

**Hyde County Board of Commissioners
AGENDA ITEM SUMMARY SHEET**

Meeting Date: November 6, 2017
Presenter: Kris Noble
Attachment: Yes

ITEM TITLE: REVOLVING LOAN REQUEST FOR PRECISION TRANSPORT, LLC

SUMMARY: Formed in 2008, Precision Transport, LLC is a freight company that specializes in full truckload freight services. The company is located in Pantego, NC. Principal owners are Leland Hershey and his brother Everett Hershey. The Hersheys are requesting a revolving loan in the amount of \$178,000.00 to build a new maintenance shop, purchase semi-truck lift and build the driveway. The Hersheys own the property on which the shop will be built. The shop currently being used does not meet the needs of the current fleet. The new shop will allow them to expand their operations to accommodate additional trucks and trailers and hire a full-time mechanic on-site, eliminating the need to take the trucks to external shops for repairs and paying more expensive repair costs. This will also allow them to retain their current employees and grow their workforce with additional employees in the future.

The Hersheys have previously borrowed from the Hyde County revolving loan fund under another business entity, Precision Pallet, LLC. All loans have been paid satisfactorily.

The loan term requested is a 20-year amortization at 3% interest. Security for the loan will be a first Deed of Trust on the new truck shop and all equipment and fixtures to be located within. The Hersheys will also be required to personally guarantee the loan.

RECOMMEND: APPROVAL

Motion Made By: Earl Pugh, Jr.
 Barry Swindell
 Dick Tunnell
 Ben Simmons
 Tom Pahl

Motion Seconded By: Earl Pugh, Jr.
 Barry Swindell
 Dick Tunnell
 Ben Simmons
 Tom Pahl

Vote: Earl Pugh, Jr.
 Barry Swindell
 Dick Tunnell
 Ben Simmons
 Tom Pahl

**HYDE COUNTY
NORTH CAROLINA**

**ECONOMIC DEVELOPMENT
REVOLVING LOAN FUND**

**Precision Transport, LLC
405 Mainstem Rd,
Pantego, NC 27860**

APPLICATION FOR EXPANSION OF AN EXISTING BUSINESS

TABLE OF CONTENTS

Listed below are the required contents of an application. Applications should be organized in this format. Applicants should number all pages in the application. **Two completed copies of the application should be submitted directly to the Hyde County Revolving Loan Fund Administrator, Hyde County Courthouse, Swan Quarter, NC.**

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Application Summary Form

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- A. Verification of Project Costs & Proposal
- B. Projections & Historical Financials – Precision Transport, LLC
- C. Historical Financials – Precision Pallett, LLC & IBX Lumber, LLC
- D. Business Debt Schedule
- E. Personal Financial Statements

Only information received by Hyde County with the submission will be considered in the selection process, unless the county specifically requests additional information from the applicant. Failure to submit required information may be grounds for rejection of the application. Applicants should carefully review each project package, including attachments, to make certain that all required information is submitted and is internally consistent.

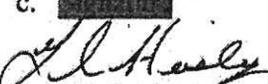
APPLICATION SUMMARY FORM

The Application Summary form should be the first page of all applications. The form contains a summary of pertinent information about the RLF application. The summary must also contain the signature of the owner, a partner, or chief executive officer of the business submitting the application.

INSTRUCTIONS

1. NAME OF APPLICANT – Precision Transport, LLC
405 Mainstem Rd
Pantego, NC 27860
Leland Hershey
252-943-5193
2. PROJECT NUMBER – [REDACTED]
3. PROJECT NAME – Precision Transport, LLC Maintenance Shop.
4. RLF FUNDS REQUESTED – \$178,000.
5. CERTIFICATION SIGNATURE – [REDACTED]

**HYDE COUNTY ECONOMIC DEVELOPMENT
REVOLVING LOAN FUND
APPLICATION SUMMARY**

1. APPLICANT		
a. Name: Precision Transport, LLC		
b. Street/P.O. Box: 405 Mainstem Rd		
c. City: Pantego		
d. Zip Code: 27860		
e. Contact Person: Leland Hershey		
f. Telephone No.: 252-943-5197		
2. [REDACTED]	3. Project Name	4. RLF Funds Requested
	Precision Transport, LLC Maintenance Shop	\$170,000 \$178,000
5. CERTIFICATION		b. Typed Name and Title of Authorized Representative
a. To the best of my knowledge and belief, data in this application is true and correct, the applicant will comply with the certifications in the attached Private Commitment Form if the assistance is provided.		Leland Hershey Owner
		c. [REDACTED] 
		d. [REDACTED] 9-28-2017
FOR HYDE COUNTY USE ONLY		
6. Date Received	8. Action Taken	9. Amount Funded:
_____	_____ Funded	\$ _____
7. Application Number	_____ Not Funded	
_____	_____ Withdrawn	

PROJECT DESCRIPTION FORM

1. Name of Applicant: Leland Hershey
2. Application Date: 9/28/17
3. Project Name: Precision Transport, LLC Maintenance Shop
4. Description:
 - a. Briefly describe the existing business (products/services offered, basic project goals and objectives): We are a freight company that specializes in full truckload freight services almost exclusively in a 100-mile radius of our current yard.
 - b. Proposed location of existing business (include location map(s)): See attached
 - c. Number, size, and general description of any new buildings to be constructed (include site map and plans, if available): 1 Maintenance shop
 - d. Size of any parcel(s) of land to be acquired (include survey map): Land is already owned.
 - e. Describe any existing buildings to be demolished or abandoned: None existing
 - f. Describe any improvements to be made to existing buildings(s): None existing
 - g. How many full-time equivalent jobs will be created by the expanded business during the two-year period? 3

How many full-time equivalent jobs will be retained by the expanded business during the two year period? 7

How many jobs will be retained for residents of Hyde County? 7
 - h. Briefly describe how RLF and other funds (bank loans, owner equity, etc.) will be used during property acquisition, construction, and/or expansion of the existing business. The funds will be used to construct a maintenance shop (detail attached) (including foundation and access).
 - i. How are road transportation and water and electric service to be supplied to the site?
Local municipalities
 - j. How will sewage disposal be accomplished? Septic tank

