

**ECONOMIC DEVELOPMENT AUTHORITY
OF FLOYD COUNTY**

“5 AND 10”

**SMALL BUSINESS LOAN POOL
PROGRAM DESIGN**



SMALL BUSINESS LOAN POOL

TABLE OF CONTENTS

Section 1: Program Administration.....	3
Program Objectives	3
Project Area	3
Program Description	3
Staffing + Responsibilities	3
Section 2: Loan Policies	3
Area of Operation	3
Type of Financing & Interest Rate	3
Terms 4	
Amount.....	4
Uses 4	
Eligibility Requirements.....	4
Costs & Fees.....	5
Section 3: Application Process and Documentation.....	5
Section 4: Program Time Frame	7
Section 5: Program Income	7
Section 6: Complaints and Appeals Procedure.....	7
Section 7: Recordkeeping.....	7
Section 8: Program Design Amendments.....	8

SMALL BUSINESS LOAN POOL

Section 1: Program Administration

PROGRAM OBJECTIVES

The Economic Development Authority of Floyd County (EDA) is committed to providing financial incentives and assistance to good small businesses and start-ups ready and able to grow in Floyd County. This support is good for the small business, and the addition of jobs and private investment, as well as economic diversity, are good for the local citizens and economy.

The Economic Development Authority of Floyd believes that it is in the public's interest to remove impediments to economic growth and to stimulate investment in businesses in order to help create and retain jobs in the community. The EDA has worked with Rural Development to establish the Small Business Loan Pool to facilitate small business growth in Floyd County. The goals of this loan fund are to:

1. Encourage economic development by making available adequate and affordable credit to existing small businesses or new businesses that locate or expand operations in Floyd County.
2. Stimulate the creation and retention of jobs within the County.
3. Diversify the economy of Floyd County to capitalize on the many skills and talents (and provide upward development potential) and minimize single-sector vulnerability.
4. Provide financial assistance to reduce the turnover rate caused by the failure of businesses due to inadequate start-up or expansion capital.

PROGRAM DESCRIPTION

The EDA has invested \$5,000 (plus volunteer and staff time) and received an additional \$99,000 in Rural Development Funds to create this revolving Loan Pool. The purpose of the Small Business Loan Pool program is to provide low-interest, fixed-asset financing to existing or new small businesses that locate to or expand in Floyd County and which result in the creation or retention of jobs. (Here, "small business" is defined as a business having 9 or fewer employees.) Recaptured funds will be used to make additional loans. The program will be called "5 and 10 Small Business Loans."

STAFFING AND RESPONSIBILITIES

The Small Business Loan Pool will be administered by the Economic Development Authority of Floyd County. The loan fund will be open for applications following the availability of Rural Development funds. Loan servicing will be handled by the EDA staff or by a bank at the determination of the EDA. The EDA will form a committee to review Small Business Loan Pool applications and policies; this Loan Advisory Committee (LAC) will make recommendations to the full EDA.

SECTION 2: LOAN POLICIES

AREA OF OPERATION

The Small Business Loan Pool program will operate within the boundaries of Floyd County, Virginia.

TYPE OF FINANCING & INTEREST RATE

The type of financing is fixed-asset financing. The annual interest rate will be 2% for a 5-year term and 4% for a 10-year term.

SMALL BUSINESS LOAN POOL

TERMS

The EDA may set the loan term for either five (5) or ten (10) years. The borrower/s must be the owner/s of the business that is retaining or creating jobs and provide adequate marketable collateral to secure the loan. Collateral may include first- or second-lien positions or a deed of trust on assets financed. At the discretion of the EDA, other forms of marketable collateral (including marketable stocks or bonds, US Government securities, letters of credit) may be considered if the value of the marketable collateral is sufficient to protect the interest of the EDA throughout the term of the loan.

The borrower must commit to funding at least 10% of the project, and up to 90% can come from the Revolving Loan Pool. This can be verified by reimbursing only 90% of submitted costs.

The loan must be repaid on a monthly basis over the term. There is no prepayment penalty.

One full-time-equivalent (FTE) job must be created or retained for every \$5,000 loaned. This may include the loan applicant. FTE is defined as 30 hours or more per week. Part-time employees may be hired under this program; each part-time employee working at least 15 hours per week will be counted as one-half of a FTE.

