

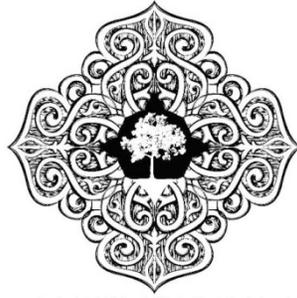
THE ADVANCEMENT  
FOUNDATION

*Division of Economic Development  
Revolving Loan Program Guidelines*

*(Plan and Administrative Program Manual)*

*227 South Pollard Street  
VINTON, VA 24719  
[www.TheAdvancementFoundation.org](http://www.TheAdvancementFoundation.org)  
(540) 283-7062*

**Adopted by The Advancement Foundation  
December 2016**



THE ADVANCEMENT  
FOUNDATION

***Division of Economic Development  
Revolving Loan Program Guidelines***

The Advancement Foundation (“TAF”) provides low-interest loans to qualifying for-profit businesses undertaking certain types of projects designed primarily to create or retain jobs. The loans, which generally range from a minimum of \$5,000 to a maximum of \$25,000, may be used to purchase real property, fixtures, machinery, and equipment. The loans may also be used for working capital and to remodel existing buildings. Loan terms vary from a maximum of 7 years for fixed-asset (tangible; property, plant, equipment) financing to a maximum of 5 years for non-fixed-asset (tangible; furnishings) financing. The Advancement Foundation’s loans are designed to leverage private investment and equity. Borrowers are required to contribute a minimum of 10% of the total project cost, with the Department of Housing and Community Development (DHCD) monies funding the remaining balance of the loan. All of The Advancement Foundation’s loans must be secured by adequate collateral. Personal guarantees and key man life insurance may be required. Borrowers must obtain all business licenses required by the according townships within the state of Virginia and must be current on all taxes owed to the according townships within the state of Virginia. Borrowers will generally be expected to create or retain one full-time equivalent (FTE) job for every \$25,000 in loan proceeds for two years after loan closing or the loan will have to be repaid in full. To apply for a loan from The Advancement Foundation, please complete the following application. Return the fully completed application and all required attachments, along with a

\$100.00 non-refundable application fee to the address listed below. Additional information may be required after initial review of the application. Loan applications will be submitted to The Advancement Foundation Loan Review Committee for review and approval on a monthly basis.

## ADMINISTRATOR

The Advancement Foundation, Virginia, USA  
227 S. Pollard Street, Vinton, VA 24179

## AREA OF OPERATION

Economic and Revitalization Program area: PDI Districts 1-6: mainly serving the following townships in Virginia, but not limited to, Vinton, Cave Spring, Hollins, Troutville, Fincastle, Buchanan, and Alleghany.



## PURPOSE

To create and retain jobs in PDI Districts 1-6 by stimulating new private investment by offering financing which may be subordinated to conventional bank financing.

## TYPE OF FINANCING

Revolving Loan Fund (RLF) for working capital and fixed asset loan.

## ELIGIBILITY

The applicant must be a Virginia small business, property owner, or have a current or pending lease, or sales contract for an eligible site in the PDI Districts 1-6. A small business as defined is a business which is at least 51% independently owned and controlled by one or more individuals

who are U.S. citizens or legal resident aliens, and together with affiliates, has 50 or fewer employees, or average annual gross receipts of \$1 million or less averaged over the previous three years. Loans will not be granted to applicants operating a home based business.

## AMOUNT

Minimum generally \$5,000

Maximum generally \$25,000

Maximum of \$25,000 of loan amount per each job created or retained.

## USES

- Land acquisition: Including engineering, legal, grading, testing, site mapping and related costs associated with acquisition, plan and site preparation.
- Building acquisition: Acquisition, construction and rehabilitation of buildings
- Purchase of machinery, office equipment and supplies, and/or other associated assets
- Working Capital: Limited to 30 percent of total loan portfolio.

## TERMS

- Machinery and equipment -- Up to five (5) years
- Land and facilities -- Maximum of seven (7) years
- Operating Capital -- Up to five (5) years

Collateral may include first or second lien positions or a deed of trust on assets financed. Perfection of security instruments on collateral may consist of UCC filings, mechanics liens, assignment of rents, titles, and any other instruments to perfect a lien on certain equipment or fixtures.

