

**QUITMAN DEVELOPMENT CORPORATION
BUSINESS RETENTION AND EXPANSION PROGRAM**

QDC Project 2009- 002

Purpose

To provide assistance to Quitman business owners in their efforts to effect viability and/or expansion of their existing business.

Types of Assistance Offered

Business Planning: Business planning is essential to business success. Accordingly, the Quitman Development Corporation (QDC) will help arrange business planning assistance for program applicants through the Small Business Development Center (SBDC) located at the Tyler Junior College Regional Training and Development Complex (RTDC), Suite 100, at 1530 SSW Loop 323, Tyler TX 75701. The QDC will also help applicants complete any preliminary work required by the SBDC and interact with the SBDC with the applicant as needed and requested by the applicant. Information on the Tyler SBDC can be found at <http://www2.tjc.edu/sbdc>.

It is strongly recommended that applicants develop a business plan as presented by the Small Business Administration at <http://www.sba.gov/smallbusinessplanner/index.html>. QDC will assist applicants in completing such a plan.

Financing: The QDC may provide financing assistance by:

- Identifying public (e.g., Small Business Administration) or private funding (e.g., from banks), and/or;
- Providing QDC funds to supplement other funding arranged by the business owner;
- Underwriting all or a portion of a private loan(s).

Requirements for QDC Business Planning Assistance

QDC Staff will facilitate business planning assistance to anyone seeking it. A \$50.00 fee will be assessed for persons with businesses located outside Quitman's city limits.

General Requirements for QDC Financial Assistance

To be eligible for QDC financial assistance applicants must generally:

- Own a business located within Quitman's city limits. Assistance may also be provided to businesses located in Quitman' extra territorial jurisdiction (ETJ) provided the applicant agrees to request annexation to the City of Quitman and the Quitman City Council acts positively on the request.
- Have been in business for two (2) calendar years or longer.
- Have completed a credible business plan.
- Provide any information, including personal and business financial information, required by the Board in rendering a decision on the application with the understanding that the QDC agrees that this information will be held in the strictest confidence.
- Complete an assistance request.
- Formalize any arrangement with the QDC via written agreement, contract, etc. the form of which to be determined by the QDC.

Uses of Funds Provided by the QDC

The purpose of QDC Financial Assistance is to supplement, or fill "gaps," in other financing options, e.g., from a lending institution. Accordingly, the total amount of QDC financial assistance ordinarily will not exceed 25% of the total cost of the expansion and/or retention project. Funds provided by the QDC may ordinarily be used for:

- Acquisition and/or improvement to property required for expansion including associated infrastructure;
- The purchase and/or improvement (i.e. expansion and/or renovation) of facilities;
- The purchase and/or improvement of production equipment.
- Other purposes (e.g., to defray planning costs) when extraordinary circumstances exist.

Financial Assistance Available

Loan Guarantees: QDC loan guarantees may be made in amounts of up to \$25,000. To qualify for this assistance, applicants must obtain a private loan from a reputable lender contingent upon the QDC guarantee. Once the lender has approved the private loan and the QDC Board of Directors has approved the assistance, the QDC will obligate funds of \$25,000 or less deposited in an interest bearing account with the participating lending institution as collateral for the loan. These deposited funds will remain obligated and deposited until the loan has been repaid to the lender or are until otherwise released by the lender, whichever comes first, but in no instances for more than five (5) years from the date of loan execution. Recipients of this assistance pay no interest or principle to the QDC.

Direct Loans: The QDC may provide direct loans of up to \$10,000. The terms of these loans will not exceed five (5) years, with no payment or interest due from the recipient for the first year. Repayment begins on the first day of the second year after loan execution and is amortized over no more than the next four years at fixed interest rates no greater than those set by the New York Stock Exchange on the date the contract between the QDC and the applicant is executed. The actual interest rate set by the Board will be based, in part, on risk assessment and QDC retention and expansion priorities that are:

Manufacturing Businesses
Retail and Other Sales Tax Producing Businesses
Service Businesses

Awarded funds will only be paid directly to vendors against invoices for items authorized in the contract between the recipient and the QDC. Recipients may be reimbursed for approved costs, i.e., those defined on contract between the QDC and the recipient, upon presentation of a receipt for allowed items, e.g., a credit card receipt, cancelled check, etc.

Program Financing

The Business Retention and Expansion Program will be financed through a revolving loan fund. This being the case QDC funds available to finance retention and expansion projects largely depends on repayment of principle and interest to the revolving loan fund by assistance recipients. Accordingly, recipients will be encouraged to repay loans as early as possible in order to ensure that sufficient funds are available to assist other local small business owners. A financial incentive may be available to recipients who retire loans early.

Projects that require QDC assistance and are eligible for amounts that exceed financial assistance limits of this program, do not qualify for this program for any other reason (e.g., start-up assistance), may still be able to receive QDC financial assistance as an individual project.