The borrower of program funds is required to execute a legally binding agreement with the EDA. The Small Business Loan Pool will require the borrower to provide appropriate assurances that the loan proceeds are expended as proposed. Each year during the term of the loan, the borrower will submit an update about the project, including the number of jobs created/retained.

AMOUNT

The loan amounts are \$5,000 and \$10,000 per individual business (and owner). An existing business may apply for \$5,000 if the project shall help preserve or create at least one Full-time-equivalent job; existing businesses may apply for \$10,000 if the project shall preserve or create at least two Full-time-equivalent jobs. Start-up businesses may apply for \$5,000 if the project will create one Full-time-equivalent job; start-up businesses may apply for \$10,000 if the project will create two Full-time equivalent jobs.

USES

Allowable uses of funds which are received from the Small Business Loan Pool include building and land acquisition, leasehold and site improvements, new construction and rehabilitation costs, purchase of fixtures, machinery, and equipment and associated installation costs, working capital (for start-up costs, cash-flow, inventory), and business services (such as advertising, legal or accounting assistance.) Note that these federal funds are subject to Davis-Bacon wage requirements (for construction projects over \$2,000); and raw material (steel) purchases are subject to the Buy America Act (attached.)

ELIGIBILITY REQUIREMENTS

Any business with 9 or fewer employees located or locating in Floyd County and which meets the following eligibility requirements may apply for a loan through the Small Business Loan Pool.

The Eligibility Requirements for the Small Business Loan Pool Include:

1. Provide proof that the business or building is located and has a permanent physical address in Floyd County.
2. Provide proof that the business is a privately owned, for-profit business employing 9 or fewer employees currently (To meet the definition of small business, Rural Development also requires they have gross sales of less than \$1 million.)
3. Commitment that the applicant put in 10% of project funds.
4. Provide proof of collateral. Assets used as collateral may include cash, land, buildings, or equipment. Proof of hazard insurance in sufficient amount to protect the collateralized

SMALL BUSINESS LOAN POOL

asset may also be required. Business owners will be required to give personal loan guarantees where other security is not available.

5. Provide proof of equity interest in business.
6. Provide a business plan (assistance available).
7. Demonstrate that one fulltime-equivalent job will be created or retained for every \$5,000 borrowed from the Small Business Loan Pool.

The federal funds provided to this program prohibit loans from this Loan Pool to the following:

- Zoos;
- Aquariums;
- Convenience stores, unless the store provides quality jobs and sells or will sell E85 fuel upon completion of the project;
- Pools;
- Water park;
- Hotels/motels and other facilities that have pools or water parks;
- Golf courses;
- Museums; and
- Casinos, other gambling establishments, and other businesses that derive any income from gambling (other than State-run lotteries).

COSTS & FEES

Application, credit report costs, origination fees, and closing costs will be charged to the borrower. Applicants are responsible for loan closing costs and settlement fees.

NON-DISCRIMINATION

In the Small Business Loan Pool Program there will be no discrimination on basis of race, color, religion, national origin, sex (including sexual orientation), marital status, disability, or age in any of its policies, procedures or practices.

SECTION 3: APPLICATION PROCESS AND DOCUMENTATION

The Economic Development Authority of Floyd County will accept applications from eligible businesses on a first-come, first-served basis. The Small Business Loan Pool Program will apply all procedures in a uniform manner. No applicant or employee will be asked for additional information based on age, race, color, religion, sex (including sexual orientation), handicap, familial status or national origin. The program will be implemented to assure consistent and equitable assistance to all program participants.

Completed applications and required documentation will be reviewed by the Small Business Loan Advisory Committee. The Committee will make a recommendation to the full EDA, which will make all final decisions related to the Loan Pool program.

All applications must be submitted with complete documentation of eligibility. Applications must be made on the form provided by the EDA and must be signed by all the business owners. The application submission must include the following items in order to be considered for financial

SMALL BUSINESS LOAN POOL

assistance. (The Small Business Loan Pool Loan Advisory Committee may waive or request additional information requirements at its discretion.)

