

Big Sandy Area Revolving Loan Fund

Flexible Financing for Businesses in the Big Sandy Region

The purpose of the Big Sandy Area Revolving Loan Fund (RLF) is to encourage the growth of business and industry within the region to diversify the economic base and create increased employment opportunities. The RLF is a source of financing for new or expanding businesses in the Big Sandy Region (Floyd, Johnson, Magoffin, Martin, and Pike counties), and must be utilized in conjunction with conventional financing to meet the company's total financing needs. RLF funds may not replace conventional (bank) financing; a loan can be considered only after a determination has been made that conventional loan sources cannot extend full financing to the applicant.

Program Guidelines

Job Creation and/or Retention: Applicants must demonstrate that they will create new or retain existing jobs to obtain an RLF loan. Generally, an RLF loan cannot exceed \$10,000 per job. The minimum loan size is \$5,000 and the maximum is \$100,000.

Targeted Projects: Loans are eligible for businesses in the industrial, commercial or tourism sectors. However, priority is given to projects which diversify the region's economic base (generally, those that create or retain non-coal-related jobs).

Leveraged Loans: The RLF is not a primary lender, nor will it loan 100% of needed financing. RLF loans require owner investment as well as other lenders' participation in the project. The total RLF loan portfolio must consist of a minimum of two private dollars for each RLF dollar invested.

Eligible Activities: RLF funds may be used to finance fixed assets (including land) and/or working capital. The latter includes inventory. Applicants are required to have existing net working capital of at least 20% of their total working capital needs. RLF loans cannot be used for revolving or open-end lines of credit, speculative activities, refinancing, or investment activities.

Loan Terms, Conditions and Interest Rates: Loans shall be repaid in equal monthly installments, including interest and principal. However, repayment terms will be based on the size, maturity and purpose of each project, as well as on projected cash flow constraints and the terms and conditions of other participating lenders. Generally, RLF loans for purchase of fixed assets may have a term of up to ten years, while working capital loans (including inventory acquisition) shall not exceed five years. Interest rates will be determined at the time of loan closing. In most instances, the rate is 1.5% above the Wall Street Journal Prime (interest rate floor is lesser of 4% or 75% of prime), and will be charged only on the unpaid balance of principal for the actual time the money is outstanding on the loan. There are no prepayment penalties for RLF loans.

Equity Requirements: The minimum equity required of a borrower shall be no less than 10%.

Collateral: As appropriate and practical, RLF loans will be secured by mortgages, liens, and/or assignments of rights to assets of borrowers. The RLF will, in some instances, take a subordinate position to other participating lenders.

Loan Fees: A non-refundable application fee will be charged to the borrower based on the size of the loan. For loans of up to \$40,000 a \$100 fee is charged; for loans over \$40,000 the fee is \$150.

Loan Process

Interested applicants should contact a loan officer at one of the banks listed below, or contact the RLF Administrator at Big Sandy Area Development District, 110 Resource Court, Prestonsburg, Kentucky 41653, (606) 886-2374. The bank representative or RLF administrator will discuss the loan with you in some detail. If it appears that your project is eligible for RLF financing, you will be asked to submit an application for an RLF loan. The application form can be obtained from one of the banks below or from Big Sandy Area Development District's web site at www.bigsandy.org.

The bank loan officer and Big Sandy ADD staff will review the application and request additional information (if needed). Loan rates, terms, uses of funds, collateral, and other issues will be discussed in detail with the applicant. The loan will then be presented to the RLF Loan Review Committee which will recommend approval or denial of the loan request. Applicants may not attend committee meetings. If the RLF Loan Review Committee recommends approval of the loan, the recommendation will be presented to Big Sandy Area Development District's Board of Directors for final approval.

Participating banks are:

BB&T Bank
164 Main Street
Pikeville, KY 41501
(606) 433-5500

Salyersville National Bank
Main Street
Salyersville, KY 41465
(606) 349-3131

Citizens National Bank
Broadway
Paintsville, KY 41240
(606) 789-4001

First Commonwealth Bank
169 North Arnold Ave.
Prestonsburg, KY 41653
(606) 886-2321

