applicants place of business								Requirement Met
10.)	Financial commitments for the project have been obtained from other public and private sources							\$175,000	
11.)	The applicant has certified that it will not discriminate against any employee or any applicant for employment								Requirement Met
12.)	Loans were not issued for:								
	Projects that would result in the relocation from one municipality to another								Requirement Met
	Projects of newspapers, broadcasting or other news media, medical facilities, libraries, community/civic centers, public infrastructure improvements								Requirement Met
	Refinancing any portion of the total project cost or other existing loans or debts of an applicant, unless to transfer to the employees or other local ownership a company that would cease or substantially reduce operations								Requirement Met
13.)	To provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners/shareholders								Requirement Met
14.)	For retail projects, except where there will be an increase in net new permanent jobs								Requirement Met

Review Comments

As illustrated, the terms of the loan to Borrower #2 appear to agree to the requirements of the RRLTF Program. Through review of the loan roll forward, as of March 31, 2021, the loan status was identified as 30-59 days delinquent. The borrower subsequently was in default of the loan.

Development Authority of the North Country (Continued)

Borrower:	Borrower #3										
Location:	Potsdam, New York										
RRLTF Loan Requirements										Review Comments	
1.)	Loan amounts do not exceed 90% of total project costs or \$100k										\$100,000
2.)	Loans should have an interest rate of 5% or higher, term of 5 years or less										60 months; 5.00%
3.)	Loan secured by lien position on collateral at highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project										Requirement Met
4.)	The applicant has demonstrated that there is little prospect of obtaining financing from other public sources of funding										Requirement Met
5.)	The applicant has a minimum equity interest of 10% in the business/project										Requirement Met
6.)	There is a reasonable prospect for repayment										Requirement Met
7.)	The project is located in the region represented by the Lender/Regional Corporation										Requirement Met
8.)	The project will comply with applicable rules or regulations										Requirement Met
9.)	A site visit was conducted of the applicants place of business										Requirement Met
10.)	Financial commitments for the project have been obtained from other public and private sources										\$37,500
11.)	The applicant has certified that it will not discriminate against any employee or any applicant for employment										Requirement Met
12.)	Loans were not issued for:										
	Projects that would result in the relocation from one municipality to another										Requirement Met
	Projects of newspapers, broadcasting or other news media, medical facilities, libraries, community/civic centers, public infrastructure improvements										Requirement Met
	Refinancing any portion of the total project cost or other existing loans or debts of an applicant, unless to transfer to the employees or other local ownership a company that would cease or substantially reduce operations										Requirement Met
13.)	To provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners/shareholders										Requirement Met
14.)	For retail projects, except where there will be an increase in net new permanent jobs										Requirement Met

Review Comments

As illustrated, the terms of the loan to Borrower #3 appear to agree to the requirements of the RRLTF Program. Through review of the loan roll forward, as of March 31, 2021, the loan status was Paid in Full.

Development Authority of the North Country (Continued)

Borrower:	Borrower #4								
Location:	Crown Point, New York								
RRLTF Loan Requirements								Review Comments	
1.)	Loan amounts do not exceed 90% of total project costs or \$100k								\$100,000
2.)	Loans should have an interest rate of 5% or higher, term of 5 years or less								12 months; 5.00%
3.)	Loan secured by lien position on collateral at highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project								Requirement Met
4.)	The applicant has demonstrated that there is little prospect of obtaining financing from other public sources of funding								Requirement Met
5.)	The applicant has a minimum equity interest of 10% in the business/project								Requirement Met
6.)	There is a reasonable prospect for repayment								Requirement Met
7.)	The project is located in the region represented by the Lender/Regional Corporation								Requirement Met
8.)	The project will comply with applicable rules or regulations								Requirement Met
9.)	A site visit was conducted of the applicants place of business								Requirement Met
10.)	Financial commitments for the project have been obtained from other public and private sources								\$100,000
11.)	The applicant has certified that it will not discriminate against any employee or any applicant for employment								Requirement Met
12.)	Loans were not issued for:								
	Projects that would result in the relocation from one municipality to another								Requirement Met
	Projects of newspapers, broadcasting or other news media, medical facilities, libraries, community/civic centers, public infrastructure improvements								Requirement Met
	Refinancing any portion of the total project cost or other existing loans or debts of an applicant, unless to transfer to the employees or other local ownership a company that would cease or substantially reduce operations								Requirement Met
13.)	To provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners/shareholders								Requirement Met
14.)	For retail projects, except where there will be an increase in net new permanent jobs								Requirement Met

Review Comments

As illustrated, the terms of the loan to Borrower #4 appear to agree to the requirements of the RRLTF Program. Through review of the loan roll forward, as of March 31, 2021, the loan status was Current. The loan was subsequently Paid in Full.

