

CATSKILL FUND FOR THE FUTURE
PROGRAM RULES
(ARTICLE 1)

Catskill Watershed Corporation
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Equal Opportunity Employer

Purpose and Goals

The Catskill Fund for the Future (CFF) shall support responsible, environmentally sensitive economic development projects in the West of Hudson Watershed by making loans or grants to Qualified Economic Development Projects. Loans or Grants shall be for projects or organizations which encourage environmentally sound development, and which encourage the goals of Watershed protection and job growth in the Watershed communities.

Table of Contents

Chapter 1:00 Definitions	4
1:01 Qualified Economic Development Projects.....	7
1:01:01 Purpose and Scope.....	7
1:01:02 QEDP Evaluations & Board Determinations.....	7
1:01:03 Evaluation Criteria	7
1:01:04 Other QEDP Determinations.....	9
Chapter 1:02 Catskill Fund for the Future.....	10
1:02:01 Program Funding	10
1:02:02 Qualified Economic Development Project.....	10
1:02:03 Commitment of CWC	10
1:02:04 Changes Requiring CWC Board Approval.....	10
1:02:05 Right of Objection Period	10
1:02:06 PASSPort	11
1:02:07 Written Agreement.....	11
1:02:08 Budget Modification	11
Chapter 1:03 Loan Programs – General Requirements	12
1:03:01 Eligibility Requirements	12
1:03:02 Funding	12
1:03:03 Pre-application Conference	12
1:03:04 Application Requirements	12
1:03:05 Business Plan Assistance	12
1:03:06 Equity Contributions.....	12
1:03:07 Permissible Uses of Loan Proceeds	12
1:03:08 Impermissible Uses of Loan Proceeds.....	13
1:03:09 Interest Rates	13
1:03:10 Staff Review	13
1:03:11 Loan Committee Review	13
1:03:12 Factors for Board Action	14
1:03:13 Board Action on Applications.....	14
1:03:14 Acceptance and Time Restrictions of Applicant	15
1:03:15 Loan Agreement	15
1:03:16 Review of Borrower or Project Status Prior to Closing	15
1:03:17 Borrower Reporting Requirements.....	15
1:03:18 Inspection of the Business by the Board and Retention of Records	16

1:03:19 Administration Functions	16
1:03:20 Board Waivers	16
1:03:21 Events of Default on Loan Agreement	16
1:03:22 CWC Action Upon Event of Violation of the Loan Agreements.....	16
1:03:23 Insurance Requirements.....	17
Life Insurance:.....	17
1:03:24 Financial Statements	17
1:03:25 Maximum Loan Amount	18
Chapter 1:04 REDI Loan Program	19
1:04:01 Loan Amounts	19
1:04:02 Participating Lender	19
1:04:03 Equity Contribution (REDI Loans)	19
1:04:04 No Construction Financing.....	19
1:04:05 Interest Rates	19
1:04:06 Loan Maturity	20
1:04:07 Loan Closing Fees.....	20
1.04.08 Acceleration of Principal Payment Due to Relocation Outside of Watershed Town.....	20
Chapter 1:05 Catskill Municipal Assistance Loan Program	21
1:05:01 Eligibility Requirements	21
1:05:02 Loan Amounts	21
1:05:03 Equity Contribution	21
1:05:04 Interest Rates	21
1:05:05 Conditions to Closing	21
1:05:06 Loan Maturity	21
1:05:07 Loan Closing Fees.....	21
Chapter 1:06 Bridge Loan Funding	22
1:06:01 Eligibility Requirements	22
1:06:02 Loan Amounts	22
1:06:03 Equity Contribution	22
1:06:04 Interest Rates	22
1:06:05 Conditions to Closing	22
1:06:06 Loan Maturity	22
1:06:07 Loan Closing Fees.....	22
Chapter 1:07 Municipal Sewer Flood Business Retention Program.....	23
1:07:01 Eligibility Requirements	23
1:07:02 Loan Amounts and Use of Funds	23
1:07:03 Equity Contribution	23
1:07:04 Terms of Repayment.....	23

1:07:05 Conditions to Closing	24
1:07:06 Term of Agreements.....	24
1:07:07 Closing Fees.....	24
Chapter 1:08 Catskills Studies Funding Program.....	25
1:08:01 Eligibility Requirements	25
1:08:02 Eligible Studies	25
1:08:03 Limits of CWC Funding	25
1:08:04 Application Cycle.....	25
1:08:05 Review Process.....	25
1:08:06 Selection Criteria.....	25
Chapter 1:09 Enhanced Land Trusts Excess Funding.....	26
1:09:01 Program Funding	26
1:09:02 Eligibility Requirements	26
1:09:03 Eligible Projects.....	26
1:09:04 Project Application.....	26
1:09:05 Project Selection	26

Chapter 1:00 Definitions

Words used in this Article 1 mean:

“Applicant,” a person, partnership, joint venture, corporation, cooperative or other for-profit or Not-For-Profit entity, Municipality, association or other entity as permitted under the rules of the appropriate loan or grant program that has completed an application for a loan or grant from the CFF;

“Board,” the Board of Directors of the CWC;

“Borrower,” an applicant who has been awarded a loan from the CFF;

“Business Association,” an organization composed of business owners for the purpose of advancing business interests within a defined area;

“Business Improvement District,” formed under Article 19-A of the General Municipal Law, which are a type of improvement district which could be formed in cities and villages;

“Business Plan,” a written description of a business with the required financial statements and supporting documentation which illustrates that a profitable business opportunity exists and that the Applicant possesses the necessary experience and skills to operate the business;

“County Allocation” as defined by the CWC By-Laws, Article IX, Section 1 (b)

“CFF,” the Catskill Fund for the Future established by New York City Watershed Memorandum of Agreement;

“CWC,” the Catskill Watershed Corporation;

