

OPERATING AND LOAN GUIDELINES

The Town of Roseboro Revolving Loan Program was established by the Roseboro Town Board on August 9, 2016 under the authority provided by the Town of Roseboro Board of Commissioner's at their August 9, 2016 meeting for the purpose of supporting new and expanding small business in the Town of Roseboro with lending resources previously not available. This document is to establish program and lending guidelines for the Town of Roseboro Revolving Loan Program (hereinafter referred to as "Lender" or "TORRLP") to provide Town of Roseboro Revolving Loan Program Loans (hereinafter referred to as "Loans") from its Town of Roseboro Revolving Loan Program Loan Portfolio (hereinafter referred to as "Loan Portfolio") to be made available to Town of Roseboro Revolving Loan Program Borrowers (hereinafter referred to as "Borrowers").

I. STANDARDS FOR THE BUSINESS DEVELOPMENT REVOLVING LOAN PORTFOLIO.

This section will provide **overall standards** which have been established to measure the effectiveness of this Program as an economic development tool. The standards are not strict guidelines to be met by each individual loan but represent goals which the overall Loan Portfolio seeks. A goal of creating a minimum of 4 new jobs during the first 36 months of the Loan has been established. The following targeting criteria distinguish Loans from conventional lending.

- (a) **Job/cost ratio:** It is the goal of the Lender to reach and then maintain an annual average of 1 full-time or full-time-equivalent job per \$10,000 of Lender funds expended for each loan in the Loan Portfolio. This job ratio goal is for Loan Portfolio funds only and does not include private or other non-Lender funds.
- (b) **Criteria for the types of jobs to be created:** Jobs to be created may be in any classification including office/clerical, supervisory, skilled/unskilled craftsman, laborer, etc. For a job to be counted toward Lender funds it must be a direct result of Lender assistance. The job position(s) to be created should occur within thirty-six months or the duration of the Loan, whichever is shorter. During the term of these loans these jobs will be annually verified by the borrower to the Lender by providing a copy of their quarterly reporting documentation submitted to the N.C. Employment Security Commission.
- (c) **Types of activities to be financed:** Types of activities to be financed by the Lender include real estate acquisition, and capital improvements necessary to retain, expand and create new employment opportunities for companies located in or locating to the Town of Roseboro.

II. FINANCING POLICIES

- (a) **Eligible Loan Portfolio activities are:**
 - (1) **fixed asset loans** for the acquisition and or improvement of land, buildings, and plant , including new construction or renovation of existing facilities, demolition and site preparation required for a firm to retain, expand or create employment opportunities;
 - (2) loans which result in substantial economic benefit to the Town of Roseboro.
- (b) **Ineligible Loan Portfolio activities include but are not limited to:**
 - (1) loans for the purpose of investing in interest bearing accounts, certificates of deposits, or other investments not resulting in job creation;

- (2) loans which could create a potential conflict of interest for any officer or employee of the grantee, or any current or former member of the grantee's loan administration board or staff who reviews, approves or otherwise participates in decisions on loans;
 - (3) loans to purchase or finance equity in private businesses;
 - (4) loans that subsidize principal or interest payments on existing loans; and
 - (5) loans that refinance loans made by other lenders.
- (c) Number of loans: It is anticipated that the first-round use of the TORRLP Loan will result in at least one (1) loan with the amount of loans in subsequent years to be determined as funds are made available.
- (d) Size of loans: The minimum Loan(s) will be \$5,000 with a maximum of \$ 75,000.
- (e) Standard amortization terms for the repayment of loans: Fixed Assets (10 years);. The preceding repayment terms (time) cannot be increased. The designated loan underwriter will negotiate loan repayment terms (time and schedule or repayments) on a case-by-case basis. All loans will have a term not to exceed 120 months.
- (f) The minimum interest rate that can be charged through the Lender is four percent (4%). This minimum rate may be waived if it is determined that a lower interest rate is needed to either offset substantial potential job layoffs or create substantial employment opportunities and/or tax base expansion.

Standard interest rates to be charged by the Lender: The maximum interest rate that can be charged will be a fixed rate equivalent to the prime rate published in the Wall Street Journal. This rate will be set on the day that the Loan is approved and will be preserved for 30 days from the date of approval. After 30 days the rate will revert to the current prime rate as published by the Wall Street Journal and will be in place for an additional 30 days.