Pursuit Lending

Borrower:	Borrower #5								
Location:	Massapequa, New York								
RRLTF Loan Requirements								Review Comments	
1.)	Loan amounts do not exceed 90% of total project costs or \$100k								\$100,000
2.)	Loans should have an interest rate of 5% or higher, term of 5 years or less								60 months; 7.75%
3.)	Loan secured by lien position on collateral at highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project								Requirement Met
4.)	The applicant has demonstrated that there is little prospect of obtaining financing from other public sources of funding								Requirement Met
5.)	The applicant has a minimum equity interest of 10% in the business/project								Requirement Met
6.)	There is a reasonable prospect for repayment								Requirement Met
7.)	The project is located in the region represented by the Lender/Regional Corporation								Requirement Met
8.)	The project will comply with applicable rules or regulations								Requirement Met
9.)	A site visit was conducted of the applicants place of business								Requirement Met
10.)	Financial commitments for the project have been obtained from other public and private sources								\$0
11.)	The applicant has certified that it will not discriminate against any employee or any applicant for employment								Cannot determine
12.)	Loans were not issued for:								
	Projects that would result in the relocation from one municipality to another								Requirement Met
	Projects of newspapers, broadcasting or other news media, medical facilities, libraries, community/civic centers, public infrastructure improvements								Requirement Met
	Refinancing any portion of the total project cost or other existing loans or debts of an applicant, unless to transfer to the employees or other local ownership a company that would cease or substantially reduce operations								Requirement Met
13.)	To provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners/shareholders								Requirement Met
14.)	For retail projects, except where there will be an increase in net new permanent jobs								Requirement Met

Review Comments

As illustrated, the terms of the loan to Borrower #5 appear to agree to the requirements of the RRLTF Program. It does not appear that the borrower had secured financial commitments from other public or private sources. It appears that the loan funds accounted for 100% of the total project cost. It was noted by Pursuit Lending that the stockholder equity of \$52,902 listed on the 12/31/18 balance sheet submitted with the loan application satisfied the requirement for the client to contribute 10% of the loan value. Through review of the loan roll forward, as of March 31, 2021, the loan status was Paid in Full.

Southern Tier Enterprise Development Organization, Inc.

Borrower:	Borrower #7										
Location:	Sherman, New York										
RRLTF Loan Requirements										Review Comments	
1.)	Loan amounts do not exceed 90% of total project costs or \$100k										\$40,000
2.)	Loans should have an interest rate of 5% or higher, term of 5 years or less										60 months; 5.00%
3.)	Loan secured by lien position on collateral at highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project										Requirement Met
4.)	The applicant has demonstrated that there is little prospect of obtaining financing from other public sources of funding										Requirement Met
5.)	The applicant has a minimum equity interest of 10% in the business/project										Requirement Met
6.)	There is a reasonable prospect for repayment										Requirement Met
7.)	The project is located in the region represented by the Lender/Regional Corporation										Requirement Met
8.)	The project will comply with applicable rules or regulations										Requirement Met
9.)	A site visit was conducted of the applicants place of business										Cannot determine
10.)	Financial commitments for the project have been obtained from other public and private sources										\$162,000
11.)	The applicant has certified that it will not discriminate against any employee or any applicant for employment										Requirement Met
12.)	Loans were not issued for:										
	Projects that would result in the relocation from one municipality to another										Requirement Met
	Projects of newspapers, broadcasting or other news media, medical facilities, libraries, community/civic centers, public infrastructure improvements										Requirement Met
	Refinancing any portion of the total project cost or other existing loans or debts of an applicant, unless to transfer to the employees or other local ownership a company that would cease or substantially reduce operations										Requirement Met
13.)	To provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners/shareholders										Requirement Met
14.)	For retail projects, except where there will be an increase in net new permanent jobs										Requirement Met

Review Comments

As illustrated, the terms of the loan to Borrower #7 appear to agree to the requirements of the RRLTF Program. However, we were unable to confirm that a site visit of the applicant was conducted. Through review of the loan roll forward, as of March 31, 2021, the loan status was identified as Current.