“Equity,” money or other assets invested or contributed by a company's owner(s) in a business. Such investment that has no guaranteed or mandatory return which must be paid out in any event, has no definite timetable for repayment of the investment, and cannot be withdrawn at the contributor's option without the permission of the superior debt holders;

“For-Profit-Business,” Employment, occupation, profession, or commercial activity engaged in for gain or livelihood;

“For-Profit-Manufacturing Business,” For-Profit-Business engaged in manufacturing;

“For-Profit-Commercial Business,” For-Profit-Business engaged in commercial activities;

“For-Profit-Natural Resource Business,” For-Profit-Business using natural resources as part of its inputs or as a commodity for sale;

“For-Profit-Service Business,” For-Profit-Business providing services to the community or other For-Profit or Not-For-Profit Businesses;

“Grantee,” an applicant who has been awarded a grant from the CFF;

“Hamlet,” an unincorporated but commonly recognized distinct area of a town with a business district;

“Main Street Association,” an organization composed of business owners and other interested individuals united for the purpose of strengthening the commercial activity and improving the buildings of a business district;

“MOA,” the New York City Watershed Memorandum of Agreement;

“Municipality or Municipal Corporation,” Cities, towns, villages and counties;

“Not-for -Profit,” an entity formed exclusively for a purpose or purposes, not for pecuniary profit or financial gain for which a corporation may be formed pursuant to section 102 of the NYS Not-For-Profit Law, and no part of the assets, income or profit of which is distributable to, or inures to the benefit of, its members, directors or officers except to the extent permitted by law;

“NYCDEP,” New York City Department of Environmental Protection;

“Participating Lender,” state-sanctioned lending authorities and federally sanctioned lending authorities, including local, state or federal government agency lenders, or private sources of capital with said capital secured by loan documents or other documents evidencing the obligation and with a repayment schedule and remedies for the provider of the capital in the event of default by the borrower;

Political Subdivision – a division of the State made by proper authorities thereof acting, within their constitutional powers, for purpose of carrying out a portion of those functions of state which by long usage and inherent necessities of government have always been regarded as public;

“Prime Rate,” shall be the Prime Interest Rate published in the Wall Street Journal on the date the Loan Committee issues a recommendation to the Board;

“Related Parties” means:

a) Affiliate corporations where a corporation is directly or indirectly commonly controlled, such that a person or corporation, directly or indirectly, or acting through or together with one or more persons owns, controls, or has the power to vote 25 percent or more of any class of voting securities of another person; controls, in any manner, the election of a majority of the directors, trustees, or other persons exercising similar functions of another person; or has the power to exercise a controlling influence over the management or policies of another person; or

b) Where a common enterprise exists between two parties as follows:

1) When the expected source of repayment for each loan is the same for each borrower and neither borrower has another source of income from which the loan may be fully repaid; or

2) When loans are made to borrowers who are related directly or indirectly through common control, as described in paragraph (a) of this definition, including where one borrower is directly or indirectly controlled by another borrower and 50 percent or more of one borrower’s gross receipts or gross expenditures (on an annual basis) are derived from transactions with the other borrower; or

3) When separate persons borrow to acquire a business enterprise of which those borrowers will own more than 50 percent of the voting securities; or

4) When CWC determines, based on evaluation of the facts and circumstances of particular transactions that a common enterprise exists.

“Taxing Unit,” means a county, city, town, village, school district or fire district or water district or septic district;

“Total Project Costs,” the direct costs associated with the purchase of land, necessary site development and improvements, construction or acquisition and remodeling of buildings and works necessary to the operation and protection of the project, purchase and installation of machinery and equipment, fees for services, approved in-kind contributions, and adequate working capital financing;

“QEDP,” as used in this Article, a Qualified Economic Development Project shall, as defined by the MOA, mean projects which encourage environmentally sound development and which encourage the goals of Watershed protection and job growth in the Watershed communities as located in the WOH;

Value Added – The addition to the original worth or utility of raw materials or components, as they are packaged or processed further in manufacturing or assembly;

“PASSPORT,” the New York City Vendor Information Exchange System questionnaire;

“Watershed Towns,” the townships located in portions of Delaware, Greene, Schoharie, Sullivan and Ulster Counties that were signatories to the MOA;

“Watershed Regulations,” the New York City Rules and Regulations for the Protection from Contamination, Degradation and Pollution of the New York City Water Supply and its Sources, promulgated as set forth in paragraphs 89 and 90 of the MOA;

“WOH,” West of Hudson Watershed;

“WPPC,” Watershed Protection and Partnership Council.

1:01 Qualified Economic Development Projects**1:01:01 Purpose and Scope**

The Watershed Memorandum of Agreement recognizes that the goals of drinking water protection and economic vitality within the West-of-Hudson Watershed are not inconsistent. The Catskill Fund for the Future provides the opportunity to implement this goal by offering loans and/or grants to Qualified Economic Development Projects, which by definition joins the principles of environmentally sound development with the goals of Watershed protection and job growth. The following criteria will assist the CWC Board to evaluate projects seeking funding from the Catskill Fund for Future. The CWC will not use these criteria to usurp local control and will consider a community's views with respect to a proposed project.

1:01:02 QEDP Evaluations & Board Determinations

The Executive Director of the CWC will evaluate and make a recommendation in writing concerning all projects proposed for funding under the CFF. The evaluation and recommendation shall be in narrative form and address the applicable criteria listed in section 1:01:03 of this Chapter.

The CWC staff shall provide copies of the written evaluation and recommendation to the Board at least ten days before the Board votes on the project.

The Board shall select for funding only those projects it has evaluated and determined to be Qualified Economic Development Programs pursuant to the criteria listed in section 1:01:03.