PROJECT SOURCE AND USE FORM

1. Name of Applicant: Precision Transport, LLC

2. Project Name: Precision Transport, LLC Maintenance Shop

3. Source of Project Funds:

A. RLF Funds Requested: \$ 178,000 _	Source A.	\$ 178,000 _
RLF Project Resources	Source B.	\$ 123 _
Other: \$ 123 _	Source C.	\$ _____
	Source D.	\$ _____
	Source E.	\$ _____
	Source F.	\$ _____

4. TOTAL PROJECT RESOURCES:

Use of Funds <small>(List major expenses separately)</small>	Source A	Source B	Source C	Source D	Source E	Source F	Total Cost
a. Acquisition							
(1)							
(2)							
b. Water							
c. Sewer							
d. Construction/ Rehabilitation	\$120,200						
e. Working Capital							
(1)							
(2)							
(3)							
f. Machinery/ Equipment	\$18,173						
(1)							
(2)							
(3) Other							
(4) Other							
g. Site Improvements	\$39,750 (driveway/ foundation)						
h. (1) Other							
(2) Other							
i. TOTAL	\$178,123						\$

- g. Project completion date must be no later than 25 months after the application date, and can be no earlier than the date specified in line b above.

PROJECT PRIVATE COMMITMENT FORM

As Co-owner (title) of this company, I commit to the following actions, as described more fully in the project application:

- a. Undertake and carry out the project as described in the project application.
- b. Create a minimum of 3 jobs with 3 for persons residing in Hyde County, and obtain the level of jobs indicated above by 12/31/2019.
- c. Provide certified payroll report prior to initial disbursement of funds and provide quarterly reports thereafter showing job-creation numbers.
- d. Secure funding for the project from the following sources, in the specified amounts:
 1. Hyde County RLF: \$178,000
 - 2.
 - 3.
- e. Provide Hyde County with quarterly income statements and balance sheets throughout a two-year period following the loan award.
- f. Begin project activities only following execution of a legally binding commitment and loan agreement and the release of other conditions, if any, placed on the loan by Hyde County.
- g. Complete project activities by no later than 02/01/2018.

My firm is committed to undertake this project and but for the provision of the RLF assistance this project will not be undertaken.

Signed [Signature] Date 9-28-17 Title CEO/Member

Name of Business Precision Transport, LLC

PROJECT NEEDS FORM

1. Name of Applicant: Precision Transport, LLC
2. Project Name: Precision Transport, LLC Maintenance Shop
3. Relationship between Project Activities and Job Claim: This project will allow us to create a maintenance shop that will meet the needs of our current fleet (currently not being met), and allow for us to expand our operations to additional trucks and trailers. This will also create a position for a full-time mechanic onsite. Currently, we have difficulty repairing and maintaining our fleet without adequate repair facilities onsite. We have to take our trucks to external shops and pay higher prices because of this, and we see this project as a means to prevent future strains on the company- letting us both maintain our current employees and, at a minimum, grow our workforce by the numbers we have submitted.
4. Total Documented Project Financing Needs: Check applicable activities and in attachments provide required cost breakdowns shown (**Attachment "A"**). Describe here sources and methods of estimating for each activity including those financed with non-RLF funds.
 - Real Estate (land or existing buildings) – Attach purchase option or lease option. Provide documentation on comparable land costs in the local vicinity, or an appraisal.
 - Construction/Rehabilitation – Attach listing of components (HVAC, plumbing, electrical, etc.) with architect/engineer's estimate or quote from contractor.
 - Site Improvements – Attach listing of components (grading, drainage, paving, etc.) with engineer's estimates or quotes from contractor.
 - Machinery and Equipment – Attach detailed listing of items, with price quotes from suppliers.
 - Public or On-Site Water and Sewer – Attach detailed listing of components and sizes, with engineer's estimates.
 - Working Capital Expenditures – Attach detailed listing of startup/operating costs.

5. Verification of RLF Need

(a) Loan Amount: \$ 178,000

(b) The Gap Addressed:

Sufficient funds not available elsewhere, including internally.

Funds available elsewhere, but cash flow is not sufficient to meet debt service.

x Other (Describe):

We approached a bank for this loan, but the bank required \$42,000 to be supplied by the company, and also would not finance the full project as we have proposed it (meaning we would have to reduce equipment available in the new facility, etc.). In addition to that, the bank offered a shorter payback term and nearly twice the interest

rate that Hyde county can offer. With Hyde County's help, we will be able to have cash available to purchase the semi truck we need in early 2018 to expand our fleet as well as complete this maintenance shop project. We have quotes for the services and construction costs from local companies that will be performing the work for these projects.

6. Security (Describe): We will have doors that lock and motion lighting. A closed-circuit surveillance system will also be monitor activity during and after operating hours. Our location next to a Mennonite church and school helps deter crime.

PROJECT FEASIBILITY FORM

The primary objective of the Hyde County Revolving Loan Fund program is to promote economic development and create jobs for residents of Hyde County, while enhancing the Hyde County Tax Base. Applicants must show that their project is feasible as proposed, and will be successful in meeting this objective. Project feasibility will be assessed in two areas: (1) financial feasibility, and (2) feasibility of attaining job commitments. The information in this form and in supporting documentation will be used in this evaluation.

INSTRUCTIONS

1. NAME OF APPLICANT – Precision Transport, LLC.
2. PROJECT NAME – Precision Transport, LLC Maintenance Shop.

A. BUSINESS PLAN

This section describes the business history and future plans of the business participating in the RLF project.