Community Trust Bank
208 North Mayo Trail
Pikeville, KY 41501
(606) 437-3365

US Bank
P.O. Box 1010
Martin, KY 41649
(606) 285-6320

Inez Deposit Bank
Box 331
Inez, KY 41224
(606) 298-3511

Big Sandy Area Revolving Loan Fund

Primary Checklist

1. Your business or proposed business must be located in the Big Sandy Region (Pike, Floyd, Johnson, Martin, or Magoffin County).
2. You will need a written business plan describing your business, your market and competition, the principals in your business and their relevant experience, your financing needs, and cash flow projections.
3. You must show you have attempted to secure funds for your current financing needs by applying for a commercial loan through a bank, from SBA, or other conventional financing sources and that you have been unsuccessful in obtaining all or part of the funds you require.
4. Explain how you will create new jobs, or retain existing jobs, if you are successful in obtaining financing from the Big Sandy RLF. Be specific with regard to the number, type, and wage levels for these jobs. If your company provides employee benefits, describe these as well.
5. Do you presently own property or equipment, or will you own property or equipment that can be used as collateral for the funds you wish to borrow? Has the property or equipment been recently appraised?
6. Life insurance policies on yourself or on other principals of your business will be required, and the value of these policies must be assigned to the Revolving Loan Fund if you are successful in obtaining financing.
7. Personal loan guarantees are required.
8. At least 10% of your financing needs must come from your own equity (intangible property is not included in the basis for establishing owner equity).
9. The interest rate on RLF loans is a fixed rate determined at the time your loan is closed. For the purpose of developing your pro-formas, assume your interest rate will be 1.5% below the Wall Street Journal Prime Rate. Your loan officer can tell you the current Prime Rate. The loan term will depend on how requested funds will be spent. Loan funds used to purchase land and buildings may have a term of up to 10 years; loan funds used to acquire equipment generally have loan terms of seven years. Funds used to acquire inventory or used for other working capital needs must be repaid within five years.
10. The bank loan officer is acting on behalf of the Big Sandy Area Revolving Loan Fund. Should you decide to apply for RLF Financing, your loan officer will obtain required documentation from you and perform a credit analysis. Once your application file is complete, it will be reviewed by the RLF Loan Committee, which will recommend approval or denial. The recommendation of the committee will be presented to the Big Sandy Area Development District Board of Directors, which will make the final decision on your loan request.

The above is provided for informational purposes only and does not constitute a formal application to the RLF. Additional information may be requested of applicants. Acceptance of an application for consideration does not assure funding approval. Based on the availability of funds and strength of individual applications, the Big Sandy RLF may request changes to loan amounts requested, repayment periods, interest rates, and/or collateral positions.

Application for Financial Assistance

From the

Big Sandy Area Revolving Loan Fund

The attached forms and supporting documentation are required to process a request for RLF assistance. Fill in all blanks, using "none" or "not applicable" where appropriate. If additional space is needed to answer a particular question, attach a separate sheet. Submit the completed application to your bank loan officer or to the RLF Administrator at Big Sandy Area Development District.

Important Note

A borrower is eligible for RLF financing only when sufficient credit is not otherwise available at rates and terms which would permit completion and/or successful operation or accomplishment of the project activities to be financed.

RLF loans cannot be used for private capital. The RLF will normally require documentation from outside sources (such as bank rejection letters) to support the claim that the RLF is not substituting its funds for available private capital.

Big Sandy Area Revolving Loan Fund

Loan Application Face Sheet

Legal Name of Applicant:

Mailing Address of Business:

Physical Address of Business:

Telephone:

Fax:

Principal in Charge:

Name of Person to Contact for Information Regarding Application:

Address:

Telephone:

Name of Lead Bank:

Name of Loan Officer:

Telephone:

Project Financing Summary

Financing Source	Amount	Percentage of Project	Loan, Grant or Equity	Interest Rate	Term (months)	Security Position
RLF						

Total Project **\$**

Please provide a brief history of the business, and a thorough description of the proposed project, on this page.

Employment Impact

Indicate below the number of people presently employed at the site of the project and the number that will be employed at the site at the end of the first and second years (after the project has been completed.) Do NOT include construction workers.

Type of Employment	Currently Employed		End of 1 st Year		End of 2 nd Year	
	Full Time	Part-Time-Seasonal	Full Time	Part-Time-Seasonal	Full Time	Part-Time-Seasonal
A. Professional, Managerial or Technical						
B. Skilled						
C. Unskilled						
TOTALS						

Acknowledgements and Certifications

Source and Purpose of Loan Funds Requested: I understand that the loan funds requested in this application are from the Big Sandy Area Revolving Loan Funds and that the purpose of the RLF is to support business activities for which credit is not otherwise available on terms and conditions which would permit the completion of successful operation of my project. I hereby certify that any funds obtained from the Big Sandy RLF are not being used to substitute for private capital.

Initial: _____

Accuracy and Completeness of Information in this Application: Eligibility for financial assistance is determined by the information presented in this application and in the required attachments. This information will be used as a basis by the Big Sandy Area Revolving Loan Fund Review Committee to evaluate this loan. I hereby represent and certify that the information contained in this application, including the required attachments, is, to the best of my knowledge, true and complete and accurately and fairly describes the proposed project for which financial assistance is requested. I agree to contact my bank loan officer or the Big Sandy RLF Administrator before taking any action which will change the status of the project as reported herein.

Initial: _____

Authorization for Credit Check: I hereby authorize the bank loan officer, on behalf of the Big Sandy Area Revolving Loan Fund, to check my credit and employment history and to answer any questions about its credit experience with me. I also authorize the bank loan officer to disseminate any information regarding my loan application to all banks participating in the Revolving Loan Fund.

Initial: _____

Right to Written Statement if Loan Denied: If your application for business credit is denied, you have the right to a written statement of the specific reasons for the denial. To obtain the statement, please contact the bank loan officer noted on Page One OR the Big Sandy RLF Loan Administrator, 100 Resource Drive, Prestonsburg, Ky 41653, within 60 days from the date you are notified of denial. You must request the written statement in writing. You will be sent a written statement of the reasons for the denial within 30 days of the receipt of your request for the statement.