Financial Assistance Program Process

- **Application:** The application process begins when the QDC is first contacted by an applicant and it is determined that QDC financial assistance is required. Although this first contact may be done via telephone, fax, e-mail or in person financial assistance applicants will eventually need to visit the QDC office.
- **Evaluation:** Projects that require QDC financial assistance will be evaluated by the QDC staff or representative who will recommend action to the QDC Board of Directors.
- **QDC Board Consideration:** The QDC Board of Directors will consider financial assistance applications at the next regularly scheduled meeting following submission and staff/representative evaluation of a completed application. Applicants will ordinarily be required to be at this meeting. Although, the QDC Board will consider staff recommendations its final decision will be based on the Board's own evaluation of the project. After considering the merits of the applicant's project, the Board may:
 1. Approve the project as presented
 2. Approve the project with changes
 3. Disapprove the project
- **Post Approval:** QDC staff or representative will revise assistance offers as may be stipulated by the Board of Directors. In every case, approved projects involving QDC financial assistance will be secured by contract between the QDC and assistance recipients. These contracts and other documents will ordinarily be available for review and execution within ten (10) working days following Board approval. QDC funds approved for the project will be made available for the recipient within five (5) working days following execution of these documents.
- **Monitoring Phase:** QDC staff and/or designated QDC Board members will monitor project progress in accordance with provisions of executed contracts until the project has been completed and all contractual obligations have been met.

Sales and Use Tax Credit

Allocation of Sales and Use Tax (S&UT) back to the city is a direct benefit to the city and, therefore, to the citizens of the city. Accordingly, the QDC will credit a portion of the positive (i.e., increased) S&UT generated by businesses receiving QDC assistance against the principle amount of private loans guaranteed by the QDC or the principle amount of QDC direct loans. Credit amounts will be calculated using the following formula.

A - (B x C) x D, where:

- A - is the amount of S&UT remitted by the company to the state comptroller one (1) year following expansion completion. This amount will be computed by QDC staff or representative from copies of sales tax submission paperwork which must be provided by the assistance recipient.
- B - is the average amount of S&UT remitted by the company during the twenty-four (24) months immediately preceding expansion completion. This amount also will be computed by QDC staff or representative from copies of sales tax submission paperwork which must be provided by the assistance recipient.
- C - is the average city-wide sales tax growth rate during the twenty-four (24) months immediately preceding expansion completion as computed from data available through

the Texas Comptroller of Public Accounts.

D - is the proportion of city sales tax (i.e. 2%) of the total sales tax collected on taxable items, e.g., 8.5%. Expressed fractionally, this proportion equals $2/8.5$ or .23529 rounded off to 0.235.

Sales and Use Tax Credits will be computed and deducted from the principle of the loan beginning on the first anniversary of the loan until one year following the end of the term of the loan.

For loan guarantee recipients, the QDC will deposit the calculated amount directly to the private lender on condition that the full amount deposited will be credited against the principle amount of the private loan. The QDC will credit the calculated amount directly against the principle of direct loans.

Program Penalties

Job creation and retention is the primary purpose of this program and the amount of financial assistance provided is based largely on the number of jobs created or retained. Accordingly, the QDC will assess penalties based on failure of assistance recipients to create or retain jobs as mutually agreed to by the recipient and the QDC and formalized in the agreement between the two. A job will be considered created or retained when the position is documented in the recipients business records and either is or has been occupied or has been actively advertised for a period of at least ninety (90) days prior to the date penalties may be assessed and provided that at least six applicants have been interviewed for the position but have been rejected based on an objective, documented, evaluation of the applicant's potential to successfully fill the position.

Financial Assistance Limitations

QDC financial assistance is provided through the QDC Revolving Loan Fund (RLF) and the amount of financial assistance the QDC may provide depends on the funds available in the RLF at the time assistance is requested. Accordingly, recipients will be urged to repay loans as early as possible since the QDC's ability to finance other projects largely depends on repayment. A financial incentive may be available to recipients who retire loans early.

Disclaimer

The Quitman Development Corporation Board of Directors has a fiduciary responsibility to act in the best interests of the community. Accordingly, the Board of Directors reserves the right to deny assistance to any legally, culturally or socially questionable business or to any other business when the value of retaining or expanding that business is questionable within the context of the overall community interest. Concurrently, The Board may approve assistance requests that fall outside the guidelines defined herein when, in their view, to do so will provide a positive objective benefit to the City of Quitman.

Certification

The Business Appearance Enhancement Program was approved by a majority vote of a quorum of members present at the Quitman Development Corporation Board of Directors held on _____, 2009 and by the City Council of the City of Quitman at its meeting held on _____, 2009.

Charles E. Thompson
Secretary/Treasurer of the Board