INSTRUCTIONS

1. NAME OF BUSINESS – Precision Transport, LLC.
2. LEGAL STATUS – LLC.
3. BUSINESS OWNERSHIP AND MANAGEMENT –

Leland Hershey – Co-owner
17195 Beck Rd
Charlevoix, MI 49720
252-943-5193

Everett Hershey – Co-owner
281 Indian Run Rd

Pantego, NC 27860
252-943-8995

4. BUSINESS AFFILIATIONS –Precision Pallet, LLC and IBX Lumber, LLC. Both Leland and Everett own half of each company respectively. These companies offer services to each other as well as outside companies. Precision Transport is an integral part of this relationship, and its growth is critical for the expansion of the other two companies.
5. PRODUCT LINE OR SERVICE --
 - a. Range of Products or Services: The maintenance shop will provide fleet services to all Precision Transport trucks and trailers. These services will expand to offer shop services to local trucking companies as well over the next couple years.
6. MARKET INFORMATION—
 - a. Geographic Market Area: We will provide over 80% of our service to related companies (IBX Lumber, LLC and Precision Pallet, LLC). Local companies that wish to have services done to their fleet will be able to receive it.
 - b. Major Customers: Currently, IBX Lumber, LLC and Precision Pallet, LLC comprise over 80% of revenue-generating services. Our greatest opportunity lies in growing the fleet to meet the demands of these rapidly growing sister companies.
 - c. Market Characteristics: Expenses can rise when fuel costs increase sharply. We manage this through additional fuel surcharges when this happens.
 - d. Competition: The nature of our operation allows us freedom from fear of competition. Since Everett and Leland own all three companies, there is little reason for Precision Pallet or IBX Lumber to utilize any other trucking company. Our location (right next door) allows us to service sister companies way cheaper than an outside vendor might.
7. MARKETING AND DISTRIBUTION – We support local schools, churches, and other organizations we believe in. We do not need to “market,” but we believe that giving back to the community through these methods allows our employees and neighbors to see the benefits of having us around.

8. **COST EFFECTIVENESS** – Currently, we have no covered maintenance area to work on damaged equipment. The summer heat not only makes working conditions dangerous to our staff, but it also slows down how much can actually be accomplished. Currently, our fleet is seeing the results of this, and we must complete this project to secure our future competitiveness.
9. **PROJECT INNOVATION/NEW TECHNOLOGY** – We’re going to have a cool machine that allows us to get underneath trucks safely.
10. **EMPLOYEE BENEFITS** – Describe efforts that you will make on behalf of your employees in the following areas:
 - a. **On-the-job training:** This will allow Precision Transport to have a dedicated facility for truckers to receive training
 - b. **Insurance and benefits:** We will be able to continue paying top-tier compensation to our employees with the implementation of this project.
 - c. **Hiring long-term unemployed:** As long as our insurance approves, we can hire anyone with a CDL
 - d. **Hiring the handicapped:** This will be unaffected
 - e. **Employee day care/self-help programs:** We will be able to offer a place for truck drivers to rest and recover between loads that is both removed from other operations (Pallet and IBX), and peaceful.

PROJECT FEASIBILITY FORM

1. Name of applicant: Precision Transport, LLC
2. Project Name: Precision Transport Maintenance Shop

A. BUSINESS PLAN

1. Name of Existing Business: Precision Transport, LLC
 Name of Proposed Business: Precision Transport, LLC

2. Legal Status:
 - Partnership
 - Proprietorship
 - Cooperative
 - Corporation
 - Other: (Specify): LLC

3. Business Ownership and Management (include addresses and phone numbers):

Leland Hershey

Owner

17195 Beck Rd

Charlevoix, MI 49720

252-943-5193

Everett Hershey

Owner

281 Indian Run Rd

Pantego, NC 27860

252-943-8995

4. Other Business Affiliations of Proposed Owners (if any):

a. Name of Business: IBX Lumber, LLC / Precision Pallet, LLC

b. Name of Owner or Manager Involved: Same

c. Position in this Business: Same

d. Relationship Between this Business and RLF Project Business: Same owners

5. Product Line or Service

a. Range of Products or Services: Full truckload freight

6. Market Information

a. Geographic Market Area: Roughly 100 air-mile radius from 405 mainstem Rd

b. Major Customers: IBX Lumber, LLC. Precision Transport, LLC

c. Market Characteristics: Tied to industry trends. More industry leads to more shipments. Customer bases at other closely held companies (largest customers of Transport) are diversified enough to prevent major losses from any individual customer or industry serviced

d. Competition: None directly

6. Marketing and Distribution: We have our name written in fancy letters on the side of the trucks that we keep shiny.

8. Cost Effectiveness: Improvements in Precision Transport, LLC correlate directly with expansion in IBX Lumber, LLC and Precision Pallet, LLC- allowing for even greater demand for labor in the region.

9. Project Innovation/New Technology: A cool machine that lets us work underneath semi trucks.

10. Employee Benefits: Safer work environment, actual building designated for Precision Transport, decreased fleet costs (better maintenance)

B. B. FINANCIAL FEASIBILITY

RLF applicants must show that the business requesting a loan has the financial and management capacity to carry out the RLF project as proposed. A determination of the financial feasibility of a proposed project will be made based on both financial and non-financial information provided in the application. The Project Feasibility Form provides the applicant with an opportunity to discuss concerns regarding the financial feasibility of a project which may be raised by Hyde County.

INSTRUCTIONS

1. **FINANCIAL FEASIBILITY DOCUMENTATION** – The evaluation of a project's financial feasibility can only be based on documentation which is submitted to RLF with the application. The documentation listed on the form **must** accompany this section of the application. Applicants should make certain that all listed information is included in the application by placing a check in the appropriate boxes after verifying that the documentation has been included as an attachment to the application. Applicants with incomplete documentation may not be considered for funding until documentation is complete.
2. **PAST FINANCIAL HISTORY** – For new businesses, Hyde County will examine personal financial information and/or historical financial statements of any existing businesses owned and operated by the principals of the new business entity.
3. **SUMMARY OF FINANCIAL PROJECTIONS AND DEFINITION OF REQUESTED LOAN TERMS** – Quarterly financial projections for at least two years (eight quarters) are required, and are analyzed to determine if they are reasonable given supporting documentation. Projections should parallel the schedules provided in the application and, where feasible, should begin on the projected award date. Hyde County will focus on the following issues:

- Documentation of Sales Projections: Applicants should show that sales projections are reasonable. Contracts or letters of support from potential clients that indicate the client's intent to purchase a specified dollar amount of the firm's product, including a discussion of the competition and the advantages that the firm's product or service will have over the competition, should also be provided along with other supporting information.
- Documentation of Operation Costs: Applicants should show that projections of operating costs are reasonable. New businesses should show that operating costs relate to industry average, or are otherwise based on research and cost analyses specific to the area. Where the projections identify negative cash flows, identify source of funds available to cover the costs.
- Management Experience: Resumes of key management should be provided to show their experience and training in the field of operation. For new businesses that have not filled key management positions, a description of the experience and training to be required should be provided.
- Ability to Service Debts: Applicants should show through cash flow projections that the business will be able to cover payments on all projected debts.
- Working Capital: Applicants should show that they will have adequate working capital to meet their obligations in the future. The level of permanent working capital should equal the firm's operating cycle in days times the projected sales per day, or be based on an accountant's or business advisor's statement of needed working capital.