1:01:03 Evaluation Criteria

In determining whether an application for a loan or grant is a QEDP, the CWC shall consider the environmental characteristics of the project along with the economic benefits of the project. The following criteria are necessary elements in determining whether a project is environmentally sound. The written evaluations provided to the CWC Board must address these criteria. To enable the CWC staff and Board to evaluate a project, applicants shall provide a description of the project including, where applicable, copies of any existing site plans, Environmental Assessment Forms or Environmental Impact Statements prepared for regulatory authorities.

1. Projects must demonstrate compliance with all applicable environmental statutes and regulations, including in particular the Watershed Regulations.
If the project is not in compliance with the Watershed Regulations or any other environmental regulations, the project can satisfy the criteria if CFF funding is intended to enable the project to come into compliance with the regulations.
2. Has the applicant, within the previous five years, been the subject of an enforcement action by a regulatory agency, which has resulted in a final adverse ruling for violation of an environmental law or regulation which is related to the facility for which the applicant is seeking funding? What was the ruling? Has the facility that was the subject of the enforcement action been brought into compliance? What measures have been implemented to prevent the basis of the enforcement action from recurring?

Past violations are not a per se bar to funding. However, applicants who have repeated, uncorrected violations which impact the environment will not be eligible for funding, unless the funding is intended to bring the facility into compliance.

3. The CWC will consider the location, nature, scale and magnitude of the project when reviewing applications. The CWC is not a regulatory agency and is not establishing standards different from the applicable regulations. However, projects should be located in a manner consistent with historic land use patterns, available infrastructure and sensitivity to the need for water quality protection.

- (a) Location and Nature of the Project. Project location is relevant for determining its consistency with the goals of the MOA. The CFF will promote redevelopment of existing population centers. Projects which involve processes which present particular threats to the water supply, such as those involving significant levels of pathogens, nutrients or sedimentation should be located and designed in a manner which protects water quality.

In evaluating a project for “location and nature,” CWC will consider:

- (i) Does the project seek to expand or retain an existing business or facility at its current location or involve the reuse or redevelopment of an existing structure or a previously developed area?
 - (ii) Is the project located in a Village, Village Extension area, Hamlet or reserved commercial/industrial area?
 - (iii) Will the project use existing infrastructure, such as connection to an existing wastewater treatment plant?
 - (iv) Will the project present a potentially significant threat to water quality due to the potential discharge of pathogens or hazardous materials?
 - (v) What measures have been incorporated in the project design to reduce the threat of an accidental discharge of such materials into the watershed?
 - (vi) Is the project located within the 60-day travel time zone?
 - (vii) Will the project impact any Federally or State regulated wetlands?
- (b) Scale and Magnitude Projects should maintain and enhance the character of the Catskills. Projects should be consistent with community zoning and land use plans. Projects should not generate demands on local infrastructure that cannot satisfy the increased demand.
- (i) If the Municipality has zoning, is the project consistent with the Municipality’s zoning?
 - (ii) If the Municipality does not have zoning, is the project compatible with surrounding land uses?
 - (iii) Will the project generate traffic in excess of the capacity of local roads?
 - (iv) Major projects with the potential to promote secondary growth should demonstrate that likely potential growth is consistent with community land use plans, and adequate infrastructure is or will be available to meet the needs of the anticipated growth.

CWC will consider the area being developed, the nature of the development and the changes in the landscape caused by the project when it is evaluating a project for these criteria.

4. **Pollution Prevention.** Applicants who have implemented or are developing pollution prevention strategies which are intended to reduce the use of raw materials, utilize recycled materials, or reduce or eliminate waste streams will be considered as providing an additional environmental benefit.

1:01:04 Other QEDP Determinations

In addition to the applications for QEDPs described above, the Board may, at its discretion, allocate CFF funds to support new or existing CWC programs, as well as projects initiated, implemented, or administered by CWC.

Any funds disbursed pursuant to this Section shall be subject to the programmatic conditions set forth in the applicable paragraph in the MOA, and/or funding contracts with NYCDEP and shall not be considered a transfer of such funds to such program.

Chapter 1:02 Catskill Fund for the Future

Chapter 1:02 provides the general rules that apply to all loan and study programs established under the CFF. Rules specifically applicable to all loans are provided in Chapter 1:03 and rules specifically applicable to studies are provided in Chapter 1:08.

1:02:01 Program Funding

CFF funds will be allocated and budgeted annually by the Board during the adoption of the CWC budget to be used for loans and studies. Disbursement of loan and study funds shall be tracked in accordance with organizational best practices to monitor fund status, county allocations, and to fulfill all reporting requirements.

1:02:02 Qualified Economic Development Project

All projects funded with funds from the CFF shall meet the requirements of a QEDP as defined in Chapter 1:01 of this Article 1.

1:02:03 Commitment of CWC

Notwithstanding any assurance, guarantee, communication, or representation made to the contrary, there is no commitment of the CWC without specific authorization by the Board. Only the Board may make an award from the CFF to an applicant.

1:02:04 Changes Requiring CWC Board Approval

Throughout the term of an approved funding contract, certain requests or changes to approved loan terms may come to CWC for review and approval. All new funding requests, release of a guarantor, release of security (which the Executive Director determines will reduce CWC's collateral coverage) shall be brought to the CWC Board for review and approval.

Other requests shall be assessed on a case-by-case basis by the Executive Director, in consultation with staff recommendations. With regard to loans the Executive Director will review each request to determine its reasonableness and assess any impact on CWC's collateral coverage. Additional factors for consideration may include changes in cash flow, the duration of the remaining loan term, succession planning, and other relevant matters.

In the event the Executive Director believes the CWC Board should evaluate a request, the request may be brought to and presented to the CWC Board during a regularly scheduled meeting for their consideration.

