

# **Revolving Loan Fund Guidelines Greater Alexandria Industrial Network (GAIN)**

## **I. GENERAL**

Revolving Loan Funds (RLF's) have become an increasingly popular business-financing tool because of its ability to leverage public and private dollars, as well as recycling these funds, and its simple operation. RLF's can provide businesses with direct loans, loan guarantees, and other financial assistance. As the RLF receives the principal and interest from outstanding loans, the money is made available to another borrower. This recycling of funds makes RLF's valuable when considering the growing scarcity of dollars available for development.

RLF's are designed to alleviate the high cost and short supply of capital by providing flexible loan terms. Typically, RLF's provide lower rates, longer terms, and reduce the risk of the loan. By increasing accessibility to capital, RLF's help firms expand, develop, and remain in the community.

## **II. TYPE OF ASSISTANCE – IN ORDER OF PRIORITY**

1. Assisting business Expansion – Defined as industrial/commercial related expansion, and costs related thereto, including land and building acquisition and construction, remodeling, relocation, equipment acquisition, and public facilities improvements.
2. Business equipment acquisition – Defined as the purchase of additional depreciable assets for the purpose of expanding industrial/commercial activities.
3. Development of new business – Including the establishment of new industrial/commercial business in all phases, including land and building acquisition and construction, remodeling and equipment acquisition.

## **III. TARGETED AREAS – IN ORDER OF PRIORITY**

1. Participating City and Township Industrial Parks.
2. Other surrounding areas.

## **IV. TYPES OF FINANCIAL ASSISTANCE**

1. Make companion or second loans, which can reduce the overall projected interest costs.
2. Give direct loans at favorable interest rates and terms.
3. Provide the required local injection for Government guaranteed loans.
4. Arrange interest subsidies together with the private lenders.
5. Provide collateral for private financing.

6. Give direct grants, for example; rebates for rehabilitation work.
7. Guarantee loans made by private lenders.

## **V. OPERATING BASIS**

The following are key factors in the operation of a successful RLF:

1. Design loan terms and conditions that allow the GAIN to assume a greater risks then those private lending institutions are able to take, but do not make them so risky that GAIN assumes all the risk.
2. Simplify the RLF terms and conditions and approval process so that they do not become too complicated, time consuming, or cumbersome.
3. Allow for flexibility in establishing loan terms and conditions, so as to tailor the loans to the needs of the applicant.
4. Structure the RLF loan committee and advisory bodies to include representatives and officials interested in the RLF.
5. Operate the RLF in a business-like and professional manner.
6. Establish and maintain a good working relationship with local private financial institutions.
7. Reduce political influences on the loan selection process.

## **VI. CRITERIA FOR THE USE OF RLF PROCEEDS**

1. Generally, but not required, applicants' equity participation should equal at least 5% of the total fixed asset costs of the project.
2. The interest rate of the direct RLF loan will be a competitive rate.
3. Loans will be in a junior collateral position to the major source of project funding, unless RLF proceeds are the primary source of funds.
4. Term of the loan should coincide with the term of the private portion of the loan, but may be shorter or longer, depending on the circumstances.
5. The applicant must meet the underwriting criteria of the private financial institution participation in the project.
6. Eligible costs include land, real estate, machinery and equipment.

7. The minimum leverage ratio should be two to one, private debt to RLF debt.
8. The maximum RLF money in each project shall be \$75,000.
9. The job/cost ratio for each project should be approximately one to \$7500.

## **VII. OTHER REQUIREMENTS**

1. Applicant must make available to GAIN, all appropriate financial data in order to assure repayment, including forecasts and pro-forma.
2. Applicant must provide all necessary records in a form acceptable to GAIN.
3. Applicant must provide valid bids for the construction or equipment proposed.

It is recognized that these guidelines may be subject to change, as the RLF becomes operational, and if by doing so, the goals and objectives of GAIN can be attained.



**DATE OF APPLICATION**

**Douglas County Developers Application for Revolving Loan Funds**

Applicant's Name: \_\_\_\_\_

Business Name: \_\_\_\_\_

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

City: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Phone Number: (\_\_\_\_) \_\_\_\_\_

Name of Preparer of Application: \_\_\_\_\_

**Legal Business Structure & Date Established** \_\_\_\_\_ :

\_\_\_\_\_ Sole Proprietorship

\_\_\_\_\_ Corporation

\_\_\_\_\_ Partnership

\_\_\_\_\_ Limited Liability Company

**Type of Project:**

**Employee Information:**

\_\_\_\_\_ New Business

Number of Current Employees \_\_\_\_\_

\_\_\_\_\_ Expansion of Existing Business

Total Number of Full-Time Employees Created:

\_\_\_\_\_ Transfer of Ownership

One year total: \_\_\_\_\_

Two year total: \_\_\_\_\_

**Financial Request:**

Amount Requested from GAIN: \$ \_\_\_\_\_ Rate: \_\_\_\_\_% TERM: \_\_\_\_\_ years

**Date Financing is Needed:** \_\_\_\_\_ (Month/Date/Year)

**Purpose of Loan:** \_\_\_\_\_

**Description of Collateral Available to Secure the Loan:** \_\_\_\_\_

**Bank Name and Address:** \_\_\_\_\_  
 \_\_\_\_\_

**Project Financing:**

Uses	BANK	GAIN	Alex - Doug Developers	Equity	Other:	Other:	Other:	Total
Property Acquisition								
Site Improvement								
Renovation								
Construction								
Machinery & Equipment								
Working Capital								
Administration								
Other:								
<b>Total</b>								.

**Status of Other Financing: (Check one)**

Committed and document funding date: \_\_\_\_\_

Contingent on RLF Approval

**Explanation of Sources and Uses of Funds Listed Above:**

Source	Contact Person	Collateral

**Application Certification:**

I certify and affirm by my signature that the information contained in and otherwise supplied, as part of this application is complete and current to the best of my knowledge. I further understand that intentional misrepresentation of facts may be the basis for a denial of credit.

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

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_