In the space provided on the Project Feasibility Form, applicants should discuss any projections which deviate from historical experience or industry standards. Applicants should discuss why such deviations are reasonable.

Applicants must provide two sets of financial projections. One set should show the Hyde County RLF loan at a conventional (commercial bank) rate and term with no deferral of principal or interest. The second set should show the Hyde County RLF loan at the requested rate and term, with any requested deferral of principal and/or interest, or other special payment terms. In Section 3.B., the applicant must provide written documentation, based on working capital/cash flow analysis, justifying the loan terms outlined in the "requested" financial projections. If a deferral period is requested, the second set of projections must extend two years beyond the first principal payment date. The loan term should be based on the average useful life of the asset to be financed, as evidenced in the following examples:

<u>Asset</u>	<u>Approximate Useful Life</u>
Real Estate Purchase	30 years
Building Rehabilitation/Construction	20 years
Machinery and Equipment	10 years
Furniture and Fixtures	5 years

If the loan is to be used to finance more than one type of asset, a weighted average should be used. For example, if 25% of the loan is to be used for construction and 75% for machinery, the life of the loan should not exceed 12.5 years (25% x 20 years plus 75% x 10 years).

B. FINANCIAL FEASIBILITY

1. Financial Feasibility Documentation – All items below must be submitted with the application. All historical and projected financial statements should be prepared by a certified public accountant, or a county-approved business advisor, in accordance with generally accepted accounting principles.

___ Historical Income Statement and balance sheets for most recent three years, with notes, for any existing businesses owned or operated by the new entity's principals. (Enter "N/A" if not applicable.)

___ Conventional and Requested Projected Income Statement Forms, with notes. Two full years from first RLF principal payment should be provided.

___ Conventional and Requested Projected Cash Flow Statement Forms, with notes. Two full years from first RLF principal payment should be provided.

___ Resumes of key management, providing a detailed description of their business experience and training.

___ Personal financial statements from the firm's principals (or Form 1040's for past three years with statement of net worth).

___ Marketing information and other documentation to support financial projections.

___ Credit Report(s) from the firm's principals (no older than 30 days)..

2. Past Financial History – IBX Lumber, LLC was purchased from Martin Lumber Co. on January 1st, 2016. The facility did not operate fully until April 2016 while major upgrades were being performed on the mill. As expected, it is performing very well this year with exceptional growth forecasts for the upcoming two years.

3. Summary of Financial Projections and Definition of Requested Loan Terms: Financial projections are based on expected growth of Precision Transport, LLC as the improved maintenance facilities will provide. Consideration was given to our customers expected growth, and all numbers have been conservatively generated. It is not unreasonable to expect more growth in outside hauling capacity in the next two years than is currently shown.

C. EMPLOYMENT FEASIBILITY

The purpose of this section is to provide information and documentation to support the employment and benefit claims made by the applicant. Hyde County will review the total number of jobs proposed, job type, and other information and documentation submitted, in order to determine the feasibility of attaining the projected goals. Applicants must develop realistic and attainable employment goals. If funds are awarded, Hyde County will monitor the project to see that these commitments are achieved.

INSTRUCTIONS

1. TOTAL NUMBER OF JOBS—
 - a. Job creation refers to jobs which will be newly created as a result of the RLF project.
 1. 3.
2. JOB INFORMATION AND EMPLOYMENT SCHEDULE—
 - a. Applicants must specify by actual job title or classification the positions to be created, such as machinist 1, secretary, or materials handler. Personnel being transferred from other sites should not be listed.
 - b. The anticipated hourly wage for each job classification should be stated.
 - h. The number of full-time jobs to be created for each job title/classification.
 - c. The total number of jobs to be created during each project quarter. Job goals must be met by the end of the 8th quarter after the loan closing.

C. EMPLOYMENT FEASIBILITY

1. Total number of jobs to be created:

Full-time 3

2. Total number of jobs to be retained:

Full-time 7

3. Explain the method used to arrive at the number of jobs to be created.

These jobs will be secured through the continued operation of Precision Transport, LLC. The company is severely crippled by a lack of maintenance facilities, and increased repair costs and damage to equipment has already become a detriment to the company.

PROJECT FEASIBILITY FORM

a. Job Title/ Classification	b. Hourly Wage	e. Employment Schedule for All Jobs (By Quarter)								
		FT	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
	\$									
Driver x5	15	X	x	x	x	x	x	x	x	X
Driver x1	15	X		x	x	x	x	X	x	x
Driver x1	15	X				x	x	x	x	X
Yard	12	x	x	x	x	x	x	x	x	X
Maintenance	22	X	x	x	x	x	x	x	x	X
Office	20		x	x	x	x	x	x	x	X
TOTALS		5	8	8	9	10	10	10	10	10

Legend: FT – Full Time

ACTIVITIES IMPLEMENTATION SCHEDULE FORM

Each applicant will be required to submit an Activities Implementation Schedule. This plan will present the applicant's schedule for implementing key project activities and provide Hyde County with a tool for evaluating each project's progress, if funded. If a project lags six months or more behind the approved schedule, Hyde County will evaluate the project's continued feasibility and may elect to terminate the project and withdraw any un-obligated funds. A sample is found on the following page.

INSTRUCTIONS

1. NAME OF APPLICANT – Enter the legal name of the applicant.
2. ORIGINAL, AMENDMENT – Indicate whether the application is an original or an amendment, and enter the date the application is submitted to Hyde County.
3. PROJECT NAME – Enter the project name.
4. IMPLEMENTATION START DATE – This date should be one month after the submission of the application. Month 1 on the schedule should begin with this date.
5. ACTIVITIES – Applicants should indicate a schedule for all major activities, RLF and non-RLF funded, related to their project. Other activities listed should be incorporated where appropriate and others not listed should be specified with implementation schedules indicated. All project activities must be completed 24 months after the preliminary award is made.