1:02:05 Right of Objection Period

Approval of an application for a CFF funding by the Board constitutes a preliminary decision under the MOA. Following Board approval, CWC staff will provide notice to required MOA signatories pursuant to paragraph 107 of the MOA. The decision will automatically become final unless an objection is timely filed with the WPPC pursuant to paragraph 107 of the MOA. If such an objection is filed, approval of the application will require an additional board vote upon consideration of the objection and any recommendation from the WPPC.

1:02:06 PASSPort

Any Applicant who will have received \$100,000 or more from New York City, the CWC, the CFF, or a combination thereof, within the previous 12 months must complete a PASSPort questionnaire or documentation that the Applicant has been pre-qualified by the PASSPort process.

1:02:07 Written Agreement

All CFF fund approvals will be memorialized with a written loan agreement specifying the purpose of the loan and when and how the funds will be disbursed. Each agreement will contain a provision requiring the Borrower to comply with all applicable provisions of the Watershed Regulations and a recapture or loan acceleration clause in the event the Borrower should relocate outside of a Watershed town before the terms of the agreement are completed.

1:02:08 Budget Modification

The Board may modify the program funding as detailed in the CWC budget.

Chapter 1:03 Loan Programs – General Requirements**1:03:01 Eligibility Requirements**

Any For-Profit-Business or corporation or any Not-For-Profit business or corporation which presents a QEDP intended to create and/or retain jobs in one or more Watershed Towns is eligible to apply for a loan from the CFF. Any governmental entity located in a Watershed town that has the authority to levy taxes (Taxing Unit) may apply for a CFF loan if the purpose of the loan is to improve or enhance protection of water quality or items that support community vitality and sustainability.

1:03:02 Funding

Annual funding for loan programs will not exceed the allocations as detailed in the CWC budget.

1:03:03 Pre-application Conference

Any potential Applicant may request a pre-application conference.

1:03:04 Application Requirements

Application forms shall be provided by the CWC and must be completed in full and signed or submitted online and all documentation as required by the application must be complete before an application is evaluated by staff and presented to the Loan Committee and the Board. All applications must include a Business Plan and other documentation as required by the checklist provided with the application.

1:03:05 Business Plan Assistance

Any Applicant may receive assistance developing a Business Plan from CWC Small Business Development Center associated counselors.

1:03:06 Equity Contributions

Equity contributions may be required. The amount of equity contribution varies based on the program, and the total project amount as detailed in a loan application. Applicants must provide a minimum percentage of the total project costs in the form of Equity as determined by the Board and the appropriate program rules. The Board may in certain cases waive the requirement if Equity contribution is not necessary to secure the interests of the CWC.

In-kind contributions and completed work may be applied toward the Equity contribution and Total Project Costs if, in the judgment of the Board, such in-kind contributions and work completed contribute sufficiently to the current project.

Proof must be evidenced prior to closing that promised equity has been contributed or available to the project.

1:03:07 Permissible Uses of Loan Proceeds

Unless specifically prohibited in specific loan program rules, loan proceeds may be used for the following purposes:

1. Acquisition and remodeling/renovation of buildings and works necessary to the operation and protection of the project;
2. Purchase and/or installation of machinery and equipment;
3. Inventory and working capital;
4. Fees, services, and costs related to the renovation of the project;
5. Refinancing of existing debt;
6. Leasehold improvements;
7. Non-residential septic systems or other wastewater solutions, including connections to a WWTP
8. Stormwater collection and treatment best management practices, flood mitigation efforts, or other property and water quality improvements;
9. Other purposes, not listed in this Section or expressly prohibited, as individually determined to be QEDPs and approved by the Board

1:03:08 Impermissible Uses of Loan Proceeds

Except as permitted under specific program rules, loan proceeds may not be used:

1. For projects located outside of WOH Watershed towns.
2. Finance the acquisition, development or improvement of housing, purchase or improvement of property for private, non-business use.
3. For purposes of these rules, short term rentals shall be considered a non-business use.

1:03:09 Interest Rates

The interest rate for a loan is set on the day the Loan Committee or Economic Development Committee issues a recommendation to the Board. The rate will be determined by applying that formula set forth in the rules for the particular loan program for which the Applicant has applied. The Board may waive or lower the interest rate for a particular Applicant if the project has significant economic development, job creation, or beneficial environmental impact or other benefits to the community. The Board shall consider the following in setting the interest rate:

1. State and national market interest rates;
2. State and national economic conditions;
3. The solvency and balance of the fund;
4. Other economic or business information necessary to fulfill the Board mission to create and retain jobs in the Catskill Watershed Region;
5. Beneficial environmental or water quality impacts.

1:03:10 Staff Review

CWC staff shall determine completeness of application and compliance of project with the appropriate program rules prior to forwarding application to the appropriate Committee for review.

1:03:11 Loan Committee Review

The CWC Loan Committee shall review all REDI Loan requests. Unless specifically modified in the rules for a specific program, the Loan Committee shall consist of the following people:

1. The President of the Catskill Watershed Corporation who shall serve as Chair;
2. The Executive Director of the Catskill Watershed Corporation;
3. The NYC representative to the CWC;

4. Four members appointed by the President to represent area business people, preferably with financial or banking experience.

The Committee shall review a complete application for technical merit and ability of the Applicant to successfully meet its obligations under any loan agreements. The Committee shall vote to recommend to the Board approval, approval with modifications, or denial of the application. The Committee may also recommend that the Board base its action on factors other than those that fall under the Committee's purview.