Initial: _____

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, age (providing the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income is derived from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

Initial: _____

Signature of Applicant

Date

Printed Name:

Title:

Big Sandy Area Revolving Loan Fund

Required Documentation

- _____ 1. Commercial loan application forms provided by the bank from whom you are requesting financial assistance,

OR “Applicant Information” and “Project Information sheets from the Kentucky Development Finance Authority Loan Application Package,

OR standard SBA loan application forms for guaranteed or direct loan.
- _____ 2. Commitment letter(s) from private lenders or other financing sources outlining the amount of the loan, term, interest rate, and collateral requirements.
- _____ 3. A complete and current listing of loans and debts currently owed by the applicant business. For each debt, identify the source of debt, date and amount of original debt, present balance owed, interest rate, monthly payment, maturity date, and security; indicate whether the debt is current or delinquent.
- _____ 4. If funds are to be used to acquire real estate, an appraisal report of same performed within 120 days of the date of this application. If funds are to be used to acquire equipment, provide a list of equipment to be purchased and the projected cost of the equipment. Projected equipment costs should be supported by quotes from vendors on vendor letterhead. If funds are to be used to acquire inventory, provide a list of inventory to be purchased, supported by quotes from inventory vendors on vendor letterhead.
- _____ 5. Personal financial statements of all owners with 20% or more ownership of the company.
- _____ 6. Resumes of owners and key management.
- _____ 7. A copy of your business plan.
- _____ 8. A listing of your major customers and potential customers, as well as your major competitors. If available, attach copies of contracts used to support revenue projections.
- _____ 9. Historical financial statements (balance sheets and profit and loss statements) for the past three years. The preparer should sign historical financials. The company’s CPA should include a written statement verifying fiscal management meets Generally Accepted Accounting Procedures, whether the company has changed accountants in the last three years, and whether the company has any contingent liabilities.

- _____ 10. Interim financial statements within 60 days of application date.
- _____ 11. Pro formas for the next two years. These pro formas must include balance sheets, income statements, and a cash flow statement by month for the first year and by quarter for the second year. Provide a list of assumptions used in preparing the pro formas.
- _____ 12. The names of affiliates or subsidiary firms (those in which applicant company owner or owners have more than 20% interest), and the last fiscal year end financial statements for these firms.
- _____ 13. An executed "Statement of Assurances." (Form attached.)
- _____ 14. A non-refundable application fee based on the following scale:
RLF Funding Request of up to \$40,000, application fee of \$100.
RLF Funding Request of over \$40,000, application fee of \$150.

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STATEMENT OF ASSURANCES

As attested by the signature below, the applicant hereby certifies that, if it is successful in obtaining a loan from the Big Sandy RLF, it will comply with all of the assurances stated below. The applicant understands and agrees that if it does not comply with such assurances, the RLF loan will be subject to cancellation or recall.

The applicant agrees to comply with:

1. Access for the Handicapped: If the RLF Finances a construction project to which the public will have access, the applicant must ensure that accessibility to individuals with handicaps is provided.
2. Davis-Bacon Act: Construction financed in whole or in part by the RLF must meet the requirements of the Davis-Bacon Act, as amended (40 U.S.C. 276-a-276-a(5)), with respect to prevailing wage rates.
3. Relocation: Projects financed with RLF funds must be located within the eligible project area (Pike, Floyd, Johnson, Martin or Magoffin counties). The loan will be cancelled if the project activity is moved from these eligible counties.
4. The National Environmental Policy Act of 1969 (42 U.S.C. S 4321 et seq.) and 24 CFR Part 58, and, in connection with its performance of environmental assessments under the National Environmental Policy Act of 1969, comply with Section 106 of the National Historic Preservation Act of 1966, Executive Order 11593, and the Preservation of Archaeological and Historical Data Act of 1974, by:
 - A) Consulting with the State Historic Preservation Officer to identify properties listed in or eligible for inclusion in the National Register of Historic Places, that may be subject to adverse effects by the proposed activity; and
 - B) Complying with all requirements established by the State to avoid or mitigate adverse effects upon such properties.
5. Executive Order 11988, Flood Plain Management.
6. Section 202(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106) as it relates to the mandatory purchase of flood insurance for identified special flood hazard areas.
7. Executive Order 11990, Protection of Wetlands.
8. The Endangered Species Act of 1973, as amended.
9. The Fish and Wildlife Coordination Act of 1958, as amended.
10. The Wild and Scenic Rivers Act of 1974, as amended.
11. The Safe Drinking Water Act of 1974, as amended.
12. The Clean Air Act of 1970, as amended.
13. The Federal Water Pollution Control Act of 1972, as amended.
14. The Clean Water Act of 1977, as amended.
15. The Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, and subsequent amendments.

Legal Name of Applicant

Authorized Signature

Date

Name (typed or printed) and Title