The Loan Review Committee and The Advancement Foundation reserve the right to determine, on a case by case basis, if loans provided through the Revolving Loan Program will be subordinate to other loans. This will be reflected in the documents signed by the borrower(s).

## INTEREST RATE

The interest rate will be established by the Loan Review Committee based on the Prime Rate as reflected in the Wall Street Journal. However, the interest rate for the loan programs will be fixed for the duration of the loan. At the discretion of the Loan Review Committee, the interest rate may vary to reflect the risk and the economic or community benefits of the specific project. In no event, however, shall the rate be less than 50 basis points below the prime interest rate.

## APPLICATION PROCESS

Application forms and instructions may be obtained from The Advancement Foundation at 227 S. Pollard Street, Vinton, VA 24179. The applicant must present a valid business license from

the according township within the state of Virginia at the time of application. A revolving Loan Review committee comprised of loan financial and economic development professionals reviews the completed form and makes recommendations as to the final approval.

## LOAN SELECTION AND APPROVAL PROCESS

- 1) The Project Manager will be responsible for ensuring that all applications are fully completed, signed and forwarded to the Loan Review Committee with recommendations. The Loan Review Committee is comprised of the President of the Advancement Foundation (TAF), one TAF Board member, TAF Operations Manager, one local business person, one accountant, and one bank representative.
- 2) At every regular meeting and prior to any action taken on the RLF applications, the Loan Review Committee will review the current financial condition of the Program Fund. The Project Manager will provide information on the total value and liquidity of the Fund assets and total liabilities. This information shall be derived from periodic financial reports.
- 3) If the amount of the loan request exceeds available funds, the President of The Advancement Foundation shall assign a numerical ranking or preference ranking to each application based upon the characteristics of the applicant. In instances where funds are limited, priority preference shall be given to minority-owned business applicants and/or business employing low- to moderate income (LMI) individuals.
- 4) The Loan Review Committee, at its regular meeting, will act on every loan application received by the Project Manager, subsequent to the previous meeting, by either denying or approving the application. If there is no motion to approve or no second to the motion to approve, then the application shall be deemed to be denied. The Committee shall also stipulate the interest rate and the terms of the loan. If any applications are approved, the Committee will instruct the Project Manager to prepare information to be presented to the full Committee for approval or denial.
- 5) If any applications are approved by the Committee, the Project Manager will forward present the application to the Project Management Team for final approval.

## COSTS AND FEES

- 1) Application Fee - a fee of \$100.00 will be paid by each applicant at the time of submission of the application to The Advancement Foundation.
- 2) Service Fee – a fee of 2% will be paid by each Borrower that will be included in the scheduled loan payments.

## ELIGIBLE COSTS

- 1) Land and associated costs necessary to its acquisition and preparation.
- 2) Building and associated costs necessary to acquire, construct and/or rehabilitate.
- 3) Equipment and associated costs necessary for the acquisition and installation of machinery and equipment.

- 4) Other costs contributing to the value of project's fixed assets, such as sales and use taxes and interest on interim construction financing.
- 5) Adequate and appropriate contingency reserve.
- 6) Working capital (including inventory- Loan requests for working capital will be viewed on a case-by-case basis and will generally be subject to higher underwriting standards than a loan request to fund the above items.)
- 7) Infrastructure costs.
- 8) Reasonable relocation costs, except where prohibited by Loan Requirements

#### LOAN REQUIREMENTS

Prior to disbursement of funds, the Program Manager will require the Borrower to provide assurances as detailed in the Plan and;

- 1) The proposed project(s) is located within the DHCD Project areas of the PDI Districts 1-6.
- 2) Uses of RLF will be consistent with the economic development plan of the according township.
- 3) Barring exceptional circumstances, the minimum loan amount will be \$5,000 and the maximum will be \$25,000.
- 4) Projects involving construction shall be in compliance with all federal, state and local codes and regulations.

