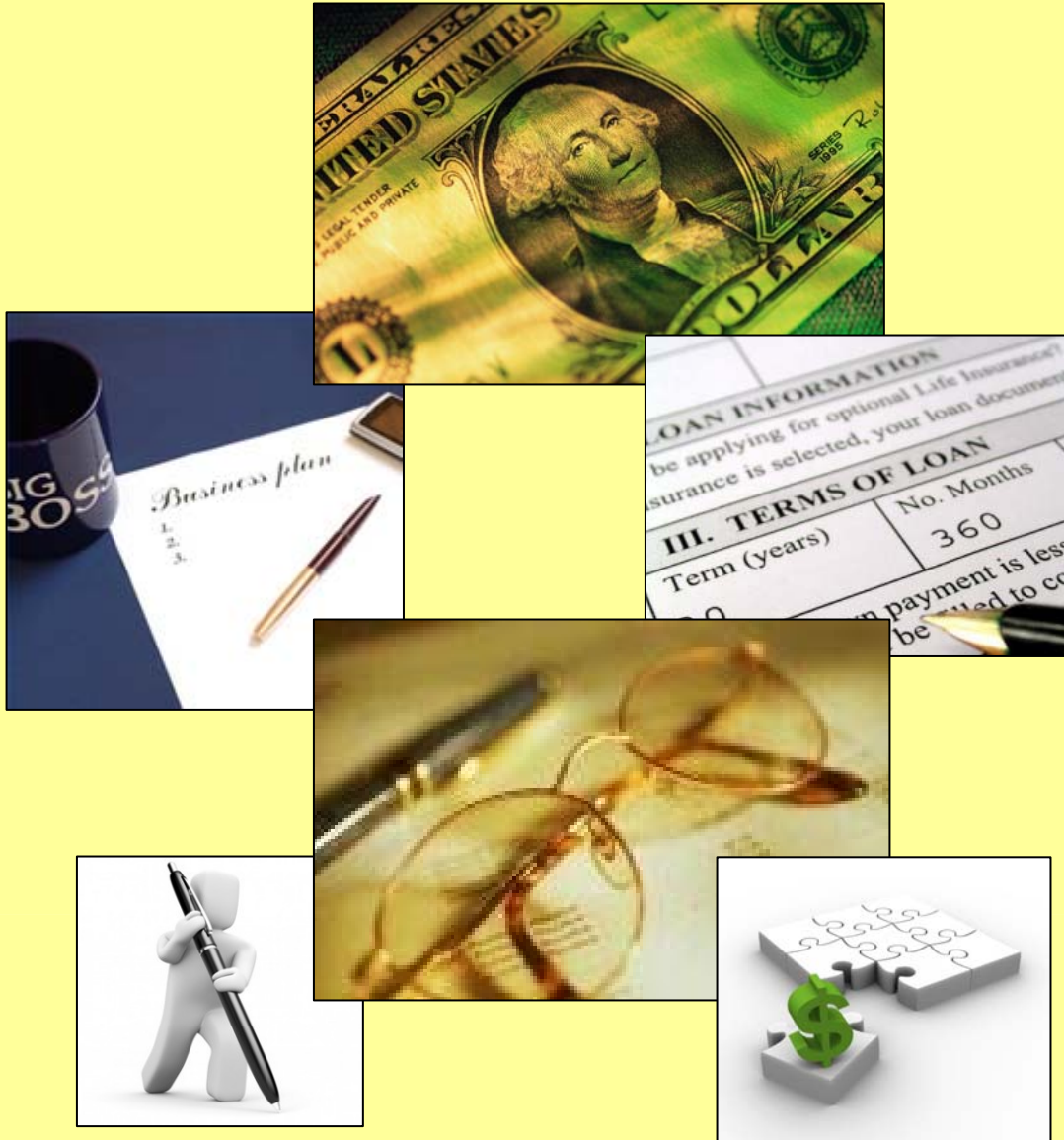


PROPOSAL / EVALUATION PACKAGE



**PURCHASE AREA DEVELOPMENT DISTRICT
BUSINESS LENDING & DEVELOPMENT SERVICES**

Phone: 270-247-7171

Department: 270-251-6117

Fax: 270-251-6110

Website : <http://www.purchaseadd.org>

Email: BizLoans@PurchaseADD.org

© Purchase Area Development District



Purchase Area Development District
1002 Medical Drive, P.O. Box 588
Mayfield, Kentucky 42066
Agency Telephone: (270) 247-7171
Facsimile: (270) 251-6110
Department: (270) 251-6117

BizLoans@PurchaseADD.org

PURCHASE AREA DEVELOPMENT DISTRICT

*(Lending in Kentucky and the Purchase Area counties of Ballard, Carlisle,
Calloway, Graves, Hickman, Fulton, Marshall, and McCracken)*

SBA's Certified Development Company 504 Loan Program

USDA Rural Business Enterprise Grant Program

USDA Intermediary Relending Program

SBA's Microloan Intermediary

EDA Revolving Loan Fund

CDBG / IRB's

Thank you for your interest in the government loan programs available for small business through the Purchase Area Development District's Business Lending Department. The forms included in this package are for evaluation purposes to determine if your project is eligible for any of the government loan programs we administer.

