



**Business
Development
Corporation**

of Northeast Florida, Inc.

*"Your business
financing link"*

9143 Phillips Highway, Suite 350
Jacksonville, FL 32256
(904)363-6350 • FAX (904)363-6356
Suncom: 874-6350 • FAX 874-6356
Toll Free 1-800-385-7888

Patricia A. Ferm, Director

March 28, 1995

Mr. T.J. "Jerry" Greeson
Nassau County
Board of County Commissioners
P.O. Box 1010
Fernandina Beach, FL 32035-1010

RE: SHIP Loan Servicing Contract

Dear Mr. Greeson:

Thank you for your assistance in getting this contract executed. Please find your original enclosed as you requested.

Please don't hesitate to call me in the future should you have any questions concerning this contract.

Sincerely,

Patricia A. Ferm
Director

Enclosure

BDC
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Patricia A. Ferm, Director

August 1, 1994

Nassau County Board of Commissioners
P.O. Box 1010
Fernandina Beach, Florida 32035

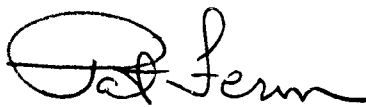
RE: SHIP Loan Servicing Contract with the Business Development Corporation of Northeast Florida

To the Nassau County Board of Commissioners:

Please find enclosed the SHIP Contract Agreement to be executed between Nassau County and the Business Development Corporation of Northeast Florida, Inc. (BDC). The following contract and attachments outline Nassau County/BDC responsibilities as it relates to the servicing of SHIP program funded loans.

If you have any questions concerning the attached documents, please feel free to call me at 1-800-385-7888.

Sincerely,



Patricia A. Ferm
Director

**"SHIP" CONTRACT AGREEMENT BETWEEN
NASSAU COUNTY
AND THE
BUSINESS DEVELOPMENT CORPORATION
OF NORTHEAST FLORIDA, INC. (BDC)**

AGREEMENT made this 12th day of August 1994 by and between NASSAU COUNTY (hereinafter referred to as COUNTY) and BUSINESS DEVELOPMENT CORPORATION OF NORTHEAST FLORIDA, INC. (hereinafter referred to as "CONTRACTOR"), a Florida non-profit corporation and a SBA Certified Development Company ("CDC").

WHEREAS, COUNTY desires to obtain professional loan servicing assistance for its SHIP program clients which are pursuing financing for homeownership through the Nassau County SHIP program, CONTRACTOR desires to provide the aforementioned services for the COUNTY.

**ARTICLE ONE
SCOPE OF SERVICES**

COUNTY herewithin acknowledges the personal nature of the creation and enhancement of contacts with clients desiring SHIP Loan program financing and COUNTY, in recognition of said personal nature of servicing home mortgages herewithin, grants to the CONTRACTOR the right to provide aforementioned service to and for the COUNTY, in Nassau County.

CONTRACTOR will receive a flat, monthly loan servicing fee of \$ 15.00 per SHIP Loan and agrees to provide the following services:

- (a) CONTRACTOR, upon receiving notice of an applicant's eligibility from the Northeast Florida Regional Planning Council for SHIP program funds, and upon receiving a commitment from the participating lending institution, will issue a commitment letter to the applicant (copy to the participating bank) for SHIP program funds with all applicable terms and conditions of the loan.
- (b) CONTRACTOR and CONTRACTOR'S attorney will coordinate the closing of the loan with the participating lender. CONTRACTOR will be listed as the second mortgage lienholder. All closing costs and attorney fees will be paid by the loan applicant.
- (c) Once the loan is closed, CONTRACTOR will issue a coupon book to SHIP Loan recipient and will collect the principal, interest, and servicing fee for each loan on a monthly basis.
- (d) Payments on all loans will be due on the 15th day of each month. If the loan payment is not received by the 25th day, a letter of reminder will be issued to the client requesting their monthly payment as well as charging them a late fee of \$5.00. All late fees will belong to CONTRACTOR for the added administrative costs of servicing the delinquent loan.
- (e) Contractor will provide COUNTY FINANCE DEPARTMENT with a copy of the second mortgage, closing cost documentation and a loan amortization schedule for each SHIP loan. These will be forwarded to the COUNTY upon Contractor's receipt of all officially filed documents.
- (f) On a monthly basis, a copy of each SHIP loan history file will be forwarded to the COUNTY FINANCE DEPARTMENT with a breakdown of all principal and interest payments as well as any fees received by CONTRACTOR. A check will be issued to the COUNTY of all principal and interest payments received in the previous month. This information will be forwarded to the COUNTY by the 15th of each month following the receipt of the monthly payments.
- (g) Loan Servicing Files will be maintained on site at the CONTRACTOR'S place of operations and will be kept up to date on all information related to each loan recipient's loan file. CONTRACTOR will provide for all additional reports or requests for information on specific SHIP loans that may be needed to comply with accounting/auditing requirements.
- (h) CONTRACTOR will follow all servicing procedures as outlined in Attachment A, Section IV: Prevention, Collection, and Settlement Procedures for Problem Loans. NASSAU County will make all final decisions on the settlement of all defaulted loans and CONTRACTOR will carry out all recommended actions.