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND
ACTIVITIES IMPLEMENTATION SCHEDULE FORM

1. Name of Applicant: Precision Transport, LLC

2. Original, dated: 9/28/17
Amendment, date: _____

3. Project Name: Precision Transport Maintenance Shop

4. Implementation Date: 11/01/17

5. ACTIVITIES	MONTH:																								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
Real Estate Closing																									
Engineering Design/ Planning																									
Site Improvements	1																								
Building Construction/ Renovation	2-4																								
Public Facilities Construction																									
Hiring New Employees	4																								
Training																									
Working Capital Expenditure																									
Machinery and Equipment Purchases	4																								
Raw Materials Purchased																									
Other (Specify)																									

Hyde County Board of Commissioners
AGENDA ITEM SUMMARY SHEET

Meeting Date: November 6, 2017
Presenter: Kris Noble
Attachment: Yes

ITEM TITLE: REVOLVING LOAN REQUEST FOR 1718 OCRACOKE BREWING COMPANY

SUMMARY: 1718 Ocracoke Brewing Company, owned by Garick and Jacqueline Kalna opened its doors for business on October 7 to rave reviews. The Kalnas' received a revolving loan from the Hyde County Golden Leaf RLF fund on March 31, 2015 for \$215,000.00 for brewing equipment, and construction/renovations to the old Café Atlantic building, which is now the 1718 Ocracoke Brewing Company. The Kalnas were the first borrowers to receive revolving loan funds from the Hyde County Golden Leaf RLF fund.

1718 Ocracoke Brewing Company brews and sells a wide variety of craft beer, all brewed on site. The company also sells craft beer to other businesses on the island. The facility operates a tasting/tap room and plans to lease out the kitchen and dining space for a restaurant in the near future. To accommodate future expansion, the Kalnas are requesting a \$30,000.00 loan to purchase additional equipment.

We are proposing a loan term of 8 years at 3% interest and combining this new loan amount with the remaining balance of the existing loan. Security for the loan will be all equipment purchased, a 2nd Deed of Trust on the 1718 Ocracoke Brewing Company facility and personal guarantees by the Kalnas.

The Revolving Loan Committee met on October 25 and unanimously approved the request and is recommending approval.

RECOMMEND: APPROVAL

Motion Made By: Earl Pugh, Jr.
 Barry Swindell
 Dick Tunnell
 Ben Simmons
 Tom Pahl

Motion Seconded By: Earl Pugh, Jr.
 Barry Swindell
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Vote: Earl Pugh, Jr.
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**HYDE COUNTY
NORTH CAROLINA**

**ECONOMIC DEVELOPMENT
REVOLVING LOAN FUND**

**1718 Ocracoke Brewing
1129 Irvin Garrish Hwy
Ocracoke, NC 27960**

APPLICATION FOR EXPANSION OF AN EXISTING BUSINESS

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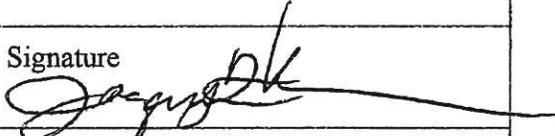
Maps

Attachments

- A. Personal Tax Returns
- B. Credit Reports
- C. Projected Financial Statements (Included with Business Plan)
- D. Business Debt Schedule Forms
- E. Marketing Information/Business Plan Documentation

Only information received by Hyde County with the submission will be considered in the selection process, unless the county specifically requests additional information from the applicant. Failure to submit required information may be grounds for rejection of the application. Applicants should carefully review each project package, including attachments, to make certain that all required information is submitted and is internally consistent.

**HYDE COUNTY ECONOMIC DEVELOPMENT
REVOLVING LOAN FUND
APPLICATION SUMMARY**

1. APPLICANT a. Name: Ocracoke Brewing Inc. b. Street/P.O. Box: PO Box 27, 1129 Irvin Garrish Hwy c. City: Ocracoke d. Zip Code: 27960 e. Contact Person: Garick Kalna f. Telephone No.: 252.588.0096		
2. Project Number	3. Project Name	4. RLF Funds Requested
	1718- Ocracoke Brewing	\$30,000.00
5. CERTIFICATION a. To the best of my knowledge and belief, data in this application is true and correct, the applicant will comply with the certifications in the attached Private Commitment Form if the assistance is provided.		b. Typed Name and Title of Authorized Representative Jacquelyn Kalna, President
		c. Signature 
		d. Date 10.20.17
<u>FOR HYDE COUNTY USE ONLY</u>		

PROJECT DESCRIPTION FORM

1. Name of Applicant: **Ocracoke Brewing Inc.**
2. Application Date: **10/18/2017**
3. Project Name: **1718 - Ocracoke Brewing**
4. Description:
 - a. Briefly describe the existing business (products/services offered, basic project goals and objectives):

1718: Ocracoke Brewing is a small craft brewery on Ocracoke Island, where it produces a wide range of unique beers featuring local ingredients. 1718: Ocracoke Brewing beers are distributed to restaurants and pubs on the island and along the Outer Banks, enabling visitors and locals alike to enjoy the Company's beer alongside the island's famous seafood.

The Company also operates a tasting/tap room, where patrons can sample brews on tap, linger over a pint with friends, and purchase cans and growlers to go. The tasting room's kitchen will be leased to a local chef who plans to feature live, wood-fired barbeque sourced from locally raised meat (fed in large part by the Company's spent grains) and designed to pair perfectly with signature brews.
 - b. Proposed location of existing business (include location map(s)):

Former site of Café Atlantic, 1129 Irvin Garrish Highway, Ocracoke
See Attachment A: Location of Business
 - c. Number, size, and general description of any new buildings to be constructed (include site map and plans, if available):

N/A
 - d. Size of any parcel(s) of land to be acquired (include survey map):

N/A
 - e. Describe any existing buildings to be demolished or abandoned:

N/A
 - f. Describe any improvements to be made to existing buildings(s):

N/A
 - g. How many full-time equivalent jobs will be created by the expanded business during the two-year period? **_3 additional jobs_**

How many full-time equivalent jobs will be retained by the expanded business during the two year period? **11 jobs will be retained__**

How many jobs will be retained for residents of Hyde County? **100%_**

h. Briefly describe how RLF and other funds (bank loans, owner equity, etc.) will be used during property acquisition, construction, and/or expansion of the existing business.