Should your project be determined to be eligible, there may be additional forms required which will be specific to the government loan program(s) for which you would be applying. **The forms included in this package will then become part of your application.**

A few helpful websites which you might want to check out include: www.business.gov, www.kentucky.gov, www.sba.gov, and www.sos.ky.gov. Also, we recommend that you obtain a free copy of your credit report from www.annualcreditreport.com.

All forms in this package can be found as electronic version on our website:

http://www.purchaseadd.org/Business_Lending/Forms_Loans.html

If you have any questions in completing the enclosed documents, please contact our department at (270) 251-6117.

We are looking forward to work with you on your project!

APPLICATION PROCESS 101

PURCHASE AREA DEVELOPMENT DISTRICT (PADD)
1002 Medical Drive
Mayfield, KY 42066

Step 1: Prequalification

Ask yourself the following questions:



1. Do I have a personal credit score of 550 or higher? A lower score does not necessarily disqualify you for a loan if there is sufficient collateral, equity/cash injection and positive business outlook.
2. Do I have sufficient personal or business assets equal in value (after discounts) to the amount of the loan that I can offer as collateral?
3. Do I have adequate cash flow to repay the loan obligation each month?
4. Do I have the knowledge, experience, and dedication to make my business successful?

Please consider these tips regarding the small business loan application process:

- Consider your proposed small business project. Does the project and the business loan make sense? In doing so, give a prudent consideration to how the funds will be used. Typical uses for most small businesses often include:
 - Land acquisition
 - Building acquisition
 - Equipment purchases
 - Working capital
 - Inventory purchases
 - Refinancing of other debts
- Consult with outside resources which may assist you with preparing your financing request.
- Use PADD as a resource as well, especially for help regarding the financial operations of your business and proper use of the funds to be borrowed; we have many years of experience and love to help small businesses succeed.
- Check any financial projections and supporting financial data to ensure that they are realistic and attainable.
- Ensure that your company's balance sheet is structured properly. In particular, note short term loans for working capital and longer term loans for debt refinancing and purchase of fixed assets (land, buildings, and equipment).

If you answered "Yes" in response to all of the questions above and have considered the helpful tips above then please proceed to Step 2: Proposal.

Step 2: Proposal / Evaluation

In this phase, PADD will need certain information from you to get the loan application process rolling.

Please provide us with the following general info depending on whether your small business is a Start-Up / New Business (less than 2 years operating) or an Existing Business (2 years or longer in operation).

Start-Up / New Businesses	Existing Businesses
<input type="checkbox"/> Signed authorization for credit and background inquiry for each business owner <input type="checkbox"/> \$20 Payment to obtain Credit Report <input type="checkbox"/> Signed current personal financial statement for each business owner <input type="checkbox"/> Brief description of use of loan proceeds and collateral to be offered <input type="checkbox"/> A completed Business Plan (including financial projections for 3 years)	<input type="checkbox"/> Signed authorization for credit and background inquiry for each business owner <input type="checkbox"/> \$20 Payment to obtain Credit Report <input type="checkbox"/> Signed current personal financial statement for each business owner <input type="checkbox"/> Brief description of use of loan proceeds and collateral to be offered <input type="checkbox"/> Latest fiscal year-end business financial statements <input type="checkbox"/> Latest interim business financial statement (less than 60 days old) <input type="checkbox"/> Debt Schedule for business

Upon receiving the information:

After your information has been received, our staff will move quickly to evaluate your application and provide you with an assessment. Typically, you will receive a reply concerning PADD's interest in your loan request within 5-7 days. A positive response from PADD regarding your loan request means that you can move on to the next phase of the small business loan process, Final Qualification, where you will be asked to provide more information.

To expedite the loan process, please ensure that you have avoided these common mistakes when preparing your information:

Personal Financial Statements

- Include all liabilities that you owe on your personal financial statement. Remember that PADD will obtain personal credit reports to verify outstanding personal debt of all the parties involved in the transaction.
- List all debts that you have co-signed or guaranteed.
- Accurately state your gross income. PADD will compare your stated income with personal income tax returns.
- Realistically assess the market value of the real estate that you own.

Business Financial Statements

- Ensure that the financial statements balance.
- Always send both a balance sheet and corresponding income (profit and loss) statement to PADD for each period required.

Step 3: Final Qualification

Welcome to the final stage of qualification! If you have made it this far in the small business loan process then things are looking good. There are just a few more pieces of information that PADD needs from you before we can issue a commitment letter.

Finishing the Loan Process

- A detailed breakdown of total project costs, including:
 - Acquisition of real property or equipment
 - Building construction / Improvements to Property
 - Professional Fees
 - Working Capital Needs
 - Closing Costs

- Three (3) years of historical financial statements on your small business, including:
 - Income statements
 - Balance sheets
- Interim financial statements on your small business dated within 60 days of your business loan application (if not provided in Step 1 already).
- Projected financial statements for your small business (if not provided in Step 1 already):
 - Operating projections for three (3) years, to include: monthly spreads of *income* and *cash flow* for the first year and annual spreads of *income* and *cash flow* for the second and third years.
 - Include projections for repayment of the proposed loan and any other debt to be incurred.
 - Start-up balance sheet showing the proposed distribution of assets, liabilities, and equity.
- Last three (3) years of personal tax returns
- Personal resumé for each business owner
- Application Form
- Possibly other forms and materials as determined by program regulations and/or individual circumstances

Once we receive all necessary documentation and if no other problems arise, we will call on the Loan Review Committee (LRC) that will make the final decision about your loan application. After approval from the LRC, we will issue you a commitment letter which will outline the necessary steps and requirements to close the loan.