ARTICLE TWO TIME OF PERFORMANCE

The above described services shall be rendered for a period of one (1) year from the date of this agreement, with automatic one year renewals thereafter, unless either party desiring to terminate this agreement gives written notice of intent not to renew 60 days prior to the end of the contract or renewals thereof.

ARTICLE THREE TERMINATION OR SUSPENSION

This agreement may be terminated by either party at any time by providing the other party with a thirty (30) day written notification of intent to terminate. In such an event, all loan files will be transferred to the Nassau County Finance Department or its new contractor.

ARTICLE FOUR CONSIDERATION

In consideration for the services rendered by the Contractor to and for the COUNTY, the SHIP loan recipient shall compensate the Contractor a servicing fee of \$15.00 per month plus any applicable late fees for the term of the loan or until loan is paid off.

In the case of a delinquent or defaulted loan, if BDC is requested by the COUNTY to continue servicing actions indefinitely, COUNTY agrees to pay BDC's servicing fee of \$15.00 per month. This fee shall continue until a decision is made by the COUNTY to suspend all servicing actions.

ARTICLE FIVE ASSIGNABILITY

This agreement may not be assigned by either party without prior written approval from both parties.

ARTICLE SIX CONTINGENCY

This contract is contingent upon full approval by Nassau County Board of County Commissioners and will be reviewed on an annual basis by the County.

ARTICLE SEVEN STATEMENT OF INTENT

It is the intention of the signatories of this agreement to accomplish the described above in a professional manner. The parties of the agreement affirm their intention to fully cooperate in the achievement of the above activities and it is within these intentions that we place our signatures on this document.

APPROVED BY THE BUSINESS DEVELOPMENT CORPORATION OF NORTHEAST FLORIDA, INC., ON THE 24th DAY OF August, 1994.


ATTEST:




Patricia A. Fern, President
President, Business Development Corporation

APPROVED BY NASSAU COUNTY BOARD OF COUNTY COMMISSIONERS ON THE 12th DAY OF August, 1994.

ATTEST:

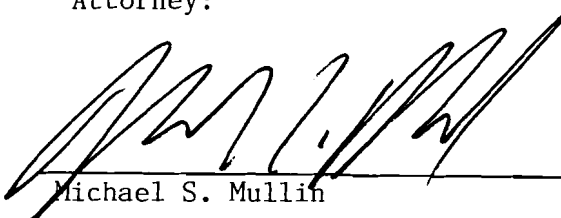


T. J. "Jerry" Greeson
Its: Ex-Officio Clerk



John A. Crawford
Its: Chairman

Approved as to form by the Nassau County Attorney:



Michael S. Mullin

The Business Development Corporation's
Loan Servicing Procedures

ATTACHMENT "A"

Business Development Corporation Of Northeast Florida, Inc.