1:03:12 Factors for Board Action

When making a decision on an application, in addition to the required QEDP evaluation, the Board may examine the following factors necessary to make a sound loan decision:

1. Project impact factors:
 - (a) Number of jobs created or retained;
 - (b) Amount of loan requested;
 - (c) Net economic effect of increasing or stabilizing the economy on the community, area, and WOH;
 - (d) Support of the public entities of the community and area;
 - (e) The amount of the owner's Equity contributed to the project;
 - (f) Compatibility with economic development plans of the area and state;
 - (g) Type of business;
 - (h) Payroll and pay structure;
 - (i) Employee benefit package;
 - (j) Beneficial environmental or water quality impacts.
2. Business feasibility factors:
 - (a) The potential success of the business and the potential for creating jobs and the growth of those jobs;
 - (b) The character, experience, management record, and background of the Applicant;
 - (c) The capacity of the Applicant to repay the loan. In determining the repayment capacity of the Applicant, the Board shall consider the following:
 - i. The amount of the loan;
 - ii. The economic feasibility of the project and product;
 - iii. The ability of the Applicant to service the debt from cash flow of operations, capital, or collateral;
 - iv. The review of financial and credit status of the project, business plan, and/or Applicant;
 - v. The satisfaction of engineering, legal, and environmental regulations;
 - vi. The availability of necessary public utilities;
 - (d) The total capitalization of the project, which includes all capitalization subordinated to the CWC;
 - (e) The terms and conditions of the loan and their compatibility with the needs of the business and the CWC;
 - (f) The availability of sufficient unencumbered collateral to secure the interests of the CWC;
3. Proof of business integrity.
4. County Fund Allocations remaining

1:03:13 Board Action on Applications

The staff shall provide copies of the written evaluation to the Board at least ten days before the Board votes on the loan application. The Board shall approve the application as requested or

approve the application contingent on conditions or disapprove the application. The Board may also table an application and request additional information for consideration. If the application is disapproved, a written determination shall be forwarded to the Applicant. The Applicant who has had an application disapproved may submit another application that addresses the reason for disapproval.

1:03:14 Acceptance and Time Restrictions of Applicant

Within fifteen (15) days after the issuance of a letter of commitment from the CWC, the Applicant must accept the approval in writing or the approval may be withdrawn. Within one hundred eighty (180) days after the date of Board approval, the Applicant must meet all conditions set by the Board and a loan closing must have occurred or the approval may be withdrawn. Final disbursement of the loan proceeds must be made within one year after the loan has closed, or in accordance to the terms specified in the letter of commitment. If mitigating circumstances prevent starting the project and a diligent effort has been made, an Applicant may apply for an extension of time and the Executive Director may, at his or her discretion, approve or disapprove said extension and further may require additional information and financial data, as well as additional Board approvals prior to closing.

1:03:15 Loan Agreement

CWC, in consultation with and in agreement with closing counsel, shall develop loan documents memorializing the agreement between CWC and the Applicant. The loan agreement shall contain the rights and responsibilities of the parties and the terms and conditions of the loan including a loan acceleration clause in the event the Borrower should re-locate outside of a Watershed town before the payment terms of the agreement are completed. The requirements to secure the loan shall be included in the loan agreement and any other documents which shall be executed on behalf of CWC by its Executive Director and/or President.

Changes to Loan Agreements may be approved solely by the Executive Director as described in Section 1:02:04. No additional funds may be approved or disbursed without approval of the CWC Board.

If the Executive Director authorizes or executes amendments to any loan documents in accordance with this paragraph, he or she shall report to the full Board at its next regularly scheduled meeting.

1:03:16 Review of Borrower or Project Status Prior to Closing

After the loan is approved but before the loan is closed, the Board or the CWC staff may conduct an overall review of the applicant's financial status. This review may include an analysis of all assets and liabilities and an analysis of the ability of the business to service and honor the loan commitments. Prior to the disbursements of any funds, projects must have all necessary environmental and land use permits and approvals required by any applicable law, regulation or ordinance.

1:03:17 Borrower Reporting Requirements

The borrower shall submit to CWC annually the following information:

1. Documentation of employment;
2. Documentation of the use of the CFF proceeds and any matching requirements;
3. State and Federal tax returns or financial statements;

4. Evidence of paid school, property, village and sales taxes, if applicable
5. Evidence of paid property, flood, and life insurances, if applicable
6. Other information as requested by the Board or CWC staff where economic or business conditions may be necessary to determine the operating health of the business or conformance to loan covenants.

The Board or CWC staff may require that the financial statements be audited by an independent accountant at the expense of the borrower as defined in Section 1:03:24

1:03:18 Inspection of the Business by the Board and Retention of Records

During the term of the loan, the Board or CWC staff may inspect renovation, inspect the operation of the business, and request the borrower to provide accounting records, payment records, and invoices to ensure compliance with the terms of the loan agreement. The borrower shall retain accounting and tax records for the term of the loan or for a period of three years, whichever is longer.

The Board may contract for project monitoring and servicing during any point of the loan term, including, the planning, renovation process, and operation of the business and project.

1:03:19 Administration Functions

The CWC staff, in conjunction with closing counsel, shall process and review loan applications; prepare and negotiate agreements; and engage in any other functions necessary to expedite and assist the Board in the performance of its duties.

1:03:20 Board Waivers

The CWC Board of Directors may waive CFF loan program rules if such action can be shown to be in the best interests of the mission of the CWC and/or to reflect the special financial conditions of the Applicant.

1:03:21 Events of Default on Loan Agreement

The loan agreements between CWC and the Borrower and any and all co-makers or guarantors of the loan shall define events of default and the rights and remedies of the Borrower and CWC. Events of default shall include, but not be limited to, failure to make timely payments, the change of ownership, or the sale of any stock or other interest by the Borrower or guarantor, the failure of the Borrower to maintain required insurance, failure of the Borrower to comply with federal, state and local laws, zoning and planning ordinances, including the Watershed Regulations, or any other event defined by the loan agreements as an event of default.

1:03:22 CWC Action Upon Event of Violation of the Loan Agreements

In the event that a violation of the loan agreement that may lead to a declaration of default has occurred, CWC, its Executive Director and staff shall undertake the following actions:

The Executive Director and staff shall seek to rectify the situation in accordance with the loan documents.