All forms in this package (covering Step 2) and the forms necessary for Step 3 can be found in an electronic version on our website:
http://www.purchaseadd.org/Business_Lending/Forms_Loans.html

Our website also offers various tools (loan calculator, depreciation calculator, etc.) that can assist you in preparing the information necessary to complete an application.

EVALUATION AGREEMENT

PURCHASE AREA DEVELOPMENT DISTRICT (PADD)
1002 Medical Drive
Mayfield, KY 42066

Each applicant should carefully **READ, INITIAL AND EXECUTE** each section and sign below.

I. Pre-Application Evaluation

I/We, _____
understand the information I/We have provided on the enclosed package is strictly for **EVALUATION PURPOSES ONLY** and I/We expect all information submitted to the Purchase Area Development District (PADD) to be held confidential.

The PADD is not legally required to provide funding upon its receipt of the "pre-application". I/We acknowledge the information provided is for planning and consulting purposes only, and that upon determination of eligibility, a program specific application package must be completed and submitted to the PADD for further review.

IN CASE OF A DETERMINED ELIGIBILITY, THE FORMS INCLUDED IN THIS EVALUATION PACKAGE WILL BECOME PART OF YOUR APPLICATION.

In consideration of the PADD's review of this "pre-application", I/We waive all claims against PADD and its personnel arising from their assistance.

1.	Applicant	SSN	Date of Birth	Date
2.	Applicant	SSN	Date of Birth	Date
3.	Applicant	SSN	Date of Birth	Date
4.	Applicant	SSN	Date of Birth	Date

AUTHORIZATION TO RELEASE & COLLECT INFORMATION

**PURCHASE AREA DEVELOPMENT DISTRICT (PADD)
1002 Medical Drive
Mayfield, KY 42066**

I/We do authorize the Purchase Area Development District to access and review information regarding my/our credit history and the proposed project. I/We understand the information will be used for verification of the credit application for small business financial assistance. I/We have been properly notified that the PADD will verify all statements through recognized credit reporting agencies and/or other sources contained in the application.

By signing this release, I/We also authorize PADD to discuss my/our past credit history and the proposed project with those necessary for the purpose of evaluating the loan application. **In addition, I/we authorize the PADD to pull a credit report from any consumer reporting agency.** I/We also acknowledge that, in case of an approved loan application, if I/we default on the loan to PADD, this information will be given to credit reporting agencies. Please enter your main creditors and (if available) their contact information:

Creditor / Others	Contact Person	Address, Phone, etc.

My/Our signature(s) below authorize(s) such inquiries by the Purchase Area Development District.

Applicant	Social Security Number
Applicant	Social Security Number
Applicant	Social Security Number



PERSONAL FINANCIAL STATEMENT

U.S. SMALL BUSINESS ADMINISTRATION

As of _____, _____

Complete this form for: (1) each proprietor; (2) general partner; (3) managing member of a limited liability company (LLC); (4) each owner of 20% or more of the equity of the Applicant (including the assets of the owner's spouse and any minor children); and (5) any person providing a guaranty on the loan. **Return completed form to:** 7(a) loans - to the lender processing the SBA application; 504 loans - to the Certified Development Company processing the SBA application; Disaster loans - to the Disaster Processing and Disbursement Center at 14925 Kingsport Road, Fort Worth, TX 76155-2243; and 8(a)/BD applicants who are *individuals claiming social and economic disadvantaged status and their spouses* - electronically at <http://www.sba.gov> or send hard copy with paper application to either of the two following offices:

8(a) BD only	Mail to the following address, if your firm is located in one of the states below:	Mail to the following address, if your firm is located in one of the states below:
	US Small Business Administration DPCE Central Office Duty Station Parkview Towers 1150 First Avenue 10th Floor, Suite 1001 King of Prussia, PA 19406	Small Business Administration Division of Program Certification and Eligibility 455 Market Street, 6th Floor San Francisco, CA 94105
	MA, ME, NH, CT, VT, RI, NY, PR (Puerto Rico), VI (US Virgin Islands), NJ, PA, MD, VA, WV, DC, DE, GA, AL, NC, SC, MS, FL, KY, TN	IL, OH, MI, IN, MN, WI, TX, NM, AR, LA, OK, MO, IA

Name	Business Phone
Residence Address	Residence Phone
City, State, & Zip Code	

Business Name of Applicant/Borrower

ASSETS		LIABILITIES	
	(Omit Cents)		(Omit Cents)
Cash on hand & in Banks	\$	Accounts Payable	\$
Savings Accounts	\$	Notes Payable to Banks and Others	\$
IRA or Other Retirement Account	\$	(Describe in Section 2)	
(Describe in Section 5)		Installment Account (Auto)	\$
Accounts & Notes Receivable	\$	Mo. Payments \$	
(Describe in Section 5)		Installment Account (Other)	\$
Life Insurance-Cash Surrender Value Only	\$	Mo. Payments \$	
(Complete Section 8)		Loan on Life Insurance	\$
Stocks and Bonds	\$	Mortgages on Real Estate	\$
(Describe in Section 3)		(Describe in Section 4)	
Real Estate	\$	Unpaid Taxes	\$
(Describe in Section 4)		(Describe in Section 6)	
Automobiles - Total Present Value	\$	Other Liabilities	\$
(Describe in Section 5, and include Year/Make/Model)		(Describe in Section 7)	
Other Personal Property	\$	Total Liabilities	\$
(Describe in Section 5)		Net Worth	\$
Other Assets	\$		
(Describe in Section 5)			
Total	\$	Total	\$

Section 1. Source of Income	Contingent Liabilities
Salary	As Endorser or Co-Maker
Net Investment Income	Legal Claims & Judgments
Real Estate Income	Provision for Federal Income Tax
Other Income (Describe below)*	Other Special Debt

Description of Other Income in Section 1.