LOAN SERVICING AND ACCOUNTING PROCEDURES

TABLE OF CONTENTS

| | | |
|------|---|-------|
| I. | Objective | 1 |
| II. | Information Management | 1 |
| III. | Annual Audit and Review | 2 |
| IV. | Prevention, Collection and Settlement of Problem Loans | 2 - 5 |
| V. | Loan Documentation Procedures | 5 - 6 |
| VI. | List of Forms for Loan Servicing Activities | 6 |

Attachment A: BDC's Policy Manual - Loan Servicing and Accounting Manual

I. OBJECTIVE

The responsibility of the Business Development Corporation of Northeast Florida, Inc. (BDC) in the area of loan servicing is to administer, monitor and service the total loan project, from loan inception through payment in full of the loan. The objective in servicing these loans is to obtain information on the continuing operations of borrowers in order to adequately protect BDC's position in all loans granted. In addition, the servicing will insure that all requirements are met as to the ongoing filing and recording of documents needed to perpetuate the secured position of BDC. A procedure for the collection of delinquent loans is also established.

II. INFORMATION MANAGEMENT

As the loan is closed, a separate servicing file shall be set up for each loan containing the following sections:

A. BDC Commitment Letter, an Amortization Schedule, the Mortgage Note, UCC documentation (if applicable), and any other Security Agreements

This section will have BDC's executed commitment letter, a copy of the Amortization Schedule, the recorded mortgage note along with any security agreements and original closing documentation.

B. Correspondence, Application Documents/Board Approval Packet/Compliance Documentation and Approval

All correspondence to, from or concerning the borrower shall be included here along with all application documents and the Board Approval packet. The Annual Review Form (EXHIBIT A) will also appear in this section each year.

C. Financial Statement, Insurance Documents, and Field Visit Comments

This section will contain the annual financial statements submitted by the borrower and an annual certificate of insurance documents including disability life, hazard and flood insurance (if applicable) and all property appraisals. Staff shall make field visits to all Small Business Concern's (SBC) as needed to insure compliance and provide technical assistance as needed (field visit form attached as EXHIBIT B). When necessary, loan officers shall be responsible for conducting the field visits to each of the borrowers in their respective loan portfolios.

D. Tickler System

A tickler system has been established to insure that financial information, loan agreement requirements, collateral review requirements, UCC contributions are tracked and kept current.

The following information will be input on the loan servicing software and will be monitored annually: the borrower's name, address, phone number and contact person; participating bank, phone number and contact person; loan number, loan amount, term, monthly payment and closing date; borrower's year end date, last financial statement reviewed and next statement due date; UCC filing date and continuation date for next renewal; date of the last SBC field visit and next insurance certificate due date. For home mortgages, a loan history file will be maintained on each borrower.

Contact will be maintained with both the borrower and the participating lender in order to keep current with any developments concerning the borrower's business. Loan documents will require submission of information as outlined above and will give the right of access to borrower's records, and upon request, information from the participating lender's files.

III. ANNUAL AUDIT AND REVIEW

A Certified Public Accountant will conduct an annual audit of BDC in compliance with federal and state regulations (part of NEFRPC audit). While the audit is substantially financial in nature, BDC will request the auditor to consider the accounting for loans, review of limited documentation and analysis of loan servicing systems and internal control procedures in a manner which does not substantially increase the cost of normal audit requirements for BDC.

IV. PREVENTION, COLLECTION AND SETTLEMENT PROCEDURES FOR PROBLEM LOANS

Problem loans will typically be identified in one of two ways: financial statement deterioration or delinquent loan payments. The procedures outlined below will be implemented by staff to address the two areas mentioned above.

Preventive Measures:

- A. **SBC Financial Statement Annual Review** - as annual financial statements are reviewed and spread against historical results, an effort will be made to identify unusual deviations from historical trends. If unusual trends are noticed, a call will be made by the responsible Loan Officer to the participating lender to clarify the reasons for the deviation. If satisfactory answers are not obtained, the Loan Officer will make a direct inquiry of the borrower for an explanation.

- B. **Loan Transaction Acknowledgment Form** - this form is automatically generated by the computer when a payment is made by any borrower. It gives information regarding the payment made and the remaining balance, as well as indicating when the next payment is due. Also included is information regarding the late charge fee that will be imposed if payment is late.

- C. **Late Payment Notice** - When payment is late (dictated by loan agreement) the Loan Servicing Officer will initiate collection procedures.