#### LOAN CONDITIONS

In making loans, the Loan Review Committee shall apply the following conditions:

##### A. General

- 1) Financial assistance may not be extended if total financing is otherwise available from private lenders or other agencies on terms which, at the opinion of the Loan Review Committee, will permit the accomplishment of the project. However, applicants are encouraged to maximize the participation of other private sources for project financing.
- 2) There is reasonable assurance of repayment of the loan, giving full consideration to special impacts of the objectives of the Program.
- 3) Security may be required as is determined necessary by the loan counsel.
- 4) The Loan Review Committee will normally require personal guarantees of the borrower(s) and/or principal(s), as may be necessary to properly secure the loan.

5) The Applicant will be required to comply with the stated reporting requirements. (See attached forms.)

6) If applicant relocates its principal place of business outside the corporate limits of the designated location within PDI Districts 1-6 within the length of the loan, the Loan Review Committee, after consulting with the The Advancement Foundation, at its option upon 30 days prior written notice, may declare the entire principal balance of the Note and all accrued interest together with all applicable fees, costs and charges, if any, immediately due and payable to The Advancement Foundation.

7) If the Borrower ceases business operations within two operating seasons, the Loan Review Committee, after consulting with The Advancement Foundation, at its option upon 30 days prior written notice, may declare the entire principal balance of the Note and all accrued interest together with all applicable fees, costs and charges, if any, immediately due and payable to The Advancement Foundation.

8) The Borrower shall submit financials to the Loan Review Committee from time to time based on the type of business operation and on request from the Loan Review Committee.

9) Financing can be used as a second standing loan to augment a gap in financing from a bank.

#### B. Loan Terms

1) The term of a fixed asset loan shall ordinarily be no greater than the weighted average useful life of the fixed asset(s) of the project; however, in no case may a fixed asset loan be made for a term of more than seven (7) years.

2) The term of a full working capital loan or a loan where a majority of the proceeds are used for working capital shall not exceed five (5) years.

3) Except at the discretion of the Loan Review Committee, the maximum loan-to-project costs shall not exceed 90% and generally no more than 30% of the loan proceeds shall be used for working capital.

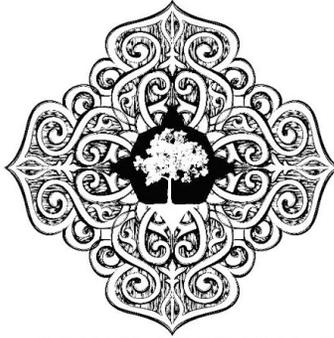
#### SECURITY REQUIREMENTS

1) Security may be required generally in the form of liens against real estate and machinery and equipment, and/or the direct assignment of awarded Grants and/or the assignment of awarded government contracts and/or other security the Loan Review Committee deems appropriate.

2) Normally each loan shall require personal guarantees of the borrower(s), principal(s), and/or their spouses as may be necessary to properly secure the loan.

3) Adequate insurance coverage of the collateral shall also be required.

4) If a business is leasing a building or a portion thereof, a landlord's lien waiver shall be required at the time of closing unless waived by the Loan Review Committee at its sole discretion.



THE ADVANCEMENT  
FOUNDATION

*Division of Economic Development*

## REVOLVING LOAN FUND APPLICATION

**The Company must meet the attached Program criteria before they can be considered eligible for “The Advancement Foundation Revolving Funds Program” Loan. All information on this application must be completed to the satisfaction of The Advancement Foundation Division of Economic Development, or it will not be considered complete. Once it is complete, the request will be processed according to the attached steps. A non-refundable application fee of \$100.00 is required at time of application filing.**

How did you hear about the Revolving Loan Fund? (Check one)

- The Gauntlet Business Program and Competition
- Other programs by The Advancement Foundation
- Referral; Name: \_\_\_\_\_

Subject Property Street Address: \_\_\_\_\_

### **THE COMPANY:**

Company Legal Name: \_\_\_\_\_

Federal ID Number: \_\_\_\_\_ SIC Code: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Fax: \_\_\_\_\_

Legal Counsel: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Accountant: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

**INDIVIDUAL:**

Applicant Name: \_\_\_\_\_

Applicant Street Address: \_\_\_\_\_

City/Town: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Social Security Number/DL: \_\_\_\_\_ Phone: \_\_\_\_\_

Email: \_\_\_\_\_

**BUSINESS FORM:**

( ) Corporation State: \_\_\_\_\_ Year Incorporated: \_\_\_\_\_

( ) Partnership State: \_\_\_\_\_ Year Incorporated: \_\_\_\_\_

( ) Sole Proprietorship State: \_\_\_\_\_ Years. Established: \_\_\_\_\_

**PRINCIPALS:**

**a.** Attach as “Schedule A” – Prepare a schedule with the names, addresses and business affiliations and percentage of ownership of all principals (officers, directors, shareholders or partners with ownership of 5% or more) and their relationship to the Company.