*Alimony or child support payments need not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.

Section 2. Notes Payable to Banks and Others. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

Name and Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc.)	How Secured or Endorsed Type of Collateral

Section 3. Stocks and Bonds. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

Number of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value

Section 4. Real Estate Owned. (List each parcel separately. Use attachment if necessary. Each attachment must be identified as a part of this statement and signed.)

	Property A	Property B	Property C
Type of Real Estate (e.g. Primary Residence, Other Residence, Rental Property, Land, etc.)			
Address			
Date Purchased			
Original Cost			
Present Market Value			
Name & Address of Mortgage Holder			
Mortgage Account Number			
Mortgage Balance			
Amount of Payment per Month/Year			
Status of Mortgage			

Section 5. Other Personal Property and Other Assets. (Describe, and if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment and if delinquent, describe delinquency)

Section 6. Unpaid Taxes. (Describe in detail, as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches.)

Section 7. Other Liabilities. (Describe in detail.)

Section 8. Life Insurance Held. (Give face amount and cash surrender value of policies - name of insurance company and beneficiaries)

I authorize SBA/Lender to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness.

CERTIFICATION: (to be completed by each person submitting the information requested on this form)

By signing this form, I certify under penalty of criminal prosecution that all information on this form and any additional supporting information submitted with this form is true and complete to the best of my knowledge. I understand that SBA or its participating Lenders, or Certified Development Companies will rely on this information when making decisions regarding an application for a loan from SBA or an SBA Participating Lender, or for participation in the SBA 8(a) Business Development (BD) program.

Signature _____

Date _____

Print Name _____

Social Security No. _____

Signature _____

Date _____

Print Name _____

Social Security No. _____

NOTICE TO LOAN APPLICANTS: CRIMINAL PENALTIES AND ADMINISTRATIVE REMEDIES FOR FALSE STATEMENTS:

Knowingly making a false statement on this form is a violation of Federal law and could result in criminal prosecution, significant civil penalties, and a denial of your loan. A false statement is punishable under 18 U.S.C. §§ 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 U.S.C. § 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, a false statement is punishable under 18 U.S.C. § 1014 by imprisonment of not more than 30 years and/or a fine of not more than \$1,000,000.

NOTICE TO APPLICANTS OR PARTICIPANTS IN THE 8(a) BD PROGRAM: CRIMINAL PENALTIES AND ADMINISTRATIVE REMEDIES FOR FALSE STATEMENTS:

Any person who misrepresents a business concern's status as an 8(a) Program participant or SDB concern, or makes any other false statement in order to influence the 8(a) certification or other review process in any way (e.g., annual review, eligibility review), shall be: (1) Subject to fines and imprisonment of up to 5 years, or both, as stated in Title 18 U.S.C. § 1001; (2) subject to fines of up to \$500,000 or imprisonment of up to 10 years, or both, as stated in Title 15 U.S.C. § 645; (3) Subject to civil and administrative remedies, including suspension and debarment; and (4) Ineligible for participation in programs conducted under the authority of the Small Business Act.

PLEASE NOTE: The estimated average burden hours for the completion of this form is 1.5 hours per response. If you have questions or comments concerning this estimate or any other aspect of this information, please contact Chief, Administrative Branch, U.S. Small Business Administration, Washington, D.C. 20416, and Clearance Officer, Paper Reduction Project (3245-0188), Office of Management and Budget, Washington, D.C. 20503. **PLEASE DO NOT SEND FORMS TO OMB.**



United States of America
SMALL BUSINESS ADMINISTRATION
STATEMENT OF PERSONAL HISTORY

Please Read Carefully: SBA uses Form 912 as one part of its assessment of program eligibility. Please reference SBA Regulations and Standard Operating Procedures if you have any questions about who must submit this form and where to submit it. For further information, please call SBA's Answer Desk at 1-800-U-ASK-SBA (1-800-827-5722), or check SBA's website at www.sba.gov.

Name and Address of Applicant (Firm Name)(Street, City, State, and ZIP Code)		SBA District/Disaster Area Office Louisville, KY	
		Amount Applied for (when applicable)	File No. (if known)
1. Personal Statement of: (State name in full, if no middle name, state (NMN), or if initial only, indicate initial.) List all former names used, and dates each name was used. Use separate sheet if necessary.		2. Give the percentage of ownership or stock owned or to be owned in the small business or the development company	
First	Middle	Social Security No.	
		3. Date of Birth (Month, day, and year)	
		4. Place of Birth: (City & State or Foreign Country)	

Name and Address of participating lender or surety co. (when applicable and known)	5. U.S. Citizen? <input type="checkbox"/> YES <input type="checkbox"/> NO If No, are you a Lawful Permanent resident alien: <input type="checkbox"/> YES <input type="checkbox"/> NO If non- U.S. citizen provide alien registration number: _____	INITIALS: _____
--	--	-----------------

6. Present residence address: From: To: Address: Home Telephone No. (Include Area Code): Business Telephone No. (Include Area Code):	Most recent prior address (omit if over 10 years ago): From: To: Address:
---	--

PLEASE SEE REVERSE SIDE FOR EXPLANATION REGARDING DISCLOSURE OF INFORMATION AND THE USES OF SUCH INFORMATION.