- (g) Allowable special financing techniques: Lender financing may consider loans to assist firms with special credit problems which may involve greater risks and more lenient terms than conventional financing. Such considerations should be rare in occurrence with the intent of the Lender not to engage in high-risk loans. The following techniques can be used to meet the financial needs of firms seeking Lender assistance:
- (1) modifying repayment terms, such as limited deferral of initial principal;
 - (2) taking greater risks than local banks are prepared to take, when substantial economic development benefits will result if the borrower does succeed;
 - (3) providing below market interest rates;
 - (4) providing longer term loans that are available locally for a particular type of financing; and
 - (5) reducing the risk for commercial lenders by providing subordinate financing.
- (h) Equity and collateral requirements: (Equity) Unconditional personal guarantees will be required of all persons or entities with 20% or more interest in the business. Due to the varying individual financial position, a 10% equity **goal** has been set for the entire loan portfolio. **However, this Lender has not**

set a minimum equity requirement. The amount of equity required for a particular loan will ultimately be determined by the Lender.

(Collateral) Lender financing will be secured by liens or assignments of rights in assets of borrower and personal guarantees. The merits and economic benefits of each project will be weighed to make a determination of specific collateral requirements. General collateral requirements for fixed asset loans follow. The Lender will make the final determination for collateral requirements. In determining the sufficiency of collateral, the Lender may review the tax value of the property, view the property, and/or require the borrower to provide an appraisal. In all instances, however, Lender shall be convinced to its satisfaction that the collateral is sufficient to secure the full value of the loan.

- (1) Direct Fixed Asset Loans. The lien position of the Lender may be subordinate to the lien, or liens, securing other loans made in connection with the borrower. In addition to obtaining collateral on the asset(s) to be financed, the Lender may also obtain collateral on other assets of the borrower, as appropriate. If Roseboro's loan is subordinated, pledged collateral will be appraised to ensure that there is enough value in the collateral to protect BOTH lienholders.

The deed of trust or security agreement shall contain standard provisions to protect the interest of the Lender. To the extent permitted by law, all of the personal property described in the deed of trust shall be deemed to be fixtures; the deed of trust shall constitute a security agreement under the Uniform Commercial Code.

- (2) Additional Security. In addition to the above types of security the Lender may also require security in the form of assignments of patents and licenses, leases or stock certificates, and such other additional security as is determined necessary to support the Lender's exposure.
- (3) Insurance. An ALTA (American Land Title Association) Loan Policy of title insurance in the original principal of the Loan insuring that the Lender is the holder of the negotiated lien on the Loan, free of encumbrances and other exceptions to title other than those approved in advance by the designated loan underwriter will be obtained prior to Loan disbursement.

Also when applicable prior to Loan disbursement the borrower will furnish a Builder's Risk, Extended All Perils Hazard Insurance and Fire Insurance policy or policies duly endorsed to indicate the Lender as the insured mortgagee. Proof of General Liability Insurance may be required. Additionally, Flood Insurance may be required if collateral is determined to be located within a flood zone.

Proof of Workers Compensation insurance will be furnished.

Loans to closely held corporations, partnerships, or proprietorships dependent for their continuing success on certain individuals will ordinarily be expected to provide and assign the Loan life insurance on these key persons.

- (i) Loan Modifications: Loans may be modified upon the consent of the Lender and Borrower.
- (j) Special loan terms designed to encourage early repayment and/or provisions for the sale of loans to accelerate the recycling of capital: The Loan repayment may be accelerated without pre-payment penalty.
- (k) Events of Default: The Lender may declare the unpaid principal balance and all accrued interest immediately due and payable, without presentation, demand or notice of any kind, if any of the following events of default occur before the loan is paid in full:

- (1) bankruptcy or reorganization of the Borrower and/or Guarantors under the Bankruptcy Code of the Internal Revenue Code of 1954, as amended,
 - (2) dissolution, liquidation, or death of the Borrower or any Guarantor,
 - (3) refinance of loans which are secured by prior liens of the collateral,
 - (4) sale, partial sale, exchange, transfer, sale under foreclosure, tax liens, forfeiture proceeding against, or any other disposition of the assets of the Borrower or any Guarantor,
 - (5) failure to make payments or supply required reports when due as specified in the loan documents, or
 - (6) Borrower or Guarantor fails to perform or creates a breach under any obligation required by Lender under the terms and conditions of the loan documents. Should Lender, in its sole discretion, waive the acceleration of principal and interest due to an element of default as specified above, the execution of such waiver agreement by Lender does not and shall not constitute a waiver of any rights or remedies to which Lender is entitled pursuant to the loan documents or otherwise, nor shall the same constitute a waiver of any default that has occurred or may occur in the future under such documents.
- (l) Loan origination fees or other charges to borrowers of the TORRLP Loan: Lender will not charge technical assistance, program labor resource, nor a Loan origination fee. All third-party fees including, but not limited to, accountant fees, attorney fees, feasibility studies, appraisals, lean perfection, etc., will be the expense of the borrower.