In the event that the loan documents require modification as a result of any settlement, the Executive Director shall execute said modifications in accordance with this Chapter 1:03 and notify the Board of his/her actions.

In the event that the Executive Director and the Borrower cannot mitigate situation, or if the mitigation requires Board action, the Executive Director will notify and consult with the Board. If the Board determines that the violation warrants a declaration of default, the Board shall

instruct the Executive Director to issue a Letter of default on the loan and instruct collection counsel to exercise CWC's rights and remedies available.

1:03:23 Insurance Requirements

Life Insurance:

REDI-Loan borrowers and/or active principals of CWC loans shall obtain life insurance, in the amount of the loan, assigned to CWC. For the purposes of this section, active means individuals who are active in, and critical to the success of, the day-to-day operation of a business subject to the CWC loan. The life insurance policy(s) must be issued and in effect at the time the loan is disbursed and for the term of the loan

In the event life insurance in the full amount of the loan on all active principals in the business is determined to be cost prohibitive and a deterrent to the operations and cash flow of the business, the Executive Director upon staff and Loan Committee recommendation may allow the active principals to split the total amount of the life insurance amount between themselves. Evaluation should include the ability of the business to operate if any of the insureds should expire.

In the event life insurance coverage is denied the Executive Director with concurrence of the Loan Committee can waive the life insurance requirement when:

- a. The loan is secured by a first lien on real estate or machinery and equipment and:
 - i. The loan to value is less than 50% of the value of secured property; or
 - ii. There is a co-borrower or guarantor that could continue to operate the business in the event the key person should expire.

Property Insurance:

The loan documents shall require Borrower to maintain the following insurance for the life of the loan:

- a. For subcontractors or designs exceeding Fifty Thousand Dollars (\$50,000.00), liability insurance in sufficient amount and scope to protect the interest of the City and CWC.
- b. Comprehensive hazard, fire and other risk insurance, public liability insurance and such other insurance as CWC may require with respect to borrower's property and operations, in form, amounts and coverage acceptable to CWC.
- c. For properties with structures located in a mapped FEMA Special Flood Hazard Area, (100 year floodplain), flood insurance in an amount acceptable to CWC.

Insurance coverage shall be maintained as to afford one hundred percent (100%) coverage against loss. Each insurance policy shall include an endorsement providing that coverage in favor of CWC will not be impaired in any way by any act, omission or default of the Borrower or any other person. In connection with all policies covering assets in which CWC holds or is offered a security interest for the Loan, Borrower will provide CWC with such loss payable or other endorsements as CWC may require.

1:03:24 Financial Statements

All borrowers are required to submit annual financial statements to CWC. The type of statement required is dependent on the size of the CWC loan and other loans and liabilities of the borrower.

Reviewed and audited statements must be prepared by a Certified Public Accountant and must comply with American Institute of Certified Professional Accountant (AICPA) Professional Standards.

Self prepared: CWC loan(s) are equal or less than \$200,000 or other loans and liabilities are equal or less than \$300,000. On CWC loans of \$50,000 or less, tax returns may be acceptable.

Compiled: CWC Loan(s) exceed \$200,000 but are equal or less than \$500,000 or other loans and liabilities exceed \$300,000 but are equal or less than \$600,000.

Reviewed: CWC loan(s) exceed \$500,000 but are equal or less than \$1,500,000 or other loans and liabilities exceed \$600,000 but are equal or less than \$1,500,000.

Audited: CWC loan(s) exceed \$1,500,000 or other loans and liabilities exceed \$1,500,000.

At the time of a loan application request, the Board may require higher levels than these limits if in their opinion, current statements are inadequate for the business or collateral is dependent on inventory or accounts receivable.

During the term of the loan, the Executive Director may require upon recommendation of staff and the Loan Committee, a higher level of statement or additional agreed upon financial reporting procedures for any loan. The reason(s) for the request will be conveyed to the Board of Directors at the time the request is given.

1:03:25 Maximum Loan Amount

The maximum allowable CFF loan amount for a single project at one location, including refinancing or updates to an existing loan for the same business, is \$1,500,000.

Chapter 1:04 REDI Loan Program

Purpose: To provide loans to eligible Applicants as part of a package of debt and/or equity from other parties to fund QEDPs.

Applications will be reviewed by the Loan Committee for recommendation to the CWC Board.

1:04:01 Loan Amounts

An Applicant may apply for a loan in an amount that is equal to the total project cost minus the Applicant's Equity and minus the total of all other financing sources. Direct costs of the business associated with research and development for technology applications may be included in the requested loan amount.

1:04:02 Participating Lender

A Participating Lender may contribute materially to the Total Project Costs. CWC staff, Loan Committee and Board may evaluate the strength of an application based on Total Project Costs. In some instances, a participating lender may strengthen a loan application and may be requested or required as part of CWC review and approval. The value of a Participating Lender may be evaluated in the context of how their loan terms affect cash flow, the Participating Lender's collateral requirements/position, and other underwriting variables for a project.

1:04:03 Equity Contribution (REDI Loans)

- (a) Where the total amount of CFF loans to an applicant or related parties is not greater than \$750,000 the applicant must provide a minimum of 10% equity contribution of total project costs as determined by CWC.
- (b) Where the total amount of CFF loans to an applicant or related parties is greater than \$750,000 the applicant must provide a minimum of 20% equity contribution of total project costs as determined by CWC.
- (c) For the purposes of this section, the total amount of CFF loans shall pertain to each individual business and shall not apply to aggregated totals across different businesses with common or affiliated ownership.
- (d) The Board may waive or modify this requirement subject to the risk score of the borrowers to best secure the interests of the CWC.

1:04:04 No Construction Financing

REDI Loan proceeds may not be used for construction financing unless, in the opinion of the Board, such construction period is sufficiently short to allow for perfection of the collateral for the loan. The Borrower may use the REDI Loan commitment to secure interim construction financing from another lender and satisfy the interim financing in accordance with the interim financing agreement and the REDI Loan letter of commitment.