YOU MUST INITIAL YOUR RESPONSES TO QUESTIONS 5,7,8 AND 9.

IF YOU ANSWER "YES" TO 7, 8, OR 9, FURNISH DETAILS ON A SEPARATE SHEET. INCLUDE DATES, LOCATION, FINES, SENTENCES, WHETHER MISDEMEANOR OR FELONY, DATES OF PAROLE/PROBATION, UNPAID FINES OR PENALTIES, NAME(S) UNDER WHICH CHARGED, AND ANY OTHER PERTINENT INFORMATION. AN ARREST OR CONVICTION RECORD WILL NOT NECESSARILY DISQUALIFY YOU; HOWEVER, UNTRUTHFUL ANSWER WILL CAUSE YOUR APPLICATION TO BE DENIED AND SUBJECT YOU TO OTHER PENALTIES AS NOTED BELOW.

7. Are you presently under indictment, on parole or probation? **INITIALS:** _____
 Yes No (If yes, indicate date parole or probation is to expire.)

8. Have you ever been charged with, and/or arrested for, any criminal offense other than a minor motor vehicle violation? Include offenses which have been dismissed, discharged, or not prosecuted. (All arrests and charges must be disclosed and explained on an attached sheet.)
 Yes No **INITIALS:** _____

9. Have you ever been convicted, placed on pretrial diversion, or placed on any form of probation, including adjudication withheld pending probation, for any criminal offense other than a minor vehicle violation?
 Yes No **INITIALS:** _____

10. I authorize the Small Business Administration Office of Inspector General to request criminal record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, and the Small Business Investment Act.

CAUTION - PENALTIES FOR FALSE STATEMENTS: Knowingly making a false statement on this form is a violation of Federal law and could result in criminal prosecution, significant civil penalties, and a denial of your loan, surety bond, or other program participation. A false statement is punishable under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

Signature	Title	Date
-----------	-------	------

Agency Use Only		12. <input type="checkbox"/> Cleared for Processing _____ Date _____ Approving Authority _____	
11. <input type="checkbox"/> Fingerprints Waived _____ Date _____ Approving Authority _____	<input type="checkbox"/> Fingerprints Required _____ Date _____ Approving Authority _____	13. <input type="checkbox"/> Request a Character Evaluation _____ Date _____ Approving Authority _____	
Date Sent to OIG _____	(Required whenever 7, 8 or 9 are answered "yes" even if cleared for processing.)		

PLEASE NOTE: The estimated burden for completing this form is 15 minutes per response. You are not required to respond to any collection of information unless it displays a currently valid OMB approval number. Comments on the burden should be sent to U.S. Small Business Administration, Chief, AIB, 409 3rd St., S.W., Washington D.C. 20416 and Desk Officer for the Small Business Administration, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, D.C. 20503. OMB Approval 3245-0178. **PLEASE DO NOT SEND FORMS TO OMB.**

DEBT SCHEDULE

Business Name: _____
 Business Address: _____
 Business Telephone: _____
 Business Website / Email: _____

Name of Creditor	Original Amount / Limit	Original Date	Current Balance	Delinquent	Interest Rate	Maturity Date	Monthly Payment	How secured?
	\$		\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	%		\$	
	\$		\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	%		\$	
	\$		\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	%		\$	
	\$		\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	%		\$	
	\$		\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	%		\$	
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	\$		\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	%		\$	
	\$		\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	%		\$	
	\$		\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	%		\$	
	\$		\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	%		\$	

Applicant Signature(s): _____

Date: _____

SUGGESTED "BUSINESS PLAN" OUTLINE
- NEW BUSINESSES (LESS THAN 2 YEARS OPERATING) -

Purposes:

- To help in obtaining commercial credit
- To serve as "Measuring Scale" of operation
- To assist managerial planning

Cover Sheet: Business name and address, names of principals, and business phone number

1. The Business

- A. Description
- B. Brief history
- C. Type of organization, date organized, and principals
- D. Management, including a brief background on each principal (If management differs from owners, include background of both managers and owners.)
- E. Location
- F. Market

2. Business Activity

- A. Type of business
- B. Product
- C. Volume (by sections)
- D. Number of Employees
- E. Sales policies and distribution methods
- F. Territories covered
- G. Prospects and expectations
- H. Credit Terms
- I. Competition

3. Facilities

- A. Description of plant and equipment, and whether facility is owned or leased.
- B. Adequacy or plans for expansion

4. Financial Data

- A. Historical financial reports for existing business (if operating but less than 2 years old)
 - Current balance sheet
 - Balance sheet and income statements for last three years
 - Accounts receivable and payable
 - Schedule of existing debts
 - Historical (3 Year) Business Tax Returns
- B. Balance sheet and income statement projections
 - Three year summary
 - Explanation
- C. Pro-forma cash flow for three years
- D. Break-even analysis
- E. Collateral available

5. Personal Information

- A. Financial information.
- B. Income.
- C. References.
- D. Historical (3 Year) Personal Tax Returns.