**b.** Attach as “Schedule B” – Prepare a schedule with the resumes of the principals and officers including name, address, phone number, date of birth, business experience, education position in the Company, employment history, length of association with Company, salary and other compensation and outside directorships.

**c.** Is the Company presently in any litigation, which would have a material effect on the Company’s financial solvency? ( ) Yes ( ) No (if yes, provide details.)

**d.** Has the Company or any of the management of the Company or its affiliates, or any other concern with which such management has been connected, ever been involved in bankruptcy, creditor’s right’s or receivership proceedings or sought protection for creditors?  
( ) Yes ( ) No (if yes, provide details.)

**e.** Have the management or principal stockholders of the Company ever been charged with or convicted of any felony, or misdemeanor other than minor traffic offenses, or been in the management of or stockholders in any firm or corporation convicted of any felony? (This information will only be used for the purpose of evaluating the business reputation of the Company and its principals, as required by law.)  
( ) Yes ( ) No (if yes, provide details.)

## **BUSINESS HISTORY**

a. Attach as “Schedule C” – Attach a narrative history of the Company and a description of its method of operations. For businesses in operation less than two years, a copy of the applicant’s resume which details work experience. Also, a copy of a **Business Plan** that shows an understanding of the structure, operations, management and the unique problems and trends of the business.

This narrative should include, but not be limited to, the items listed below. In particular, the narrative should include a discussion of any significant developments in the Company’s background which may be reflected in the financial statements submitted with this application.

- ◆ Present number of employees (full and part-time)
- ◆ Products, relative sales, volumes of each and contributions to profitability (%)
- ◆ Types of customers, major accounts, particularly those accounting for more than 10% of sales, with contact, telephone number and description of products.
- ◆ Areas and methods of distribution, market share.
- ◆ Principal competitors
- ◆ Principal suppliers, particularly those accounting for 20% or more of basic requirements for operations, with contact, telephone number, and description of products supplied, discussion of supply problems experienced or anticipated and how they have been/will be dealt with.
- ◆ Discussion of work stoppages or labor disputes and how resolved.
- ◆ Research and Development programs, importance to Company.
- ◆ Dependence on energy sources.
- ◆ Location, size, and operations of Company’s present facilities.

## **BUSINESS RELATIONSHIPS:**

a. Attach as “Schedule D” – Attach a list of the names and addresses of all concerns, if any, that may be regarded as parent companies, subsidiaries or affiliates of the Company or related Company (as defined in Section 267, 107, and 1562A of the Internal Revenue Code of 1954 as amended) including concerns in which the Company, or any of its principals, as indicated above, holds an interest greater than 5%.

Indicate the nature of the relationship, the amount of ownership, and the trade or other relationship with the organization listed. If “none”, so state.

## **PROJECT:**

Project Objectives – Attach as “Schedule E”

a. What are the specific reasons for project. Include: production, sales, earnings and employment objectives. (Specify number of employees in first and second year following completion of the project, with rationale for why the positions will be created.)

b. Will this project result in expansion of the Company's markets, geographically or to other types of buyers? Describe.

c. Will this project result in marked changes in the way in which the Company now operates as described in Schedule C? Explain.

Project Description – Attach as “Schedule F”

a. Include address and a complete narrative physical description of the project and its location. Include discussion of or attach the following:

- ◆ Plot plan, showing existing/proposed improvements, easements, etc. (i.e. with dimensions)
- ◆ Description of land improvements/status of sewers, water, etc. (i.e. to be made)
- ◆ Description of neighborhood, including zoning, available utilities, transportation.
- ◆ Plans and specifications for construction/renovation (specify size of building)
- ◆ Construction/occupancy schedule
- ◆ Complete description of machinery and equipment (if part of the project), its use in Company's operations, useful life of each unit. Certain items, e.g. office furniture and equipment, etc. which will not be financed.
- ◆ State the name of the entity to own the project. If other than Occupant Company, describe relationship, including names of principals and percentages of ownership of entity owning project.

b. What will the use of these funds be (check all that apply)?