Southern Tier Regional Council Development Corporation

Borrower:	Borrower #8										
Location:	Ithaca, New York										
RRLTF Loan Requirements										Review Comments	
1.)	Loan amounts do not exceed 90% of total project costs or \$100k										\$100,000
2.)	Loans should have an interest rate of 5% or higher, term of 5 years or less										60 months; 5.00%
3.)	Loan secured by lien position on collateral at highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project										Requirement Met
4.)	The applicant has demonstrated that there is little prospect of obtaining financing from other public sources of funding										Requirement Met
5.)	The applicant has a minimum equity interest of 10% in the business/project										Requirement Met
6.)	There is a reasonable prospect for repayment										Requirement Met
7.)	The project is located in the region represented by the Lender/Regional Corporation										Requirement Met
8.)	The project will comply with applicable rules or regulations										Requirement Met
9.)	A site visit was conducted of the applicants place of business										Requirement Met
10.)	Financial commitments for the project have been obtained from other public and private sources										\$175,000
11.)	The applicant has certified that it will not discriminate against any employee or any applicant for employment										Requirement Met
12.)	Loans were not issued for:										
	Projects that would result in the relocation from one municipality to another										Requirement Met
	Projects of newspapers, broadcasting or other news media, medical facilities, libraries, community/civic centers, public infrastructure improvements										Requirement Met
	Refinancing any portion of the total project cost or other existing loans or debts of an applicant, unless to transfer to the employees or other local ownership a company that would cease or substantially reduce operations										Requirement Met
13.)	To provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners/shareholders										Requirement Met
14.)	For retail projects, except where there will be an increase in net new permanent jobs										Requirement Met

Review Comments

As illustrated, the terms of the loan to Borrower #8 appear to agree to the requirements of the RRLTF Program. Through review of the loan roll forward, as of March 31, 2021, the loan status was identified as Current.

Southern Tier Regional Council Development Corporation (Continued)

Borrower:	Borrower #9								
Location:	Bath, New York								
RRLTF Loan Requirements							Review Comments		
1.)	Loan amounts do not exceed 90% of total project costs or \$100k							\$100,000	
2.)	Loans should have an interest rate of 5% or higher, term of 5 years or less							60 months; 5.00%	
3.)	Loan secured by lien position on collateral at highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project								Requirement Met
4.)	The applicant has demonstrated that there is little prospect of obtaining financing from other public sources of funding								Requirement Met
5.)	The applicant has a minimum equity interest of 10% in the business/project								Requirement Met
6.)	There is a reasonable prospect for repayment								Requirement Met
7.)	The project is located in the region represented by the Lender/Regional Corporation								Requirement Met
8.)	The project will comply with applicable rules or regulations								Requirement Met
9.)	A site visit was conducted of the applicants place of business								Requirement Met
10.)	Financial commitments for the project have been obtained from other public and private sources							\$70,000	
11.)	The applicant has certified that it will not discriminate against any employee or any applicant for employment								Requirement Met
12.)	Loans were not issued for:								
	Projects that would result in the relocation from one municipality to another								Requirement Met
	Projects of newspapers, broadcasting or other news media, medical facilities, libraries, community/civic centers, public infrastructure improvements								Requirement Met
	Refinancing any portion of the total project cost or other existing loans or debts of an applicant, unless to transfer to the employees or other local ownership a company that would cease or substantially reduce operations								Requirement Met
13.)	To provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners/shareholders								Requirement Met
14.)	For retail projects, except where there will be an increase in net new permanent jobs								Requirement Met

Review Comments

As illustrated, the terms of the loan to Borrower #9 appear to agree to the requirements of the RRLTF Program. Through review of the loan roll forward, as of March 31, 2021, the loan status was identified as Current.

Western Region Corporation

Borrower:	Borrower #10								
Location:	Forestville, New York								
RRLTF Loan Requirements								Review Comments	
1.)	Loan amounts do not exceed 90% of total project costs or \$100k								\$75,000
2.)	Loans should have an interest rate of 5% or higher, term of 5 years or less								60 months; 6.00%
3.)	Loan secured by lien position on collateral at highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project								Requirement Met
4.)	The applicant has demonstrated that there is little prospect of obtaining financing from other public sources of funding								Requirement Met
5.)	The applicant has a minimum equity interest of 10% in the business/project								Requirement Met
6.)	There is a reasonable prospect for repayment								Requirement Met
7.)	The project is located in the region represented by the Lender/Regional Corporation								Requirement Met
8.)	The project will comply with applicable rules or regulations								Cannot determine
9.)	A site visit was conducted of the applicants place of business								Cannot determine
10.)	Financial commitments for the project have been obtained from other public and private sources								\$3,050,000
11.)	The applicant has certified that it will not discriminate against any employee or any applicant for employment								Requirement Met
12.)	Loans were not issued for:								
	Projects that would result in the relocation from one municipality to another								Requirement Met
	Projects of newspapers, broadcasting or other news media, medical facilities, libraries, community/civic centers, public infrastructure improvements								Requirement Met
	Refinancing any portion of the total project cost or other existing loans or debts of an applicant, unless to transfer to the employees or other local ownership a company that would cease or substantially reduce operations								Requirement Met
13.)	To provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners/shareholders								Requirement Met
14.)	For retail projects, except where there will be an increase in net new permanent jobs								Requirement Met

