

Burke Business Loan Program

Valdese Economic Development Investment Corporation
(828)874-6731 - P.O. Box 1225 Valdese, North Carolina 28690

Policies and Guidelines

BBLP Purpose. The Burke Business Loan Program (BBLP) designed to assist small businesses in Burke County, NC by providing access to a flexible source of capital. Provision of assistance to private, for-profit entities will be contingent upon firm commitments of financial participation from other sources, such as private financial institutions or the private entities themselves. This financial assistance must meet the overall BBLP objectives and must result in the creation and/or retention of permanent jobs in Burke County, NC.

Valdese Economic Development Investment Corporation (VEDIC) Purpose. This Corporation is organized by the Town of Valdese, North Carolina, to assist the Town in the promotion, stimulation, development and advancement of the business prosperity and economic welfare of the Town and its citizens and to cooperate and act in conjunction with other organizations, public and private, in the promotion and advancement of industrial, commercial, and recreational developments in the Town and Burke County, NC. Because a strong county-wide economy is essential to the economic well-being of the citizens of Valdese, the Corporation is also authorized to seek funding, establish and administer loan and grant programs, including the Burke Business Loan Program, to increase business activity in the entirety of Burke County.

Objectives. The objectives of this program include: job creation and retention in Burke County, increasing economic opportunity in Burke County, NC and strengthening the Burke County business sector by providing loan funds to local small businesses with BBLP resources, as well as create partnerships with local commercial banks and other private sector lenders and investors.

Application Fee. Application to the BBLP must be accompanied by an application fee of \$50.

Eligibility. All entities served under this program must be located in Burke County, NC. Applications may be submitted by the sole proprietor or Chief Executive Officer of any business wishing to establish a new operation, expand an existing operation or retain jobs in an existing operation in the County. Any member of the Burke Business Loan Program Board of Directors, Loan Review Committee, or any other official, employee, or Agent of VEDIC, the Town of Valdese or Burke County, NC who exercises decision-making functions or responsibilities in connection with the implementation of this program, and who has a personal or financial interest in a loan application, must announce to the BBLP Board of Directors the nature and extent of his or her interest and recuse himself or herself from any discussion or voting on the application.

Applicants shall not be disqualified based on age, race, religion, color, handicap, sex, physical condition, developmental disability, sexual orientation or national origin.

Eligible Activities. Program loans shall be available to eligible applicants for business expenditures necessary to establish or expand a business or retain jobs in Burke County, NC. These expenditures generally include:

1. The acquisition of land, buildings and fixed equipment.
2. Site preparation and the construction or reconstruction of buildings or the installation of fixed equipment.

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3. Clearance, demolition, or the removal of structures or the rehabilitation of buildings and other such improvements.
4. The payment of assessments for sewer, water, street and other public utilities related to creation or retention of jobs.
5. Working capital.

Minimum Requirements To be eligible for funding, a proposed project must meet all of the following minimum requirements:

1. **Private Funds Leveraged.** The applicant must leverage a minimum of \$1.00 of private funds (including the applicant's own funds) for every \$1.00 of loan funds requested. In the case of working capital loans to existing businesses, the Loan Review Committee may interpret the firm's existing working capital as the private investment required for leverage.
2. **Loan Funds per Job Created.** At least one full-time permanent position or full-time equivalent must be created or retained for every \$10,000 of loan funds requested.
3. **Financial Feasibility and Business Viability.** The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to pay agreed-upon interest and repay the loan.
4. **Compliance with Applicable Laws.** Applicants shall comply with all applicable local, state and federal laws and codes.

Project Completion. Projects involving construction, remodeling or installation of equipment shall be completed within nine (9) months from the date of the loan approval. Applicants shall provide VEDIC a project implementation schedule not exceeding twelve (12) months for project completion and job creation, or documentation of the retention of jobs.

Applicant Requirements

1. Any interested business owner or potential business owner may receive a copy of the BBLP application at the following locations: Burke County Chamber of Commerce, Burke County Government Center, Burke Development Incorporated, Connelly Springs Town Hall, Downtown Morganton Main Street Program Office, Drexel Town Hall, Morganton City Hall, Rutherford College Town Hall, Western Piedmont Community College Small Business Center and Valdese Town Hall.
2. For existing businesses, a profit and loss statement is required for the past three years or from inception of the firm, whichever is shorter. A personal financial statement will be required from all applicants.
3. Key elements of a business plan must be submitted with the application, or developed with technical assistance provided by BBLP and partners prior to loan approval. These elements include:
 - a. A description of the business, including the mix of goods, merchandise, and/or services to be produced and sold.
 - b. A description of the market, including primary and secondary trade areas, potential customer mix, major competitors, and marketing strategies.