The RLF and owner equity funds will utilized to purchase necessary equipment and cooperage to expand distribution of wholesale beer. The funding will enable 1718-Ocracoke brewing to reach new markets, such as Wilmington; Greenville; Rocky Mount and Raleigh. It will also enable the company to expand it's market along the Outer Banks of NC.

- i. How are road transportation and water and electric service to be supplied to the site?
Existing
- j. How will sewage disposal be accomplished?
Existing

PROJECT SOURCE AND USE FORM

The Project Source and Use Form summarizes project funding sources and explicitly identifies how each activity will be financed. A given activity may be paid for with more than one funding source, but those sources and the individual amount committed must be explicitly identified. Existing assets should not be listed on this form.

INSTRUCTIONS

1. NAME OF APPLICANT – Enter the legal name of the applicant.
2. PROJECT NAME – Enter the project name.
3. SOURCES OF PROJECT FUNDS – List separately the name and amount of each source of funds committed to the project. The RLF funds requested must not comprise more than 75% of the project budget.
4. TOTAL PROJECT RESOURCES – Enter the total amount of funds listed in item 3 above.
5. USES OF PROJECT FUNDS – List separately for each use of funds, the total cost of each use and the amount to be paid for by each source; list the totals at the bottom of each column. These totals should match those given under item 3, “Sources of Project Funds.”

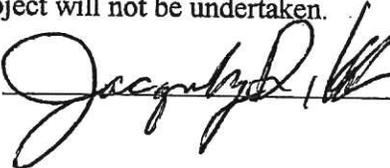
The uses for machinery and equipment should be reasonably disaggregated. Working capital uses must be explicitly identified, i.e., salaries, materials, etc., should be identified separately. “Other” economic development activities may include off-site street and pedestrian improvements, clearance, flood and drainage improvements or relocation assistance.

3.

4.

- e. Provide Hyde County with quarterly income statements and balance sheets throughout a two-year period following the loan award.
- f. Begin project activities only following execution of a legally binding commitment and loan agreement and the release of other conditions, if any, placed on the loan by Hyde County.
- g. Complete project activities by no later than July 17, 2018 .

My firm is committed to undertake this project and but for the provision of the RLF assistance this project will not be undertaken.

Signed  Date 10.20.17 Title President

Name of Business Ocracoke Brewing, Inc.

PROJECT PRIVATE COMMITMENT FORM

As President (title) of this company, I commit to the following actions, as described more fully in the project application:

- a. Undertake and carry out the project as described in the project application.
- b. Create a minimum of 3 jobs with 3 for persons residing in Hyde County, and obtain the level of jobs indicated above by July 15, 2018.
- c. Provide certified payroll report prior to initial disbursement of funds and provide quarterly reports thereafter showing job creation numbers.
- d. Secure funding for the project from the following sources, in the specified amounts:
 1. Owner investment: **\$13,000.00**
 2. **RLF: \$30,000.00**
 - 3.
 - 4.
- e. Provide Hyde County with quarterly income statements and balance sheets throughout a two-year period following the loan award.
- f. Begin project activities only following execution of a legally binding commitment and loan agreement and the release of other conditions, if any, placed on the loan by Hyde County.
- g. Complete project activities by no later than July 17, 2018.

My firm is committed to undertake this project and but for the provision of the RLF assistance this project will not be undertaken.

Signed _____ Date _____ Title _____

Name of Business Ocracoke Brewing, Inc.

PROJECT NEEDS FORM

1. Name of Applicant: **Jacquelyn Kalna**
2. Project Name: 1718 Ocracoke Brewing
3. Relationship between Project Activities and Job Claim: Explain how the activities described in the application will result in the jobs claimed as retentions or creations. If the project is a job retention project, the applicant must clearly demonstrate that existing jobs would be lost without provision of RLF funds.

With the expansion of wholesale distribution into new markets along with the start-up, self distribution model, Ocracoke Brewing, Inc. will need more staff to sell and distribute it's wholesale beer. Additional staff will also be needed for cleaning/filling cooerage and the anticipated additional brewing procedures.

4. Total Documented Project Financing Needs: Check applicable activities and in attachments provide required cost breakdowns shown (**Attachment "A"**). Describe here sources and methods of estimating for each activity including those financed with non-RLF funds.

- Real Estate (land or existing buildings) – Attach purchase option or lease option. Provide documentation on comparable land costs in the local vicinity, or an appraisal.
- Construction/Rehabilitation – Attach listing of components (HVAC, plumbing, electrical, etc.) with architect/engineer's estimate or quote from contractor.
- Site Improvements – Attach listing of components (grading, drainage, paving, etc.) with engineer's estimates or quotes from contractor.
- Machinery and Equipment – Attach detailed listing of items, with price quotes from suppliers.
- Public or On-Site Water and Sewer – Attach detailed listing of components and sizes, with engineer's estimates.
- Working Capital Expenditures – Attach detailed listing of startup/operating costs.

5. Verification of RLF Need

(a) Loan Amount: \$ 30,000.00

(b) The Gap Addressed:

Sufficient funds not available elsewhere, including internally.

Funds available elsewhere, but cash flow is not sufficient to meet debt service.

Other (Describe):

The amount of the gap must be no greater than the level of direct assistance proposed. Describe how the gap was identified and measured, referencing supporting documentation. Adequate financial documentation must be included with the application for the existence and dollar amount of the gap to be independently verified. See Application Instructions – Project Needs Form.