- D. **Late Payment Report** - The Loan Servicing Officer will run a "Loan Transaction Report" every Monday identifying those loans that are late or that will be late by Friday of the current week.

- D. **Loan Deferment or Partial Payment** - When justified, the Loan Officer may request permission of the BDC Board to establish either a deferment or partial payment plan to prevent SBC/borrower from loan default.

Collection Procedures

- A. **Delinquency Notices** - When the loan repayment is overdue, as called for in the loan agreement, the following procedures will be initiated:
 - 1. When a loan repayment becomes ten days past due, the loan servicing officer shall call and provide written notice to the borrower advising them their loan is delinquent and demand payment. The Loan Servicing Officer shall also advise the borrower that their delinquent payment will be assessed a late fee and additional interest charges and that failure to remit payment within five days shall result in turning over the loan to an attorney for collection.

2. If payment is not made within the 5 day period, the Loan Servicing Officer again calls the borrower and will see if the client needs a deferral. If it is determined that a deferral will assist the borrower in making their payment a recommendation to defer the loan will be made to the BDC Executive Loan Committee and then forwarded to the appropriate authority for their approval.
3. If payment is not made as agreed by Borrower, the Loan Servicing Officer will contact BDC's attorney advising him to initiate a demand letter and will advise the borrower in writing that demand for collection will be made by BDC's attorney and a report will be sent to the Credit Bureau documenting their delinquency.

Settlement Procedures:

- A. **Board Advisement** - if payment is not forthcoming after the attorney demand letter, staff shall advise the Board or its Executive Loan Committee of BDC's collateral, offer recommendations and request direction on the type of legal action to be initiated. Under no circumstances are loan officers authorized to negotiate loan obligations with the borrower. All negotiations shall be referred to the Board or Executive Committee for approval.
- B. **Board Instructions** - Board shall instruct staff as to the type of action to be taken.
- C. **Options Available in Renegotiation:**
 1. Require additional collateral
 2. Require guarantors
 3. Use lock box if income producing
 4. Get all guarantors consent to any modification
 5. Investigate borrower's asset/financial position
- D. **File Suit**
 1. Note - personal liability.
 2. Guaranty - personal liability
 3. Foreclosure on mortgages depending on lien position.
 4. Foreclosure on other collateral.
 5. Write off as a bad debt - file report with the credit bureau.

E. SHIP Loans

1. Consult with applicable county.
2. Make recommendations on proposed option of settlement.
3. Act according to County's instructions.

V. LOAN DOCUMENTATION PROCEDURES

a. Collection Provisions - BDC loan documents will be standardized to provide for consistency in the following areas:

1. Grace period for payments without late fee or penalty.
2. Amount of late fee and delinquent interest charges.
3. Payment due dates.
4. Coupon Books will be utilized for installment payment purposes on home mortgages.

Loans will be standardized to provide for amortized payment to be made on the first day of each month for SBC's and the fifteenth of every month for home mortgages so that all collection activities are conducted on a regular schedule for new loans.

B. Loan Covenant Requirements - BDC loan documents will be standardized to provide consistency in borrower's requirements for delivery of fully executed SBC financial statements from borrower and guarantor at the inception of the loan which shall be dated not more than sixty (60) days from date of submission which shall then be updated on a regularly scheduled basis during the loan term.

Additionally, provisions will be made for the delivery of insurance certifications at the inception of the loan and updated insurance certification throughout the term of the loan, including a requirement that the insurer notify BDC to the extent of cancellation of the insurance for failure to pay annual premiums.

- C. Accounting Manual - The BDC Loan Servicing Officer will follow all guidelines as provided in the Accounting Manual (Attachment A). The manual is to be included as part of the Standard Operating Procedures.