<u>ACTIVITY</u>	<u>AMOUNT REQUESTED</u>
a. Land Acquisition _____	_____
b. Expansion of Existing Business _____	_____
c. Acquisition/Repair of Equipment _____	_____
d. Working Capital _____	_____
e. Acquisition of Existing Business _____	_____
f. New Construction/Build-Out _____	_____
g. Interior Improvements _____	_____
h. Exterior Improvements _____	_____
i. Other _____	_____

Have any funds been expended to date on the project for which this application is made?

( ) Yes ( ) No

a. If yes, please attach schedule showing details of such disbursements (date, purpose, payee, etc.)

b. Does the Company plan to occupy 100% of the Project? ( ) Yes ( ) No

If no, explain: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Set forth in the details of the project costs and the seniority of liens and how and from what source the proposed project is to be financed. Attach the following to the section titled "Project Costs and Financing".

- a. Copies of executive contracts of sale of real estate – contingent upon Fund financing. Contract must be in effect at the time of loan approval.
- b. Contractor's estimate for construction or renovation. (on letterhead and signed)
- c. List of machinery and equipment to be acquired and itemized suppliers' estimates or quotations. (on letterhead and signed)

## **FINANCIAL INFORMATION:**

Include with this application for the Company and affiliates or subsidiaries with which the Company has trade or other relationships as outlined in "Schedule D" hereof the following schedules.

- a. "Schedule G" – Typed profit and loss statements and balance sheets for the last three (3) fiscal years prepared by a Certified Public Accountant (CPA).

If CPA statements are unaudited, statements must be accompanied by a sworn certification by an officer of the Company, that such financial information reflects the true and accurate condition of the Company's finances. The applicant should prepare a spread sheet of each of the financial statements for the three (3) year period.

If the most recent statement is more than four (4) months old at the time of the application provide typed interim statements in form similar to the annual statements. Attach statements covering the same period for the immediate prior year.

In the event historical statements have not been prepared by a CPA, tax returns must be submitted.

Annual and interim statements must include or be accompanied by separate expense schedules for Cost of Goods Sold, Selling and General Administrative Expenses, including:

- ◆ Depreciation and amortization expenses on standard depreciable terms
- ◆ Officers' salaries and all other salaries
- ◆ Dividends

- b. "Schedule H" Type projected income statement and balance sheet for three (3) years (statement must include, as separate line items, projected interest and depreciation expenses associated with the proposed project), commencing with the end of the most recent fiscal year, in the same form and including the same items indicated above.

Include a projection of capital expenditures for the period, purpose and how proposed to be financed. (Attach narrative explaining rationale used.)

c. “Schedule I” Projected cash flow statements, by quarters, for the first year of operation in the project. (Attach narrative explaining rationale used.)

d. “Schedule J” Detail of each outstanding debt at the date of the current statement, including:

- ◆ Installment loans
- ◆ Officer or shareholder loans
- ◆ Notes and mortgages payable
- ◆ Capitalized leases
- ◆ Personal debt

For each outstanding debt show original amount, date incurred, to whom payable, present balance, interest rate, maturity date, monthly payment, security, and whether current or delinquent. The applicant must provide a sworn notarized statement that these are the only outstanding debts.

e. Projected real estate taxes for the first year of operation in the project; a brief explanation of any tax abatement programs expected to be used.

f. Attach as “Schedule K” Signed personal financial statements for each proprietor, partner, officer and stockholder with 20% or more ownership of the Company. (Those holding less than 20% may be required to submit statements at a later date if considered necessary following review of application.)

g. Provide bank references (including account number and the name and phone number of the bank official handling the account.)