6. Security (Describe): **The Security on this loan will be the brew equipment purchased with RLF funds. See Attachment G: Equipment Cost Quote from Deutsche Beverage Technology**

PROJECT FEASIBILITY FORM

The primary objective of the Hyde County Revolving Loan Fund program is to promote economic development and create jobs for residents of Hyde County, while enhancing the Hyde County Tax Base. Applicants must show that their project is feasible as proposed, and will be successful in meeting this objective. Project feasibility will be assessed in two areas: (1) financial feasibility, and (2) feasibility of attaining job commitments. The information in this form and in supporting documentation will be used in this evaluation.

INSTRUCTIONS

1. NAME OF APPLICANT – Enter the legal name of the applicant.
2. PROJECT NAME – Enter the project name.

A. BUSINESS PLAN

This section describes the business history and future plans of the business participating in the RLF project.

INSTRUCTIONS

1. NAME OF BUSINESS – Enter name of the existing business.
2. LEGAL STATUS – Indicate whether the existing and expanded/improved businesses are partnerships, proprietorships, co-ops, registered corporations, or other.
3. BUSINESS OWNERSHIP AND MANAGEMENT – Identify all persons holding at least 10% ownership in the existing and expanded/improved businesses by name and position held. Identify other key management personnel by name and position held. Include addresses and phone numbers.
4. BUSINESS AFFILIATIONS –Common Ownership or Management: Indicate if the existing/proposed principals or key managers of the existing/proposed business own or manage any other businesses. Identify the business(es) by name and location, and describe any relationship between the businesses.
5. PRODUCT LINE OR SERVICE --
 - a. Range of Products or Services: Describe the range of products to be produced or distributed, and/or services to be provided.
6. MARKET INFORMATION—
 - a. Geographic Market Area: Describe the geographic market area for the product or service.

- b. Major Customers: Describe potential new customers. Identify any proposed accounts that will comprise greater than 30% of the firm's sales.
 - c. Market Characteristics: Discuss any special seasonal or cyclical characteristics of the market. Are sales of the project firm's products or services tied to sales or use of any other product?
 - d. Competition: Identify the firm's major competitors. Discuss their location, size, market share, prices, quality, performance and services. Discuss the firm's strengths and weaknesses in comparison to those competitors. Summarize the advantages of the firm's products or services over the competition.
7. MARKETING AND DISTRIBUTION – Describe proposed advertising and promotional strategies, and sales and distribution methods. Include a discussion of the types of customers to be targeted.
 8. COST EFFECTIVENESS – Describe cost effective features you will utilize to reduce overhead or cost of production.
 9. PROJECT INNOVATION/NEW TECHNOLOGY – Describe innovative features of your product or marketing strategy, and technological innovations that will be utilized during project implementation, such as computers, new equipment, telecommunications, etc.
 10. EMPLOYEE BENEFITS – Describe efforts that you will make on behalf of your employees in the following areas:
 - a. On-the-job training
 - b. Insurance and benefits
 - c. Hiring long-term unemployed
 - d. Hiring the handicapped
 - e. Employee day care/self-help programs

PROJECT FEASIBILITY FORM

1. Name of applicant: **Jacquelyn Kalna** _____
2. Project Name: **1718 Ocracoke Brewing** _____

A. BUSINESS PLAN

1. Name of Existing Business: **Ocracoke Brewing, Inc** _____

Name of Proposed Business: _____

2. Legal Status:

Partnership

Proprietorship

Cooperative

Corporation

Other: (Specify): LLC

3. Business Ownership and Management (include addresses and phone numbers):

Jacquelyn Kalna, President: PO Box 41 Ocracoke NC, 27960 252.928.2337

Garick Kalna, V. President: PO Box 41, Ocracoke, NC 27960 252.588.0096

4. Other Business Affiliations of Proposed Owners (if any):

a. Name of Business: **Kalna Group, Inc. design-build**

b. Name of Owner or Manager Involved: **Garick Kalna**

c. Position in this Business: **President**

d. Relationship Between this Business and RLF Project Business: **N/A**

5. Product Line or Service

a. Range of Products or Services:

The Product will be hand crafted, local beer. 1718: Ocracoke Brewing Company will also act as an Incubator for other local, small businesses on Ocracoke Island. The Company will lease the kitchen attached to the tasting room to a local chef who will create a wood-fired barbeque and roasting restaurant. The two businesses will synergize and draw from each other's patrons. The Company will also facilitate a start-up chicken farm by providing spent grain to subsidize protein and nutrient rich feed. In return, the chicken farm will provide its chickens to the chef to be prepared and served in the Tasting Room.

6. Market Information

a. Geographic Market Area:

In Year 1 of operations, 1718: Ocracoke Brewing Company will supply its tasting room, Ocracoke restaurants and bars and begin self distribution of wholesale kegs to Wilmington, Greenville, Rocky Mount, and the Outer Banks.

In Year 2 of operations, 1718: Ocracoke Brewing Company will package its beers in cans and 500 mL bottles for distribution to the areas it is supplying wholesale kegs. This expansion will allow visitors to Ocracoke Island to carry the Company's beer home to family and friends, sharing the flavor of a unique island experience and building the reputation of 1718: Ocracoke Island Brewing Company, one sip at a time

Ocracoke Island has been, and continues to be, a popular tourist attraction. Tourists flock to Ocracoke for its scenic beauty, vast beaches and remote location.

b. Major Customers:

1718: Ocracoke Brewing Company will cater to consumers of legal drinking age who enjoy craft alcoholic beverages featuring quality ingredients and unique flavors. Additional patronage will come from the thousands of visitors who travel to the island each year. Hatteras National Seashore boasts more than 2 million annual visitors historically, a target it is expected to reach this year as well:¹ This customer base will grow with a direct relation to its distribution. Statistics have shown that hand crafted beer is growing in popularity nationwide. According to the Brewers Association, craft beer sales increased by 17% and export sales increased by 49%

c. Market Characteristics:

The Company's location on Ocracoke Island will allow 1718: Ocracoke Brewing Company to capitalize its location on the unique Outer Banks that will maximize its ability to distribute its beers to the island's bars and restaurants while tapping into a steady stream of local and visitor consumer traffic. Ocracoke attracts thousands of tourists each season. The tourist season typically runs from Easter to Thanksgiving.

By offering a selection of expertly crafted craft beers featuring fresh ingredients and a compelling brand, 1718: Ocracoke Brewing Company will quickly carve out a sustainable market niche and earn a devoted clientele not only among locals, but also among tourists who will transport the Company's product back to their home states.