6. Supporting Information and Documents

- A. Leases
- B. Contracts

COVER SHEET

This is simply a sheet of paper with the name and address of the business, the name of the owner(s), and contact information such as, telephone number, fax number (if any) and e-mail address (if any). You should also type or stamp the word CONFIDENTIAL on the bottom hand corner of the page.

STATEMENT OF PURPOSE

Tell the reader exactly why you wrote the plan. "The company is seeking a loan in the amount of \$..... to be used to purchase as part of an expansion (or start up) of the company's business." This sentence can be used as your opening line on your Executive Summary if it is short enough.

EXECUTIVE SUMMARY

This is your most important section of the business plan. It should be written last because you'll be pulling the best information from the other sections to create highlights of your plan. This is the only section where you'll be able to share your vision of the business, tell why you're the person or team to implement the plan, and why you will be successful. If your executive summary doesn't capture the attention of your reader, he or she may never read the nuts and bolts of the rest of your plan. Try not to go over two pages unless you have some extraordinary information that needs to be shown.

TABLE OF CONTENTS

This is simply the sections of the business plan (the outline) listed with the page numbers after each section to make it easier for people to turn to specific places in the plan.

THE BUSINESS

Description of the Business

This section describes your business and the industry. It should include the current status of the business (start-up, existing, and acquisition), the business structure (sole-proprietor, partnership, limited liability company corporation) and the ownership structure (Are you the only owner? If not, list all owners and their percentage ownership in the business.)

Location and hours of the business

Where is your business located and what hours will you be opened? If location is important to the business, explain the advantages and the benefits of the location (foot traffic; closeness to highways.)

Products and Services

Tell the reader about the products and services that your business provides. The reader should be able to easily understand your business. Tell which of your products are most profitable and which have special or unique features.

Marketing Analysis and Competition

This section is one of the most important. You must demonstrate that you are knowledgeable not only about your business but also the industry in general. First, describe the industry and any trends in the industry. You will need to research this info in trade publications, on the Internet, or from your experience. Secondly, discuss your target customers. Who are they? Who'll be the most likely to buy from you? Thirdly, what is the size of your market area and how many potential customers do you think are in it. Lastly, identify your competitors, explain why you are better or how you are different, and tell why you think their customers will do business with you.

Marketing Plan

Now that you've identified your market, you need to explain how you can get these customers to buy from you. Write about how you will reach these customers. Will you use advertising brochures that you send to them (direct mail)? Will you use radio, telemarketing, newspapers, e-commerce, or something else? How much will it cost? How many customers do you think you'll be able to reach? Are there special customers (niche markets) that you're looking to reach? Will this advertising reach them?

Management and Personnel

A business is only as strong as the people running it. You need to show who will be running the business, their qualifications (background and experience), and their responsibilities. Include the resumes of owners and key personnel. If you have other employees, list their responsibilities and cost to you. You will also want to include those professionals who will be helping you. Attorneys, Accountants, Counselors, etc. are people that you should identify as part of your team.

THE FINANCIAL DATA

This is the most important part of your business plan. This section will show how your business is going to perform. This can be the most difficult part of your plan to do well. If you are so inclined, you can have your accountant help you do this (but the key word is help. You must understand the financial aspects of your business to be successful). It takes a lot of thought about your business and honest evaluation of your sales and expenses. The finished product will show you whether you'll have enough money to run your business and whether you can make enough money to make a living. Remember; don't let this section overwhelm you. You can do it.

Sources and Uses of Funds

This section is brief, simply list where monies are coming from to fund the project or start-up of the business ("Sources") and how you will spend the Sources to complete the Project or start up the business ("Uses"). This package includes a worksheet ("Financing Information") that can be used to detail the sources and uses of funds.

Pro-Forma Income Projections (profit and loss statement)

This section requires you to project (estimate) future sales/income and expenses based on the business plan going forward. Existing businesses can use their historical financial information as a starting point to project future sales and expenses. If you are a start-up, you won't have any prior numbers to work from. You'll have to give your best estimates on what they will be. You have to be realistic. Do some research to support your estimates! Get quotes for expense items to make sure your estimates are reasonable. This is a guideline for your business's ability to be profitable.

The business may not show profitability in its first year. However, it should be profitable within a reasonable amount of time or it may be showing you that the business can't support you. Use the attached Projected Profit and Loss Worksheet to help you calculate your first year. Other years do not need to be broken down month by month. They can be done in a single column listing the same categories that were used on the worksheet.

Pro-Forma Cash Flow Projections

This section is the most important for you. (Its' importance can not be stressed enough). Cash Flow Projections tell you whether you'll have enough cash to allow your business to continue running during the critical beginning stages or heavy growth stages. The government estimates that most small businesses that file for bankruptcy are actually profitable when they file. These businesses just run out of money needed to run day-to-day operations.

Use the attached Cash Flow Budget Worksheet to calculate your cash flow. Since there are technically no sales in your first month of business (there are sales but they don't get registered until month number two), you'll start Month 1 Beginning Cash Balance with the Working Capital amount you calculated in the Sources & Uses Section. Add the appropriate expenses underneath and you'll be able to calculate how much money will be left for the start of month two.