Information Required from Applicants:

1. Completed and signed application
 - a. Loan Request Worksheet
 - b. Personal Financial Statements
 - c. Credit Authorization Form
 - d. Balance Sheet, Profit & Loss Statement, (AP & AR for current 90 day period)
 - e. Disclosure Statement(s)
 - f. Business Lease/deed
2. Current three-year business plan and management info (assistance available)
3. Personal credit report (as appropriate)
4. Three business references
5. Copy of collateral offered & current market value (title, deed, security paper, etc)
6. Statement indicating what the loan will be used for.

Prior to receiving assistance, each borrower receiving a loan from the Small Business Loan Pool must also:

- a. Complete and submit Form RD 1940-20, "Request for Environmental Information," and provide such additional information subsequently requested and needed by RD to complete appropriate environmental review.
- b. The recipient must certify that their project is located in Floyd County.
- c. The recipient must certify that at least 51% of the outstanding ownership or membership is comprised of those who are either citizens of the United States of America or reside in the U.S. after being legally admitted for permanent residence.
- d. The recipient must provide an executed Form AD-1048 "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion—Lower-Tier Transactions," that they are not debarred or suspended from receiving Government assistance.
- e. The recipient must provide an executed Form RD-400-4 "Assurance Agreement."
- f. The recipient must display the enclosed "And Justice For All" and "Equal Employment is the Law" posters in a conspicuous area of employee use or areas related to employment activities.

For the convenience of applicants, these forms will be distributed to all applicants who are offered a loan. Should administrative questions arise about these forms or this process, staff should contact at Rural Development is Craig Barbrow at 276-228-3513, ext. 123.

The federal funds for this Loan Pool program, came from the American Recovery and Reinvestment Act (ARRA). To maximize the transparency and accountability of funds authorized under the ARRA, federal rules require borrowers to "maintain records that identify adequately the source and application of Recovery Act funds." Following loan announcements, a blank Reporting form will be supplied to the applicant.

SMALL BUSINESS LOAN POOL

SECTION 4: PROGRAM TIME FRAME

Small Business Loans will be available to qualified applicants following the release of funds from Rural Development. Any remaining funds not loaned out at the time of administrative close-out of the EDA's Rural Development Grant will be returned to the funding agency; however the Small Business Loan Pool may continue as program income generated through the recapture or repayment of loan funds or if new sources of funds become available to the EDA.

SECTION 5: PROGRAM INCOME

Any Small Business Loan Pools repaid or recaptured will be used to recapitalize and extend the Small Business Loan Pool Program to stimulate investment in businesses in order to help create and retain jobs in the community.

SECTION 6: COMPLAINTS AND APPEALS PROCEDURE

Oral or written complaints of any nature and by any party shall be documented and resolved by County staff as informally and quickly as possible.

Unresolved, complaints will be shared by staff at the next EDA meeting. The Small Business Loan Pool Program will apply all procedures in a uniform manner. No applicant or employee will be asked for additional information based on race, color, religion, sex, handicap, familial status or national origin. The program will be implemented to assure consistent and equitable assistance to all program participants.

SECTION 7: RECORDKEEPING

Quarterly reports will be provided by the EDA to Rural Development during the first 12 months of the Loan Pool program. These reports will include number of applicants, number of loans, basic description and amounts.

Minutes are kept of EDA meetings and thus all recommendations from the Loan Advisory Committee and final decisions by the EDA will be recorded in those minutes, subject to exception of documents containing proprietary information or anything exempted by Freedom of Information Act (FOI).

Documentation that loan proceeds are expended as proposed may be provided either through source documentation (such as invoices, construction contracts, etc.) or through an affidavit made and submitted to the EDA.

All documentation will be kept on file at a secure location as required to ensure confidentiality of applicant information. Non-proprietary information may be subject to Freedom of Information Act requests.

SECTION 8: PROGRAM DESIGN AMENDMENTS

During implementation of the Small Business Loan Pool Program the EDA may find it necessary to make changes and refinements as the program proceeds. The Small Business Loan Advisory Committee may recommend and/or draft changes to be considered by the full EDA.