Review Comments

As illustrated, the terms of the loan to Borrower #10 appear to agree to the requirements of the RRLTF Program. Through review of the loan documents, we were unable to confirm that the applicant confirmed that the project will comply with applicable rules or regulations, and we were unable to confirm that a site visit was conducted. Through review of the loan roll forward, as of March 31, 2021, the loan status was identified as Paid in Full.

Western Region Corporation

Borrower:	Borrower #11								
Location:	Ellicottville, New York								
RRLTF Loan Requirements								Review Comments	
1.)	Loan amounts do not exceed 90% of total project costs or \$100k								\$75,000
2.)	Loans should have an interest rate of 5% or higher, term of 5 years or less								60 months; 5.00%
3.)	Loan secured by lien position on collateral at highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital for the project								Requirement Met
4.)	The applicant has demonstrated that there is little prospect of obtaining financing from other public sources of funding								Requirement Met
5.)	The applicant has a minimum equity interest of 10% in the business/project								Requirement Met
6.)	There is a reasonable prospect for repayment								Requirement Met
7.)	The project is located in the region represented by the Lender/Regional Corporation								Requirement Met
8.)	The project will comply with applicable rules or regulations								Requirement Met
9.)	A site visit was conducted of the applicants place of business								Requirement Met
10.)	Financial commitments for the project have been obtained from other public and private sources								\$75,000
11.)	The applicant has certified that it will not discriminate against any employee or any applicant for employment								Requirement Met
12.)	Loans were not issued for:								
	Projects that would result in the relocation from one municipality to another								Requirement Met
	Projects of newspapers, broadcasting or other news media, medical facilities, libraries, community/civic centers, public infrastructure improvements								Requirement Met
	Refinancing any portion of the total project cost or other existing loans or debts of an applicant, unless to transfer to the employees or other local ownership a company that would cease or substantially reduce operations								Requirement Met
13.)	To provide funds, directly or indirectly, for payment, distribution, or as a loan, to owners, partners/shareholders								Requirement Met
14.)	For retail projects, except where there will be an increase in net new permanent jobs								Requirement Met

Review Comments

As illustrated, the terms of the loan to Borrower #11 appear to agree to the requirements of the RRLTF Program. Through review of the loan roll forward, as of March 31, 2021, the loan status was identified as Current.

OBSERVATIONS/RECOMMENDATIONS

Program Administrative Review

- 1) Based on our review of the information provided, it appears that the Participating Lenders that provided the requested information were materially adherent with the processes outlined in Section 16-A, subdivision 21 of Part B of the Urban Development Act 174/68.

Verification of RRLTF Loan Requirements

- 1) Through our testing of the specific loans sampled, it appears that the Participating Lenders are materially adherent to the RRLTF loan requirements detailed by Part 4209 of Chapter L of the Rules and Regulations of the State of New York. It was noted through the engagement that detail regarding the loans issued is submitted to ESD and ultimately approved prior to issuance, providing a level of assurance and control to ensure that RRLTF funds disbursed are done appropriately.
- 2) The exceptions that were noted through the testing were related to certain certifications/assurances to which the borrower must adhere as a condition to the issuance of a loan (non-discrimination, compliance with applicable rules/regulations) and the conduct of a site visit. It is our recommendation that ESD consider providing the Participating Lenders with a standardized checklist and/or affirmation to be used through the loan application process to ensure that these certifications and assurances are agreed to and documented.
- 3) As a condition of many of the loans that were reviewed, the Participating Lenders require the borrowers to agree to specific conditions, including the provision of annual financial statements and the provision of documentation supporting the appropriate usage of RRLTF funds. While not a specific requirement of the RRLTF Program, ESD should encourage all Participating Lenders to include these requirements as a condition of receiving RRLTF funds. Additionally, ESD should encourage the Participating Lenders to request documentation supporting an increase in employment as a result of the projects supported by RRLTF funds.

ESD COMMENTS

ESD has reviewed the report has indicated that the recommendations outlined in #2 and #3 above will be implemented.