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- c. Discussion of market potential based on the best evidence available to the applicant. Consider such factors as market trends, unmet customer demands in the market area, the likelihood of competitors growing in the market, and the potential for applicant success.
 - d. Based on firm history, potential for market success and costs of doing business, develop a three-year pro-forma cash flow analysis.
4. Provide a complete description of the purpose of the loan and the time schedule for implementation if funded.
 5. Provide a letter committing to the number of jobs that will be created or retained as a result of this financial assistance.
 6. Description and documentation of ownership and the certified market value of collateral to be used for the loan. In some cases, the BBLP Board of Directors may require an appraisal to be conducted. The BBLP Board of Directors, at its discretion, may file a UCC form on any item that is used for collateral for the loan.
 7. Provide a list of (three or more) credit references with contact information.
 8. All applicants to the BBLP are required to obtain at least 50% of project funds from a private lending institution (or provide it from applicant resources). The applicant must provide a letter from the lending institution committing to the amount of funds and documenting interest rate, term of loan, collateral and any other requirements. Alternatively, the applicant can submit a letter committing his or her own funds to the project.
 9. Applicant must agree to accept appropriate technical assistance, training and/or mentoring, if it is determined by the Loan Review Committee that such assistance will significantly increase the probability of success. Such assistance may be provided by the Western Piedmont Community College Small Business Center, the regional SBTDC office, SCORE, local business mentors or other providers identified by the Loan Review Committee or the Small Business Center.
 10. Projects must be started within sixty (60) days following the commitment of BBLP funding.
 11. Applicant must provide authorization for VEDIC to request an official credit check.

Terms and Conditions: Loan terms and conditions shall be structured on need and ability to repay. Minimum standards shall include the following:

1. **Loan Amount.** Loan amounts are subject to the availability of program funds, but shall normally not exceed \$25,000 per loan. The BBLP Board of Directors may approve larger loan amounts under exceptional circumstances.
2. **Interest Rate.** The interest rate shall be established by the BBLP Board of Directors, or designated Loan Review Committee.
3. **Terms of Loans.**
 - a. Working capital loans shall have a maximum term of five (5) years.
 - b. Loans for machinery, equipment and fixtures shall have a maximum term of ten (10) years.
 - c. Real estate loans shall have a maximum term of fifteen (15) years.
4. **Period of Payment.** Amortization schedules shall be set up for monthly payments over the term of the loan.

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5. **Repayment.** Payment of interest and/or principal may be deferred for up to one (1) year if merited in the loan application. Interest shall accrue during the deferment period and may be paid in full or added to the principal amount of the loan. Following the deferral period, interest and principal shall be paid for the remaining term of the loan.
6. **Prepayment.** There shall be no prepayment penalties.
7. **Collateral.** Loans must be adequately secured, but the BBLP Board of Directors will negotiate collateral based on the applicant's individual circumstance.

BBLP funds will be awarded on an as available basis, and applications will be considered equally when funds are available. Therefore, VEDIC will keep a file of all pending applications and notify all applicants when sufficient funds become available to allocate to new loans. All applicants will be given two (2) weeks in which to complete, update or otherwise activate their application. Applications will be considered for recommendation to the BBLP Board of Directors for final loan approval, based on the extent to which they meet the overall BBLP objectives as determined solely at the discretion of the Loan Review Committee.

BBLP Administrative Requirements

The **BBLP Loan Review Committee** will be appointed by the BBLP Board of Directors and will include BBLP Board of Directors members as well as finance and business development experts who may or may not be members of the BBLP Board of Directors. The Loan Review Committee has the responsibility to review, evaluate and either deny or recommend loan applications to the BBLP Board of Directors for final approval.

VEDIC, or its BBLP Administrator, will maintain adequate files on each loan client to enable servicing and management of the loan portfolio. These files include:

1. Loan Application File
2. Loan Recommendation/action File
3. Loan Closing File
4. A "tickler File" system to ensure regular loan servicing, including repayment schedules, updating financial information, job monitoring, etc.
5. Financial Statement File
6. Progress Report File
7. Site Visit File
8. Repayment Monitoring File
9. Technical Assistance File
10. Job Monitoring File
11. Loan Review File

The Town of Valdese will provide staff time to administer the BBLP and will designate an individual as the BBLP Administrator. In his or her capacity as BBLP Administrator, the staff person will report to the BBLP Board of Directors.

Approved: 12/13/10