VI. FORMS FOR LOAN SERVICING ACTIVITIES

- A. Annual Review of Loan Portfolio
- B. SBC Annual Field Visit Form
- C. Loan Transaction Acknowledgment Form
- D. Form Demand Letter

ANNUAL REVIEW OF SBA 504 BORROWER
for the Business Development Corporation of Northeast Florida

Name of Business: _____
 Address of Business: _____
 Person Responding to Review: _____
 Phone Number: _____

(Please circle Y, N, or N/A below)

1. Please submit a copy of your most current business tax return and your most current year - to - date financial statement with this review form. (Y, N, N/A)
2. Please attach a copy of your current payroll list or a list of current employees. Highlight any new employees hired since the closing of your SBA 504 loan. (Y, N, N/A)
3. If your SBA project involved a building, you are required to carry liability insurance and SBA must be listed as second loss payee. Are payments current? (Y, N, N/A) *Please provide a copy of your current policy reflecting SBA as loss payee.*
4. If applicable, has flood insurance been maintained? (Y, N, N/A) *If applicable, provide a copy of current policy.*
5. If applicable, has Key Man Life Insurance been maintained? (Y, N, N/A) *If applicable, provide proof of insurance.*
6. Are your real estate and personal property taxes current? (Y, N, N/A) *Please provide a copy of paid real estate and personal property tax receipts for the most current year due.*
7. If alter-ego ownership of SBA project, have terms of lease to your operating business been maintained? (Y, N, N/A)
8. If alter-ego, has there been any change in ownership or control of alter ego entity? (Y, N, N/A) (Prior approval is required for such a change.)
9. If your business leases space to unrelated tenants, have there been any changes, terminations, or new leases in the past year? (Y, N, N/A) *If yes, describe changes as Attachment A.*
10. Have any additions, improvements or changes been made to the assets acquired with the SBA 504 loan in the past year? (Y, N, N/A) *If yes, describe changes as Attachment B.*
11. Are building, machinery and other SBA 504 related assets in good condition? (Y, N, N/A) *If no, please explain as Attachment C.*
12. Has there been any change in ownership or control of business or is any contemplated? (Y, N, N/A) *If yes, please describe as Attachment D. (Prior BDC/SBA approval is required.)*
13. Has your business acquired any additional long-term debt in the past year? (Y, N, N/A) *If yes, describe the terms and conditions of debt as Attachment E.*
14. Have any liens been filed against your business or its property in the past year? (Y, N, N/A) *If yes, explain as Attachment F.*
15. Has your business complied with the equal opportunity and non-discrimination requirements of the SBA? (Y, N, N/A)

16. How many are currently on your payroll? _____ How many new jobs in the past year? _____
Number of full time _____ Number of part time _____
17. What is the status of your first mortgage (participating bank on SBA 504 loan)?
Current _____ Over 30 days late _____
Over 60 days late _____ Pending bankruptcy or foreclosure _____
Who is your Bank of Account? _____ Account Officer _____
Phone Number _____
18. Who, if applicable, is your current accountant? _____
Contact person: _____ Phone #: _____
19. I would like to request a site visit by a BDC Lending Officer as soon as it is convenient? (Y, N, N/A)
Person and phone number to contact for site visit? _____

COMMENTS: _____

I certify that the above information is correct to the best of my knowledge.

Signature Date

Please return to: Pat Ferm
Director
Business Development Corporation
9143 Phillips Hwy., Ste 350
Jacksonville, FL 32256
1(800)385-7888

504 Site Visit Form

Company Name: _____

Owner(s): _____

Mailing Address: _____

Project Address: _____

Contact Person: _____ Telephone: _____

Fed I.D. # or SS#: _____ Sic Code: _____

Type of Business: _____ Fiscal Year End: _____

Condition of Collateral: Excellent Fair Poor Needs improvements done to fix up property
Walk through of property was conducted at the time of the visit: Y N

Comments: _____

Number of employees required for SBA Debenture (within 2 years of closing): _____

Number of Actual employees: _____ FT _____ PT Number of New employees this fiscal year _____

Comments on any deviation from required number of employees: _____

Percentage of Occupancy (building): _____ %

Comments on any deviation from SBA regulations: _____

Status of First Mortgage/Lien: Current 30 days past due 45 days past due 60 days past due

Bank Officer and Bank of Account _____ Accountant _____

Phone # _____ Phone # _____

Contact Person: _____ Contact Person: _____

Are there other areas of assistance necessary? Expansion Financing Counseling Other

Comments _____

Additional areas of discussion: _____

Please complete the attached Annual Review Form and all applicable attachments and return to:
Patricia A. Ferm, Business Development Corporation, 9143 Phillips Hwy., Ste 350, Jacksonville, FL 32256
Please call 363-6350 or 800-385-7888 if you have any questions.