III. TIME SCHEDULE FOR LOAN CLOSING

A Loan Application must be approved or denied by the last day of the full calendar month following the introduction of Loan Application to the TORRLP Committee at a regular meeting.

IV. RELATED ACTIVITIES

Technical and management assistance: The Town of Roseboro Revolving Loan Committee has and will continue to work closely with the N. C. Department of Commerce; Sampson Community College, U.S. Small Business Administration, etc. to provide technical assistance to meet financing and management needs.

V. ADMINISTRATIVE ELEMENTS OF THE PLAN

- (a) The Town of Roseboro Revolving Loan Committee: The Town of Roseboro Revolving Loan Committee has been given the authority by the Town of Roseboro Board of Commissioners to administer the Town of Roseboro Revolving Loan Program.

As permitted by the Town of Roseboro Board of Commissioners by resolution of a majority of the number of Commissioner's at their August 9, 2016 meeting, they have appointed a Town of Roseboro Revolving Loan Committee to create, manage and establish lending guidelines to receive, underwrite, and make loans.

3 At-Large Members from the community and 2 Commissioners as Voting Members. Also serving on this Committee is the Town Finance Officer and/or Town Clerk and the Mayor, both serving as Non-Voting Committee Members.

- (b) Staff Capacity: The Town of Roseboro will provide the staff capacity to administer this project with the exception of loan underwriting which will be performed by the Town of Roseboro Revolving Loan Program's Underwriting Subcommittee. Town Hall is located at 101 West Pleasant Street, Roseboro, NC 28382.

- (c) Loan Selection and Approval Process: Loan applications must be submitted to the Roseboro Town Clerk, 101 West Pleasant Street, PO Box 848, Roseboro, NC, 28382. The Town Finance Officer will review the loan application for a determination of eligibility and completeness. If the application is deemed eligible and complete, eligibility and economic impact findings will be prepared by the Finance Officer, a processing case number assigned, and the application sent to the Town of Roseboro Revolving Loan Program's Underwriting Subcommittee. Applications must be approved or denied as set forth in Section III above. When possible, loan applications will be processed in the order that case numbers are assigned.

The loan application will be reviewed for:

- (1) a determination of TORRLP Loan program eligibility,
- (2) financial feasibility
- (3) collateral for the loan and
- (4) economic impact.

Before a loan can be recommended for approval by the Town of Roseboro Revolving Loan Program Committee the following findings must be made on the project.

- (1) Eligibility Findings
 - a. The project is located in the Town of Roseboro.
 - b. The use of the Town of Roseboro Revolving Loan Program is an eligible program activity as described in the Operating and Loan Guidelines on page one.

- (2) Financial Feasibility Findings (will be performed by underwriters) The Company's financial plan with supporting documentation does or does not demonstrate the capability to: a) use and repay requested loan funds; b) meet employment and/or capital investment projections; and c) a need to use the requested loan.

- (d) Loan Closings: Lender will provide borrower loan closing commitment letter that will specify terms of loan and loan closing requirements.

- (e) Loan Servicing: Loan closing documents including payment schedule and security agreements will be provided by the Lender at the loan closing. Loan payments will be directly made to the *Town of Roseboro's Revolving Loan Account*. The Finance Officer of the Town of Roseboro will maintain a current list of loans and review actual loan payments received to determine delinquent loans. Additionally, the Finance Officer will notify the committee of any default under promissory note, or any other event of default, with committee determining appropriate actions that may be required.

TOWN OF ROSEBORO REVOLVING LOAN PROGRAM

BUSINESS PLAN INFORMATION

BUSINESS HISTORY

- Start-up date
- Products / services
- Customers: Type / Number / Location
- Employees: Number at Start-up / Current Number / Skills Sets /
- Wages: Specific to skill sets

RESUME

- Experience in this product / service
- Education
- Employment

BUSINESS EXPANSION PLAN

- Explain plan to expand business:
 - prospective new customers: by product, region, etc.
 - prospective new markets: regional, products, etc.
 - expansion plans: timetables, employment: existing and new jobs, building, etc.
 - timetables: job creation, construction, capital needs, etc.
- Expansion budget
 - total expansion budget: construction, equipment, payroll, working capital, etc.
 - timetable for needing expansion capital
 - sources of expansion capital: owner equity, Town of Roseboro Revolving Loan Program, others
 - revenues: how will meet expansion costs, sources of new revenues, etc.
- Expansion Business Opportunities
 - new expansion services or products
 - new expansion regions
 - new expansion customers, types, size, etc.