EXPLANATION OF THE BUSINESS PLAN

Remember, you'll have to buy inventory or materials to replace what you sold in the previous month, so that amount will have to be plugged into the next month. Keep doing each month's calculation until you finish the first year. Each month you'll take the Available Cash Balance and subtract all the expenses from it, which will give you the Beginning Cash Balance for the next month. This tells you if you have enough cash on hand to keep your business running smoothly.

Break-even Analysis

This section will show you what level of sales will be needed to cover all of your fixed expenses. This will tell you at what point you start to produce profits. It requires you to determine two numbers. The first is your fixed cost. These are expenses you must pay every month regardless of your sales volume. Fixed costs include rent, insurance, interest, office supplies, maintenance fees, administrative costs, etc. Total your Fixed Costs and divide the total by your Average Gross Profit Margin. Simply put, your Gross Profit is the amount of profit you make on a sale.

The Gross Profit Margin is your Gross Profit shown as a percentage of your total sales. For example, you sell an item for \$25.00. The item costs you \$15.00. Your Gross Profit is \$10.00 (\$25.00 sale minus \$15.00 cost). Your Gross Profit Margin is calculated by dividing Gross Profits by Sales Price. In this example, the Gross Profit Margin is 40% (\$10 div. by \$25). Your Average Gross Profit Margin is the average estimated gross Profit Margin on all sales of all products. This is also expressed as a percentage. Now that you know your Fixed Costs and your Average Gross Profit Margin, you can complete your break-even analysis. The formula is as follows:

$$\frac{\text{Fixed Costs}}{\text{Profit Margin}} = \text{Break-even Point}$$

For example, if you have \$1000 per month in Fixed Cost and your Average Gross Profit Margin is 40%, then your Break-even point would be \$1000 divided by .40 or \$2500. This means that you have to sell \$2500.00 to break even for the month.

Financial Assumptions

This section explains how you came up with the numbers you used in your financial projections. The numbers that you are using can't be just made up. They must come from your research. Any part of the financial projections that is not obvious to the reader should be explained.

Here are some examples of assumptions you may make when creating financial projections.

GROSS SALES	Projected sales are based on the sale of 20 (product) per week at \$63 each as my research (copy enclosed) has indicated. The sales are projected from industry research in markets with my demographic size.
COST OF GOODS SOLD	The cost of goods sold is based on a 60% markup on inventory.
PAYROLL	Payroll expense is calculated by the owners' salary of \$24,000 and 3 part time people working 15 hours a week at \$7.00 per hour.

At the end of your assumptions, discuss the potential risks that your business could face (new technologies, new competitors, etc.) and how you plan to deal with it.

Supporting Documents

This section should contain any other relevant information regarding your business. Incorporation papers, owner resumes and any letters of recommendation, copies of leases, or contracts, owners personal financial statements, two years of owners tax returns, or anything else to support your business.

FINANCING INFORMATION

Business Name: _____
 Business Address: _____
 Business Telephone: _____
 Business Website / Email: _____

Project Costs		Project Financing	
1. Purchase of Land / Building	\$ _____	Bank (or private loan):	\$ _____
2. Land Improvements	\$ _____	PADD:	\$ _____
3. Building Improvements	\$ _____	Other:	\$ _____
4. New construction	\$ _____	Other:	\$ _____
5. Construction Contingencies	\$ _____	Borrower Injections:	\$ _____
6. Equipment	\$ _____	(must be at least 10% of line 10 **)	
7. Furniture and Fixtures	\$ _____	Total (must equal line 10)	\$ _____
8. Professional Fees *	\$ _____		
9. Other (specify)	\$ _____	Desired Term of loan (years):	<input type="checkbox"/> 5 <input type="checkbox"/> 7
_____	\$ _____	Other Term: _____ Years	<input type="checkbox"/> 10 <input type="checkbox"/> 20
_____	\$ _____	Source of Borrower's Injection:	
_____	\$ _____	_____	
10. Total Project Costs	\$ _____		

* Architectural fees, appraisal fees and other professional fees associated with this project may be included in this figure.
 ** - 15% equity injection if business is less than 2 years old or special use building
 - 20% if new business and special use building

Participating Bank: _____
 Loan Officer / Phone / email address: _____
 Date financing needed: _____ Referred by: _____

Projected Employment Impact

NEW jobs to be created within the next two years as a result of this project: _____
 # Presently employed by your company: _____

Applicant Signature _____ Date _____

COLLATERAL 101

PURCHASE AREA DEVELOPMENT DISTRICT (PADD)
1002 Medical Drive
Mayfield, KY 42066

Collateral is used to secure a loan by some asset(s) you own. You promise to hand the asset(s) over to the lender if you cannot repay the loan as agreed. By using collateral, the lender compensates for risks it enters to provide you with the loan in the first place.



Collateral is something of value - an asset or property - that you pledge when getting a loan. If you don't repay the loan as agreed, the lender can take your collateral and sell it.

Assets for Collateral Loans

When using collateral, you give the bank the right to take your asset if you can't repay. What assets can you use?