Loan Officer Doing Site Visit - Patricia A. Ferm Date of Appointment _____ Time _____
Please call 363-6350 or 800-385-7888 if this date and time are not convenient. Thank you!

ATTACHMENT A

**BDC'S POLICY MANUAL
LOAN SERVICING AND ACCOUNTING MANUAL**

I. REVOLVING LOAN SERVICING SYSTEM

A. Posting Loan Payments

1. Loan Servicing Officer will enter loan payments into GMS program on a daily basis as checks are received.
2. On bank serviced loans, key in full payment as received by the bank using the amortization which the bank provides.
3. All loans will be amortized according to the amortization schedule as provided at the closing of the loan. Unless the board approves a different amortization schedule for any given loan, the schedule will be followed throughout the duration of the loan.

B. Monthly Reports

During the course of the month the following reports are to be run as needed to comply with loan servicing standards.

1. Monthly Loan Transaction Activity Report
2. Loan Repayment Status Report
3. Accrued Interest by Loan
4. Loan Analysis by Funding Report
5. Back up all work on diskettes on a monthly basis. Keep one set at the office, one set off the premises. Diskette should be labeled for the current months data and the prior months accounting data. Diskettes should be labeled as follows;

Backup 10/31/94
Loans as of 10/31/94
Accounting as of 9/30/94

C. Quarterly Loan Reports

In addition to the monthly reports, quarterly reports should be run at the end of each calendar quarter (March, June, September, December). The quarterly reports are as follows:

1. Accrued Interest by Loan
2. Loan Profiles (All) – For individual loan files.
3. Loan Profiles (Funding Source) – For quarterly file.
4. Loan Statistics (All) – For quarterly file.
5. Loan Statistics (Funding Source) – For quarterly file.

D. Annual Reports

1. Print loan transaction history of SHIP and Sole Proprietorship borrowers. Keep one copy in loan files and send one to borrower (Must be sent by January 31st). This report will show interest paid during calendar year and can be used for tax purposes. A copy will also be sent to the applicable county at the end of the month with check for all principal and interest received the previous month.

II. GMS ACCOUNTING SYSTEM

a. BDC Accounting Policies

1. Check Entries – All checks must be either coded and entered on the general journal entry form or recorded on GMS software in the proper loan file.
2. Allocating Interest – Interest collected on certain accounts must be coded and recorded on the general journal entry forms.
3. Operating Account – All SBA fees go to the accounting department. Additionally, all other application and commitment fees will be deposited into RPC's account after being properly coded and recorded to BDC.
4. Coding Journal Entries – Journal entries will be coded on the General Journal in sequential order (Do not start over with #1 at the beginning of each month).

5. New Loans -- As new loans are closed, they will be added to the Revolving Loan software with a separate entry.

B. Monthly Accounting Procedures and Reports

1. Sort bank account statements into order by account number, deposit receipts, outstanding transaction, returned checks, and bank servicing receipts.
2. Journal entries should be written from the monthly loan transaction report, bank servicing fees, other administrative expenses and other income such as monthly interest.
3. All journal entries are key punched into the computer.
4. Print General Journal.
5. The batches are proved. Make sure that all figures match those on the cover sheet.
6. Post Journal entries.
7. Print General Ledger. Prove all balances forward from last month to opening balances this month.
8. Print balance sheet.
9. Reconcile cash to bank statements.
10. Print Revenue and expenditure Report by Loan Fund. Individual projects can also be printed.
11. Print Revenue and Expenditure Reports by Agency.
12. Print Revenue and Expenditure for Agency Earnings.

C. Print Revenue and Expenditure for Agency Earnings.

1. Calculate principal, interest, and late charges for all SHIP loan transactions for the month. Add the sums and the total should be included in one check payable to applicable county finance department.

D. Semi-Annual Backups

1. Do a full program backup – type GMSBKUP (September, March). Send one copy to GMS and keep one copy for BDC's office.

E. Annual Backups

1. At the fiscal year end, back-up both accounting and loan data (September).