

PRELIMINARY
Compliance Review

MEMORANDUM

DATE: _____
TO: Wyoming Smart Capital Network, LLC
FROM: _____
RE: Review of Loan No. _____ (the "Loan")
Borrower: _____
Lender: _____

I have completed the attached checklist and reviewed the following documents for this Loan:

- Lender Participation Agreement
- Loan Application
- Lender Application and Certification
- Borrower Certification
- Collateral Deposit Pledge Agreement

I have also reviewed the documents that govern the use of federal funds by the Laramie Consortium of Participating Municipalities, including:

- Allocation Agreement for Participating Municipalities of [date] (the "Allocation Agreement")
- Relevant document posted at the website of the State Small Business Credit Initiative ("SSBCI"), <http://www.treasury.gov/resource-center/sb-programs/Pages/ssbci.aspx>

Upon my review of these documents and relying upon the representations and certifications of the Borrower and the Lender therein, I verify that the Loan complies with the requirements of the SSBCI and the Allocation Agreement in effect on this date and qualifies for the Collateral Support Program described in the Allocation Agreement.

Signature: _____
Name: _____
Title: _____
Firm: _____

Compliance Verification Checklist

Indicate with a checkmark –

Business Purpose.

- The Loan proceeds will be used for the following “business purpose”: _____ [A business purpose includes, but is not limited to, start up costs, working capital, business procurement, franchise fees, equipment, inventory, as well as the purchase, construction renovation or tenant improvements of an eligible place of business that is not for passive real estate investment purposes. The definition of “business purpose” excludes activities that relate to acquiring or holding passive investments such as commercial real estate ownership, the purchase of securities; and lobbying activities as defined in Section 3(7) of the Lobbying Disclosure Act of 1995, P.L. 104-65, as amended.]

Prohibited Use of Loan Proceeds. The proceeds of the Loan will not be used:

- to repay delinquent Federal or State income taxes unless the Borrower has a payment plan in place with the relevant taxing authority;
- to repay taxes held in trust or escrow, e.g. payroll or sales taxes;
- to reimburse funds owed to any owner, including any equity injection or injection of capital for the business' continuance; or
- to purchase any portion of the ownership interest of any owner of the business.

Borrower's Affiliations. The Borrower is not:

- an executive officer, director, or principal shareholder of the Lender;
- a member of the immediate family of an executive officer, director, or principal shareholder of the Lender; or
- a related interest of any such executive officer, director, principal shareholder, or member of the immediate family.

For the purposes of the above three restrictions, the terms “executive officer”, “director”, “principal shareholder”, “immediate family”, and “related interest” refer to the same relationship to a financial institution lender as the relationship described in part 215 of title 12 of the Code of Federal Regulations, or any successor to such part.

Borrower's Business. The Borrower:

- does not have or expect to have more than 500 employees;
- is located within the limits of the following Participating Municipality: _____
- is located near the following Participating Municipality(ies) to be benefited: _____

The Borrower [] is [] is not a Minority or Women Owned Business Enterprise as defined in the Lender Participation Agreement.

The Borrower is not:

- a business engaged in speculative activities that develop profits from fluctuations in price rather than through normal course of trade, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business and part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business;
- a business that earns more than half of its annual net revenue from lending activities; unless the business is a non-bank or non-bank holding company certified as a Community Development Financial Institution;
- a business engaged in pyramid sales, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants;
- a business engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted. (Included in these activities is the production, servicing, or distribution of otherwise legal products that are to be used in connection with an illegal activity, such as selling drug paraphernalia or operating a motel that knowingly permits illegal prostitution); or
- a business engaged in gambling enterprises, unless the business earns less than 33% of its annual net revenue from lottery sales.

No Conviction of Sex Offense or Criminal Convictions.

- No principal of the Borrower has been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. 16911)). For the purposes of this certification, "principal" is defined as "if a sole proprietorship, the proprietor; if a partnership, each managing partner and each partner who is a natural person and holds a 20% or more ownership interest in the partnership; and if a corporation, limited liability company, association or a development company, each director, each of the five most highly compensated executives or officers of the entity, and each natural person who is a direct or indirect holder of 20% or more of the ownership stock or stock equivalent of the entity".
- Neither the Borrower nor any of its affiliates, subsidiaries, officers, directors and any person who, directly or indirectly, holds a pecuniary interest in the Borrower of 20% or more: (i) have any criminal convictions incident to the application for or performance of a state contract or subcontract, and (ii) have any criminal convictions or have been held liable in any civil proceeding that negatively reflects on the person's business integrity, including without limitation, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property or violation of state or federal antitrust statutes. Also, the Borrower is not in material violation of any federal or state law, judgment, decree, order, or governmental rule or regulation.

Lender Qualifications.

- A Lender Participation Agreement is in effect between WSCN and Lender.
- Lender is a depository institution, insured credit union, or community development financial institution, as those terms are each defined in section 103 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702) which is experienced in the making of loans to businesses of the type provided for under the CSP, has an office and business operations in the State of Wyoming and is regulated by the Office of the Comptroller of the Currency (including by merger, the Office of Thrift Supervision), the Federal Reserve Board, the Wyoming Department of Audit-Division of Banking or similar regulatory agency.

Loan Requirements.

The Loan is:

- not more than the principal amount of \$5 million;
- at least twice the size of the cash collateral pledged by WSCN in support of the Loan; and
- a new extension of credit to the Borrower, and will not be used or made (a) to refinance a loan previously made to the Borrower by the Lender or an Affiliate of the Lender, (b) to support existing extensions of credit (including but not limited to prior loans, lines of credit or other borrowings that were previously made available as part of a state small business credit enhancement program), or (c) to place under the CSP prior debt that is not covered under the CSP and that is or was owed by the Borrower to the Lender or to an Affiliate of the Lender. (A new extension of credit is permitted under the CSP if the loan matures and a new credit decision is made by the Lender. This is not considered a “refinance”, and is an eligible use of funds).

Neither the Loan nor any portion of the Loan is:

- to be used to pay any person to influence or attempt to influence any agency, elected official, officer or employee of a state or local Government in connection with the making, award, extension, continuation, renewal, amendment, or modification of any State or Local Government contract, grant, loan or cooperative agreement as such terms are defined in 31 U.S.C. §1352;
- to be used to pay any costs incurred in connection with (i) any defense against any claim or appeal of the United States Government, any agency or instrumentality thereof (including the US Department of Treasury), against the Participating Municipalities, or (ii) any prosecution of any claim or appeal against the United States Government, any agency or instrumentality thereof (including the US Department of Treasury), which the Participating Municipalities instituted or in which the Participating Municipalities has joined as a claimant;
- to be used to pay the salary of any individual engaged in activities related to the SSBCI who has been officially disciplined for violations of subpart G of the Standards of Ethical Conduct for Employees of the Executive Branch for viewing, downloading, or exchanging pornography, including child pornography, on a Federal government computer or while performing official Federal Government duties or
- represents any unguaranteed portion of an SBA-guaranteed loan.

Other:

- The Lender has used normal underwriting criteria and performed a credit analysis of the Borrower.
- The Lender has determined that the collateral support to be provided under the CSP will be instrumental in enabling the Lender to make the Loan.
- The Borrower has determined that the collateral support to be provided under the CSP will be instrumental to the Borrower in starting or expanding or otherwise improving its business.
- The Lender is retaining an at risk position of at least 20% of the original principal amount of the Loan.
- If real estate is financed with the Loan, the property will be owner occupied.

Signature: _____

Name: _____

Title: _____

Firm: _____