1:04:05 Interest Rates

The REDI Loan Interest Rate shall be the higher of one-half the Prime Interest Rate plus one percent or 4% for both for-profit and not-for-profit Applicants. Loans with a maturity of seven years or less shall be amortized at a fixed rate over the term of the loan such that it is paid in full

at its maturity date. The interest rate on loans with a maturity exceeding seven years and not granted a waiver by the CWC Board shall be adjusted to the current CWC interest rate in effect on the fifth anniversary of the loan and every five years thereafter and amortized such that it is paid in full at its maturity date.

1:04:06 Loan Maturity

The maturity of the loan will be based on the asset life of the collateral securing the loan, according to the following general guidelines:

1. Inventory and Receivables – 1 to 3 years;
2. Machinery and Equipment – 2 to 10 years;
3. Real Estate and Site Improvements – 5 to 20 years;
4. Leasehold Improvements – consistent with the terms of the lease.

Staff, in conjunction with the Loan Committee, will recommend the loan maturity for Board review and approval and may recommend deviation from the above guidelines to accommodate any special financial conditions of the Applicant

1:04:07 Loan Closing Fees

There will be a loan closing fee of 1% (one percent) of the principal amount of the loan, payable at closing. For loans that include a refinancing of existing CWC debt, the 1% fee shall only be applied to the new funds awarded if applicable.

1.04.08 Acceleration of Principal Payment Due to Relocation Outside of Watershed Town

The loan agreement shall contain the rights and responsibilities of the parties and the terms and conditions of the loan including a loan acceleration clause in the event the Borrower should relocate the business outside of a Watershed town before the payment terms of the loan agreement are completed.

Chapter 1:05 Catskill Municipal Assistance Loan Program

Purpose: To provide low interest loans to Eligible Watershed municipalities. Catskill Municipal Assistance Loans will also provide a safe rate of return to CFF through local investment, rather than purchasing bonds on the open market.

Applications will be reviewed by the Economic Development Committee for recommendation to the CWC Board.

1:05:01 Eligibility Requirements

To be an eligible municipality, an applicant must be an incorporated municipality that has a portion thereof within the boundaries of the West of Hudson Watershed. Counties are not eligible to apply unless specifically for work or projects exclusively located within the WOH Watershed boundaries.

1:05:02 Loan Amounts

The maximum amount of Municipal Assistance Loans that may be borrowed by an eligible municipality shall be \$1,500,000.

1:05:03 Equity Contribution

Equity Contribution by the Eligible Town will not be required.

1:05:04 Interest Rates

The interest rate for a Municipal Assistance Loan shall be 2% per annum or one half (1/2) the Prime Rate, whichever is higher. Bond Anticipation Notes will adjust at this calculation upon renewal all other Bonds will have a fixed rate.

1:05:05 Conditions to Closing

Prior to or at the closing of any Municipal Assistance Loan, an eligible municipality must have issued a bond, note or other lawful evidence of indebtedness backed by the full faith and credit of the eligible municipality, as evidence of its obligation for the repayment of the entire amount of such loan proceeds. The eligible municipality may utilize form documents created by CWC for this program.

1:05:06 Loan Maturity

The maturity of the Municipal Assistance Loan in the form of a Bond Anticipation Note shall be no more than one year, renewable for up to five years, subject to applicable provisions of State Law. The maturity of the Municipal Assistance Loan regarding all other Bonds shall be no greater than the recommended term allowed under New York State Local Finance Law Section II.

1:05:07 Loan Closing Fees

The Eligible Town will be responsible for its costs and all CWC Loan closing fees. To minimize costs, municipalities are encouraged to utilize CWC form documents developed for this program.

Chapter 1:06 Bridge Loan Funding

Purpose: To provide low interest loans to Eligible Grant Recipients (hereinafter defined) to cover costs of a project while an applicant is waiting for the disbursement of fully approved grant funds. Loans to Eligible Recipients will also provide a rate of return to CFF through local investment, rather than purchasing bonds on the open market.

1:06:01 Eligibility Requirements

To be eligible for Bridge Loan funding, the applicant must be registered pursuant to New York State's Not-for-Profit Corporation Law or a small business with one hundred or less full-time employees, or equivalent. Prior to disbursement of funds, the applicant must provide to CWC a fully executed grant (or award) agreement with the State of New York or the United States Federal Government, or an agency thereof, and must demonstrate a reasonable need for the loan. The project for which grant funding was approved must be located within the West of Hudson Watershed.

1:06:02 Loan Amounts

The maximum amount of Bridge Loan Funding that may be borrowed by an applicant shall be \$1,500,000.00.

1:06:03 Equity Contribution

Equity Contribution by the Eligible applicant will not be required.

1:06:04 Interest Rates

The interest rate for a Loan pursuant to this section shall be 1/2 of the Prime Interest Rate and shall be no lower than 2% and no greater than 6%.

1:06:05 Conditions to Closing

Prior to or at the closing of any Bridge Loan, an Eligible Applicant must have provided a copy of the fully executed approved grant agreement and a signed resolution, evidencing its obligation for the repayment of the entire amount of such loan proceeds.

1:06:06 Loan Maturity

The maturity of the Loan shall be 60 days after the Approved Applicant has received disbursed grant funds from the New York State or the United States Federal Government, or an agency thereof. In no instance shall a loan pursuant to this section be more than five years.

1:06:07 Loan Closing Fees

The Eligible Applicant will be responsible for its costs and all CWC Loan closing fees. To minimize costs, applicants are encouraged to utilize CWC form documents developed for this program.