APPROVED:

SMALL BUSINESS LOAN POOL

Jack Russell, Chairman,
Economic Development Authority of Floyd County

Date

SMALL BUSINESS LOAN POOL

Procedures of the ECONOMIC DEVELOPMENT AUTHORITY OF FLOYD COUNTY SMALL BUSINESS LOAN ADVISORY COMMITTEE

ARTICLE I – THE COMMITTEE

Section 1. Name of the Committee. The name of the Board shall be the “Economic Development Authority of Floyd County Small Business Loan Advisory Committee” (LAC).

Section 2. Purpose of the Committee. The purpose of the Committee shall be to make recommendations to the EDA on policies and applications for the Small Business Loan Pool Program. The Committee shall review applications for financial loans available through the program, and make recommendations to the full EDA regarding approval, terms, and monitoring process. The Committee also shall review policies and procedures, including outreach, and make recommendations to the full EDA of any desired changes.

Section 3. Office of the Committee. The offices of the Committee shall be in the Administrator’s Office at 120 W. Oxford St in Floyd, Virginia, but the Committee may hold its meetings at such place and times as it may designate by resolution.

Section 4. Committee Members. The Committee shall consist of 3 members of the EDA and one (non-voting) staff member. All Committee members shall serve a term of two years and may be reappointed.

Section 5. Authority. The Small Business Loan Advisory Committee is an advisory committee and shall make recommendations to the full EDA. The EDA will make all final decisions.

ARTICLE III – MEETINGS

Section 1. Regular Meetings. Regular meetings of the Small Business Loan Advisory Committee shall be held at 5 p.m. before the regular monthly EDA meetings, which are held at 6 p.m. on the 4th Tuesday of each month. Meetings will be the Administrator’s Office or at such place as may be designated by the Committee. County Staff shall deliver the meeting information packages to each member of the Board at least three (3) working days prior to such meeting. Appropriate County Staff may at his or her discretion cancel the regular meeting if there is no business to conduct.

Section 2. Special Meetings. The Small Business Loan Advisory Committee may, when deemed expedient by 2 or more committee members in writing, call a special meeting for the purpose of transacting any business designated in the call. The call for a special meeting may be delivered to each member of the Committee or may be mailed to the business or home address of each member of the Board at least two (2) days prior to the date of such a special meeting. At such special meeting, no business shall be considered other than that as designated in the call, UNLESS all members of the Committee are present at a special meeting, in which case any and all business may be transacted at such special meeting.

Section 3. Quorum. A majority of the voting members of the Committee shall constitute a quorum for the purpose of conducting its business and exercising its powers and for all other purposes, but a smaller number may adjourn until a quorum is obtained. When a quorum is in attendance, the Committee may take action upon a vote of a majority of the entire Committee

SMALL BUSINESS LOAN POOL

present. Upon vote, each Committee member shall have one (1) vote. In the event of a quorum and a tie vote, the business at hand will be tabled until an odd majority of the Committee is present and a new vote can be cast.

Section 4. Attendance. Committee members are expected to attend all meetings and should notify the County staff in advance of any absence. A member unable to attend may cast a vote on each item before the Committee by providing a written proxy statement to the appropriate County Staff in advance of the meeting, however, a vote by proxy will not count towards quorum.

Section 5. Manner of Voting. The voting on all questions coming before the Committee shall be by majority, with the "Ayes" and "Nays."

ARTICLE IV – AMENDMENTS

Amendments to the Procedures. The Procedures of the Small Business Loan Advisory Committee shall be amended only with approval of at least a majority of the Committee at a regular or special meeting, but no such amendment shall be adopted unless at least three (3) days written notice thereof has been previously given to all Board members. All procedural changes must also be approved by the full EDA before they are adopted.

AS OF _____, 2010

**FORM FC-A
RURAL AREA
and SMALL EMERGING PRIVATELY OWNED BUSINESS
and CITIZENSHIP CERTIFICATION**

As (title) _____ of (company) _____
_____, I hereby certify that (company) _____
_____ is an eligible small, emerging, privately-owned
business (gross sales of less than \$1 million per year and 10 or fewer employees) in Floyd
County (not a city or town with a population greater than 50,000 persons or the urbanized area
contiguous and adjacent to such a city or town.)

I also certify that at least 51% of the outstanding ownership of (company) _____
_____ is comprised of those who are either
citizens of the United States of America or reside in the United States after being legally
admitted for permanent residence.

Date

Name