- Automobiles
- Real Estate
- Equipment, fixtures and furniture
- Cash accounts
- Investments
- Insurance policies
- Valuables and collectibles
- Future payments / Accounts Receivable
- Assignment of rent and leases
- Corporate or personal guarantees

Collateral to Loan Valuation

To further limit their risks, lenders usually discount the value of the collateral so that they are not extending 100 percent of the collateral's highest market value. Some assets will be more discounted than others. For example, a lender might only recognize 50% of your investment portfolio for a collateral loan. The same goes for equipment and fixtures. That way, they improve their chances of getting all their money back in case the collateral loses value throughout the life of the loan. It also accounts for loss of value due to normal wear and tear (for equipment, fixtures, furniture, etc.).






Be prepared to offer and provide more collateral than just the items you are planning to finance with the loan proceeds because due to the discounts applied by the lender, the financed objects value will not be sufficient enough to cover the loan amount.



This relationship between the amounts of money the bank lends to the value of the collateral is called the loan-to-value ratio. The type of collateral used to secure the loan will affect the bank's acceptable loan-to-value ratio.

For example, unimproved real estate will yield a lower ratio than improved, occupied real estate. These ratios can vary between lenders and the ratio may also be influenced by lending criteria other than the value of the collateral; e.g., a healthy cash flow may allow for more leeway in the loan-to-value ratio.

Of course, if there are mitigating factors that affect the value of your collateral and could bring a lender to accept a higher loan-to-value ratio, you should make the lender aware of those factors. Don't assume that lenders always know the actual value of collateral that is provided or offered to them. When in doubt, lenders will assign a lower ratio just to be on the safe side.

The following information is generic and differs from lender to lender. Specific information about the ratios used by PADD is given at the end of each category.

	<p>Real Estate: If the real estate is occupied, the lender might provide between 75% to 85% of the appraised value. If the property is improved, but not occupied (e.g., a planned new residential subdivision with sewer and water, but no homes yet), up to 50 percent. For vacant and unimproved property, 30 percent.</p> <p>PADD will not assign more than 80% of appraised value.</p>
	<p>Equipment / Fixtures / Furniture: If the equipment is brand new, the bank might agree to lend 75 percent of the purchase price; if the equipment is used, then a lesser percentage of the appraised liquidation value might be advanced. However, some lenders apply a reverse approach to discounting of equipment: They assume that new equipment is significantly devalued as soon as it goes out the seller's door (e.g., a new car is worth much less after it's driven off the lot).</p> <p>If the collateral's value is already significantly depreciated by the borrower, loaning 75 percent of the purchase price may be an overvaluation of the equipment. Instead, these lenders would require an appraisal of the equipment and use a higher percentage loan-to-value ratio for used goods because a recent appraisal value would give a relatively accurate assessment of the current market value of that property. For example, if a three-year-old vehicle is appraised at \$15,000, that's probably very close to its immediate liquidation value.</p> <p>PADD does not assign more than 50% of appraised value as collateral.</p>
	<p>Securities: Marketable stocks and bonds can be used as collateral to obtain up to 75 percent of their market value. Depending on the kind of security, the percentage might be much lower if there is a high volatility to the securities value. Note that the loan proceeds cannot be used to purchase additional stock.</p> <p>PADD assigns a ratio depending upon the kind and marketability of the provided securities.</p>

	<p>Inventory: A lender may advance anywhere from 60% up to 80% percent of value for ready-to-go retail inventory. A manufacturer's inventory, consisting of component parts and other unfinished materials, might be only 30 percent. The key factor is the merchantability of the inventory — how quickly and for how much money could the inventory be sold.</p> <p>PADD usually does not accept inventory as collateral.</p>
	<p>Accounts Receivable: For accounts that are less than 30 days old, you might get something in the range of 50% to 75%. Accounts receivable are typically "aged" by the borrower and lender before a value is assigned to them. The older the account, the less value it has. Most lenders will refuse to finance accounts that are outstanding for more than 90 days.</p> <p>Lenders often also apply a graduated scale to value the accounts so that, for instance, accounts that are from 31-60 days old may have a loan-to-value ratio of only 60 percent, and accounts from 61-90 days old are only 30 percent. Delinquencies in the accounts and the overall creditworthiness of the account debtors may also affect the loan-to-value ratio.</p> <p>PADD usually does not accept Accounts Receivable as collateral.</p>

Why Use Collateral?

If you risk losing something, why pledge it as collateral? It may be because there's no other way to get a loan. Banks won't lend you enough money to buy a house unless they can take the house back and sell it when things go bad (this is known as foreclosure). Lenders want you to have some skin in the game. They're taking a risk so they want you to risk something too. Lenders define collateral requirements; if you can't meet them you may have to pay higher rates or find another lender.

Personal Guarantee Basics

Lenders always evaluate borrowers to predict whether or not they'll repay. For consumer loans, there are credit scores and a wealth of other information to help with the decision. However, businesses - especially new businesses - may not have a credit history.

With limited information it's hard for lenders to make a decision. As a result, they usually require a personal guarantee. By making business owner(s) - not just the business - personally responsible, lenders improve the chances of getting paid. Without a personal guarantee, many small businesses can't get loans. Lenders will wonder why they should take a risk if you're not willing to put skin in the game.



When you provide a personal guarantee, you allow a lender to go after your personal assets if you can't repay a business loan. The business may be incorporated to limit your liability, but that protection doesn't help with a personal guarantee.

PADD requires all individuals who own 20% or more of a business to provide an unlimited full personal guaranty.