Chapter 1:07 Municipal Sewer Flood Business Retention Program

Purpose: To provide loans through leaseback agreements to Watershed municipalities for expansion of service area of a municipally owned wastewater treatment collection system to serve existing or relocated businesses within the West of Hudson Watershed.

1:07:01 Eligibility Requirements

To be an Eligible Municipality, an applicant:

- (a) Must be one of the communities on the list set forth below which has a wastewater treatment plant or community septic system; and
1. Town of Andes (Andes)
 2. Town of Ashland (Ashland)
 3. Town of Bovina (Bovina Center)
 4. Town of Conesville (West Conesville)
 5. Town of Hamden (Hamden)
 6. Town of Kortright (Bloomville)
 7. Town of Lexington (Lexington)
 8. Town of Middletown (Halcottsville & New Kingston)
 9. Town of Olive (Boiceville & Shokan)
 10. Town of Prattsville (Prattsville)
 11. Town of Roxbury (Roxbury)
 12. Town of Stamford (South Kortright)
 13. Town of Tompkins (Trout Creek)
 14. Town of Windham (Windham)
 15. Village of Delhi
 16. Village of Fleischmanns
 17. Village of Hobart
 18. Village of Hunter
 19. Village of Stamford
 20. Village of Walton
- (b) One or more users of the proposed sewer extension must be an existing or relocated business within the West of Hudson Watershed that does not have an onsite septic system that complies with either the New York City Watershed Regulations or applicable New York State law and/or regulations.

1:07:02 Loan Amounts and Use of Funds

Loans under this section shall be restricted to amount of cost of design and construction of a sewer extension to serve additional properties outside of current service area and/or sewer district. No funds may be used for construction of a privately owned lateral to a structure to be served or for operation and maintenance costs associated with a sewer extension.

1:07:03 Equity Contribution

Equity Contribution by the municipality will not be required.

1:07:04 Terms of Repayment

Municipality shall charge all property owners served or eligible to be served by the sewer

extension at rates that at a minimum shall be equal to the rates charged to similar properties served by the wastewater project. Under the lease agreement, municipality shall pay CWC at least quarterly an amount equal to ninety-five percent (95%) of the total amount charged to all property owners served or eligible to be served by the sewer extension. Unless the term is extended by the Board, any principal, interest, fees, or cost still owed at the end of the term of the note shall then be immediately payable to CWC.

1:07:05 Conditions to Closing

Prior to disbursement of funds, an Eligible Municipality must have:

- i. created a lawful system to assess in amounts sufficient to repay the loan to those Property Owners serviced by the extension on whose behalf loan funds were spent for purposes authorized by these Rules; and
- ii. executed an easement lease agreement with the Catskill Watershed Corporation whereby the Municipality would transfer title of easement for the portion of the extension of the sewer to CWC in return for CWC leasing the easement back to the Municipality with funding for construction of the extension.

1:07:06 Term of Agreements

The term of the lease shall be no more than 30 years. The term may be extended by the Board.

1:07:07 Closing Fees

The applicant will be responsible for its costs. CWC will not charge any closing fees.

Chapter 1:08 Catskills Studies Funding Program

Purpose: To provide funding or matching funds for studies that have environmentally sound economic development benefits for the WHO.

1:08:01 Eligibility Requirements

An applicant must be a governmental entity or the CWC.

1:08:02 Eligible Studies

Studies to be funded may include feasibility studies, environmental studies, market development studies, industry development studies, or other studies that have a purpose of enhancing watershed protection and/or expanding, creating, or improving the prospects of environmentally sound economic development activities within the WOH.

In no event shall CFF funds be spent to fund any study that will directly or indirectly confer an economic benefit on or subsidy to a private individual or business.

1:08:03 Limits of CWC Funding

CWC will fund up to 100% of the amount requested by the Applicant.

1:08:04 Application Cycle

Applications will be accepted on a continuous basis throughout the year.

1:08:05 Review Process

Applications will be reviewed by the Economic Development Committee and the recommendations made will be acted upon by the Board of Directors.

1:08:06 Selection Criteria

The Economic Development Committee shall base its recommendations on the following criteria in addition to those criteria outlined in the preceding chapters:

- Amount of match
- Demonstration of public support
- Impact on the economy – short or long-term
- Feasibility
- Community benefits
- Reasonableness of budget

Chapter 1:09 Enhanced Land Trusts Excess Funding

Purpose: To provide for funding of projects related to flood recovery and flood relief, fish stocking and fish habitat, and/or increasing recreational opportunities and access, from funds received under the Enhanced Land Trusts Program.

1:09:01 Program Funding

Pursuant to the Enhanced Land Trusts Program under the 2010 Water Supply Permit, CFF will receive “excess funds” as defined by the Enhanced Land Trusts Program memo. All excess funds received shall be specifically dedicated to the Enhanced Land Trusts Excess Funding and shall not be used for any other purpose.

1:09:02 Eligibility Requirements

Applicants for Enhance Land Trusts Program Funding are limited to West of Hudson municipalities, including villages, towns and counties.

1:09:03 Eligible Projects

Eligible Projects shall be located within the West of Hudson Watershed and also within a town that has agreed to participate in the Enhanced Land Trusts Program under the 2010 Water Supply Permit. Categories of eligible projects include flood recovery and flood relief, fish stocking and fish habitat, and/or increasing recreational opportunities and access.

1:09:04 Project Application

Upon Enhanced Land Trusts Program Fund balance reaching Ten Thousand Dollars (\$10,000.00) or more, CWC shall notify towns and villages that have agreed to participate in the Enhanced Land Trusts Program, and counties wherein same are located, of the amount and availability of funds and invite applications to be made within the next sixty (60) days.

1:09:05 Project Selection

The Board shall approve the applications as requested, approve the application contingent on conditions, or disapprove applications. All projects funded shall meet the requirements of a QEDP as defined in Chapter 1:01. All successful applications must execute an agreement with CWC.