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h. The Fund may require additional security in the form of Collateral Mortgages or Security Interests. Please list below any additional collateral available for such security (not including personal residences)

**REAL ESTATE:**

ADDRESS	YEAR ACQUIRED	ORIG. COST	MARKET VALUE
_____	_____	_____	_____

AMOUNT OF LIEN(S)	NAME OF LIENHOLDER
_____	_____

**PERSONAL PROPERTY:**

DESCRIPTION-MAKE, MODEL, SERIAL #	YEAR ACQUIRED	MARKET VALUE
_____	_____	_____

AMOUNT OF LIEN(S)	NAME OF LIENHOLDER
_____	_____

**OTHER PERSONAL PROPERTY:**

DESCRIPTION	YEAR ACQUIRED	MARKET VALUE
_____	_____	_____

AMOUNT OF LIEN(S)	NAME OF LIENHOLDER
_____	_____

**EMPLOYEE INFORMATION:**

1. Does the Company warrant it is in compliance to the best of its knowledge, with all federal and state laws dealing with equal employment opportunity and the hiring of illegal aliens?  
( ) Yes ( ) No

2. Employment Projections at the end of:

Title of Position	Salary Range	Current		1 <sup>st</sup> Year		2 <sup>nd</sup> Year	
		No.	%	No.	%	No.	%
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	100	_____	100	_____	100

**ENVIRONMENTAL WARRANTIES:**

The Company represents and warrants as follows:

The Company is not in violation of, and has complied with and shall continue to comply with all applicable environmental and land use laws. The Company is not currently under investigation by the Virginia Department of Environmental Quality and/or the United States Environmental Protection Agency. The Company is not currently operating under an Order on Consent with either agency. The Company represents that after diligent review, it is not aware of any situation that would, with the passage of time or otherwise, give rise to any liability under any law for the protection of the environment.

## PROJECT COST AND FINANCING

### PROJECT COST

Realty Cost	Amount
◆ Acquisition of real property	_____
◆ Construction of new building	_____
◆ Renovation of existing building	_____
◆ Expansion of existing building	_____
◆ Miscellaneous (specify)	_____
<div style="text-align: right;">Total Realty Cost    \$ _____</div>	

Machinery & Equipment Cost	
◆ Acquisition of machinery & equipment	_____
◆ Installation	_____
Miscellaneous (specify) _____	_____
Total Machinery & Equipment	_____
Total Project Cost	\$ _____

### Realty Financing:

Order of Lien Preference	Name of Participant	Amount	% of Total	Interest Rate	Term
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Totals		_____	100%	_____	_____

### Machinery & Equipment Financing:

Lien Preference	Participant	Amount	% of Total	Interest Rate	Term
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Totals		_____	100%	_____	_____

Total Project Cost \$ \_\_\_\_\_  
 Total Fund Financing Request \$ \_\_\_\_\_

Additional Financing Requirements and Attachments

1. The Fund may require a 10% cash equity contribution to the total project cost.
2. The Fund may require other lenders to be a part of the total financing package.
3. If other lending institutions or parties are involved the Fund requires commitment letters of contingency commitment of project financing from them.
4. The Fund reserves the right to set its own loan rate, terms and conditions.
5. The applicant shall incur all legal and accounting costs associated with preparing this application, and any loan agreement costs whereby these services are needed or required by the applicant.

Applicant, Execution, Verification and Contents Thereof

- a. Every application for financial assistance from the Fund shall be in writing and shall be executed and verified by the Company.

Authorized Signatures:

I understand that the Fund reserves the right to independently verify any or all of the information supplied herein, and may refuse to approve the application should any of the information provided prove to be false or misleading.

Dated: \_\_\_\_\_  
President / Occupant

Non-Discrimination

I certify that I will not discriminate on the basis of race, age, color, religion, sex, sexual orientation, handicap, familial status or national origin

\_\_\_\_\_  
Signature Date

\_\_\_\_\_ being duly sworn, deposes, and says: That s/he is the President/Occupant of \_\_\_\_\_ the Project Occupant (the Company) described in the foregoing application: that s/he has read the foregoing application and knows the contents thereof; that the same is true to his/her own knowledge except as to matters therein stated to be alleged upon information and belief, and as to those matters s/he is in compliance with and all federal and state legislation dealing with equal employment opportunity and the hiring of illegal aliens; and that the execution of this application has been duly authorized by the board of directors of the Company.

\_\_\_\_\_  
Notary Public

Sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_