DOCUMENTS

- Resume
- Personal Financial Statement
- Financial Information / Tax Returns - last 3-years if available
- Balance Sheet
- Audited Income Statement
- Expansion Budget
- Revolving Loan Program Application

TOWN OF ROSEBORO REVOLVING LOAN PROGRAM

FINANCIAL DOCUMENTS

- Three years projected income and expense
- Last three years income statements
- Current balance sheet
- Personal Financial Statement
- Business Plan
- Appraisal of any and all collateral used in the loan, if requested.
- Letter requesting loan from the Revolving Loan Program, the requested amount and terms. Also stating that borrower(s) owns at least 51% of the company and that the company employs 50 or fewer people and has income less than \$ 1,000,000 per year.

The below list was provided by a banking representative on the Revolving Loan Committee to help clarify the information required for a loan application.

Business

- Last three years tax returns on borrowing entity.
- Most recent year-to-date info on income and expenses....by example since 2016 is almost over, we should get info through the end of Sept., Oct or Nov 2016 (within the last 90 days) on all income and expenses.
- Interim balance sheet which agrees with the date of the most recent income and expenses.
- Business Plan which should include two to three years of projections to include the first twelve months and then annually thereafter. If we want to keep the 5 years projections, that is fine, but typically not very reliable after the first couple of years.

Personal

- Last three years tax returns on anyone who owns 20% or more of the business
- Some kind of document to show current year-to-date income (like pay stub).
- If one of the owners gets income from other personally held entities other than borrower, we should get the tax returns on the other businesses they own - by example - if owner has three separate companies, then get tax returns on all three.
- Current personal financial statement showing all assets and liabilities on all business owners.

CREDIT HISTORY AUTHORIZATION

Date

I hereby authorize the Town of Roseboro to obtain my personal credit information through my credit references as part of the financial analysis of my Revolving Loan Application with the Town of Roseboro Revolving Loan Committee. It is my understanding that only the Town Clerk or Finance Officer with the Town of Roseboro will obtain my personal credit information.

Name / Title / Company

Social Security Number

TOWN OF ROSEBORO REVOLVING LOAN PROGRAM
of the
Town of Roseboro
PO BOX 848 / Roseboro, NC 28382
Phone: 910.525.4121 / Fax: 910.525.3133

LOAN APPLICATION PACKAGE
of the
Town of Roseboro Revolving Loan Program

Company Name

Location

Date

1. **Name of Applicant:** _____

_____ Corporation (attach list showing percent of ownership of all persons owning voting stock. Also attach list of all corporate officers including address and phone). (Exhibit "A")

_____ LLC (attach copy of LLC agreement, operating agreement, LLC member and officers)

_____ Partnership (attach list of all partners including address, phone and percentage of ownership). (Exhibit "A")

_____ LLP (attach copy of LLP agreement and operating agreement)

_____ Sole Proprietorship
Owner (s) _____

Tax _____

2. **Applicant Address:** _____

3. **Phone:** _____ **Cell:** _____ **Fax:** _____

E-mail: _____

4. **Primary Contact Person:** _____

5. **Secondary Contact Person:** _____

6. **Phone and Address If Different from Above:** _____

7. **Briefly Describe Proposed Project:**

8. **Explain Why the Revolving Loan is Needed:** (attached additional page if necessary)

Attach a letter stating that without the Revolving Loan, participation project will not and cannot take place.

9. **Amount of Revolving Loan needed:** _____

10. **Describe needed terms of Revolving Loan:**

11. **What will Revolving Loan be used for:**

Does applicant understand that Revolving Loan will be secured by note and deed of trust on real estate and security agreement on titled and non-titled chattel property?

Also, does applicant understand that personal guarantee(s) for loan may be required in certain circumstances upon recommendation of the Revolving Loan Program's Underwriting Subcommittee?

12. Project Budget

	(A) <u>Revolving Loan</u>	(B) <u>Private Loan(s)</u>	(C) <u>Developer Equity</u>	(D) <u>Other (Explain)</u>	(E) <u>Total</u>
(A) Land Acquisition	_____	_____	_____	_____	_____
(B) Off Site Improvements	_____	_____	_____	_____	_____
(C) On Site Improvements	_____	_____	_____	_____	_____
(D) Building Construction	_____	_____	_____	_____	_____
(E) Parking Facilities	_____	_____	_____	_____	_____
(F) Professional Fees	_____	_____	_____	_____	_____
(G) Interim Costs	_____	_____	_____	_____	_____
(H) Contingencies	_____	_____	_____	_____	_____
(I) SUBTOTAL	_____	_____	_____	_____	_____
(J) TOTAL PROJECT COST	_____	_____	_____	_____	_____

Leveraging Ratio: Column (E) Line (J) Divided By Column (A) Line (J):

13. Will land acquisition include acquisition of existing building(s)? _____

If so, describe such building(s) and attach tax card.

14. If land acquisition is involved, does applicant have either Title or Option? _____ (Please attach either)

Proposed sales price: \$ _____

- Attach property description (Exhibit "C")
- Attach "as built" appraisal (Exhibit "D")

15. **Will project involve construction of new buildings?** _____

Renovation of existing building(s)? _____

- (a) Attach plans or specifications for buildings that have been proposed.
- (b) Estimated cost of construction or renovations:
- (c) Attach construction/renovation budget.
- (d) Attach supportive documentation for construction or renovation costs such as contractor's or architect's estimates.

16. **Will there exist any lien(s) on property other than private loan(s) described herein for this project on the subject property at the time of closing of Revolving Loan?**

If so, describe including projected principal balance, annual debt service, lien holder, purpose, an origination date, maturity date, and contract person for lien holder address and phone.

17. **How many new permanent, full-time jobs will be created by this project?**

Attach a list of all jobs to be created including for each job the proposed annual pay.

18. **Attach a brief history and description of the business.**

19. **Attach a brief assessment of the market feasibility of the project. Include a supporting documentation letter from existing or projected customers or letters of intent to lease for development projects.**

20. List source(s) of funding for portion of project not being funded by Revolving Loan:

	<u>Source</u>	<u>Amount</u>
1.		
2.		
3.		
4.		

Attach letters of firm commitment from each source. Letters must contain terms of proposed loan(s).

21. List any affiliates of applicant, subsidiary firm or parent company.

22. Attach resumes of all principals.

23. Attach the following:

- (a) Latest balance sheet and profit and loss statement (not older than 90 days). Attach to this statement a current list of each outstanding obligations of firm including for each obligation beginning balance, current balance, interest rate, monthly payment and whether status is current or delinquent.
- (b) Annual balance sheet and profit and loss statement for each of the last three years, prepared by an accountant or CPA.
- (c) 5-year pro-forma for project showing projected cash flow. (10 years if it is an office/commercial rental development project).

24. Attach on form supplied, a personal financial statement for each proprietor, partner, or person owning voting stock if corporation.

25. Address or project site (or location description):

26. Is project within corporate limits of the Town of Roseboro?

Projected annual taxes to be paid to Town:

- 27. How is project site zoned?

- 28. Attach a proposed schedule for project including date(s) when loan(s) need closing, construction start and finish, etc.

- 29. If applicant is a corporation, attach resolution of Board of Directors authorizing filing of application.

- 30. Attach credit history and authorization on forms supplied for corporation, partnership and for all principals including all owners of voting stock.

The undersigned hereby represents that all information given herein and, in the attachments, hereto are true.

_____ Signature	_____ Typed Name	_____ Title	_____ Date
_____ Signature	_____ Typed Name	_____ Title	_____ Date
_____ Signature	_____ Typed Name	_____ Title	_____ Date
_____ Signature	_____ Typed Name	_____ Title	_____ Date

CREDIT HISTORY FORM

One each of these forms to be completed for:

- (1) The business applicant.
- (2) Owner(s) if sole proprietorship.
- (3) Each partner of a partnership.
- (4) Each person owning voting stock if corporation is applicant.

1. Name: _____
2. Address: _____
3. Phone: _____ Email: _____
4. Social Security No. (if person): _____

5. Bank Accounts:

Name of Institution	Account Number	Type of Account
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

6. Credit References:

Name of Reference	Account No.	Balance	Type of Account
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

7. Have you ever been adjudged bankrupt, filed for bankruptcy, protection from creditors, or reorganization under the bankruptcy laws?

If so, furnish details in a separate exhibit.

8. Are you presently under indictment, under charge for a criminal offense, on parole or probation?

If so, furnish details on a separate exhibit.

9. Have you ever been convicted of a criminal offense other than a minor traffic violation?

If so, furnish details on a separate exhibit.

I (We) hereby grant permission to the Town of Roseboro Revolving Loan Committee & Underwriting Subcommittee to verify any information provided herein and to perform a credit check through the credit bureau or other sources for the sole purpose of ascertaining (my) (our) (the firm's) credit worthiness.

Signature

Title

Date

Signature

Title

Date

Signature

Title

Date