¹ Visitation Figures at Key Sites. Source: http://www.outerbanks.org/media/879102/2014_attractions.pdf

d. Competition:

As the sole brewery and tap room located on Ocracoke Island, the Company enjoys a unique market position undeterred by competitive threats. The nearest brewery is located some 100 miles away, making the Company the sole local brewer of beer. 1718: Ocracoke Brewing Company will capitalize on this untapped market by earning a reputation as a provider of exceptional craft beers. The Company will continue to carefully analyze the market for any new competitors, and will utilize its first-to-market status and reputation for home-grown charm and exceptional quality to maintain an uncontested place in the market.

6. Marketing and Distribution

1718: Ocracoke Brewing Company will develop a brand that emphasizes its local heritage, small-batch brewing methods, and dedication to unique, memorable flavors. The Company will encourage adoption of its products through a variety of advertising techniques designed to spread brand awareness, facilitated by the use of its logo on all marketing materials and signage.

With its brand and guiding principles established, the Company will send a clear message about the advantages its products offer consumers. The Company will promote this message using a comprehensive marketing strategy that includes direct sales to restaurants and bars, attendance at beer festivals, community outreach, and an online presence. 1718: Ocracoke Brewing Company intends to use this approach to accomplish the following objectives:

- Establish itself as a respected craft brewery on Ocracoke Island
- Build a base of customers and restaurant/bar accounts that is large enough to sustain business
- Enhance its client base to sustain the business and support its growth objectives
- Host regular events to draw customers to the brewery
- Generate enough revenue to expand operations
- Develop keg sales program for other Outer Banks restaurants
- Can and bottle beer for retail distribution throughout eastern North Carolina
- Participate in local events and festivals
- Become a significant player in the craft beer market

8. Cost Effectiveness:

1718: Ocracoke Brewing will utilize many Best Management Practices to conserve water and energy while maximizing the efficiency of its systems.

Water Use for Beer Making:

Nearly every step of the beer making process requires the use of water. Reducing the amount of water used also reduces the amount of wastewater produced, and decreases the costs associated with water use and wastewater treatment.

Best management practices (BMPs) will include water saving techniques and re-use opportunities, as well as pollution prevention techniques. The following steps will be used to develop a sustainable water management strategy:

- Establish a water management program.
- Monitor and assess the amount and quality of water used and discharged.
- Train employees and develop water management and conservation Incentives.
- Wastewater Conservation:
Implement these measures to reduce process wastewater volumes and pollutant loadings.
- Clean sump screens daily to help reduce suspended solids loading in wastewater discharges.
- Recycle suspended solids (spent grain + denatured yeast) to be used as a protein rich feed for chicken farm.
- Place screens over floor drains and drainage channels to prevent grains from entering the process drain.
- Use acids with low biochemical oxygen demand (BOD). Investigate replacing citric acid with inorganic acids such as phosphoric, nitric acid or KHSO_4 .
- Use potassium-based cleaning products instead of sodium-based. Potassium is less harmful than sodium in the wastewater treatment process.
- Recirculating clean-in-place (CIP) systems can eliminate the use of chemicals such as chlorine that can be wastewater pollutants.
- Use chemicals such as peracetic acid (PAA) for cleaning, which eliminates the need for rinsing and does not contribute to total dissolved solids (TDS) in wastewater.

Water Conservation:

- Installing water meters at water sources.
- Recapture wort cooling water through heat exchanger and store in insulated Hot Liquor Tank to be used as hot Brewing Liquor the following brew day.

Housekeeping:

- Pre-clean equipment with brooms/brushes before hoses are used.
- Dry-sweep spills where possible using brooms, scrubbers and squeegees, and dispose of collected material in the trash. This reduces both water use and the organic load of wastewater.

- **Use pressure washers during cleanup operations, when cleaning with water is necessary. These washers emit a high-pressure, low volume spray. This process uses 1/6th the water of a standard brewery washdown hose.**
- **Minimize the number of tank transfers - fewer transfers means less tank washing.**
- **Adopt clean-in-place, automated tank/barrel washing systems that capture, filter and reuse cleaning solutions.**
- **In-tank blending avoids the need for additional tank cleaning.**
- **Utilize high-pressure, low-volume rotating spray balls to reduce the amount of water needed.**

9. **Project Innovation/New Technology:**

1718: Ocracoke Brewing Company will utilize: innovative marketing techniques; education and BMPs to reduce waste; and advanced brewing equipment specifically designed to maximize the efficiency of the brewing process.

Marketing:

In order to build awareness of its market launch and encourage repeat patronage, 1718: Ocracoke Brewing Company will engage in a variety of promotional tactics to generate interest in its signature craft beers and draw consumers to its tasting room. An innovative marketing tactic is to utilize the existing tourism industry of Ocracoke to introduce its beer to thousands of different visitors weekly. Visitors of Ocracoke will be able to take 1718's beer home to share with friends and family. The exclusivity of Ocracoke Island and its beer will create a "out of reach" buzz around 1718: Ocracoke beer. 1718: Ocracoke Brewing will incorporate this approach coupled with social media to join the Cult Beer Scene, where customers anticipate creative beers months in advance and spend hours waiting in line for the release. (see Imbibe Magazine-Countdown to Cult Beer)

BMPs:

Conservation techniques and best management practices listed above in #8.

Advance Equipment:

1718: Ocracoke Brewing Company will operate custom brewing equipment built to its specifications and manufactured by Deutsche Beverage Technology. The equipment will be designed to maximize efficiency and flavor according to the specific beer styles brewed by 1718: Ocracoke Brewing. Technologies such as variable frequency drives for all motors and Siemens PLC boards to monitor/control brewhouse and cellar temperatures will be employed to ensure quality and efficiency.

10. Employee Benefits:

Due to seasonality, a benefit program is not feasible for all employees during the initial start-up phase. It is planned that select employees will be implemented in a employee ownership program once in larger distribution phase.

B. B. FINANCIAL FEASIBILITY

RLF applicants must show that the business requesting a loan has the financial and management capacity to carry out the RLF project as proposed. A determination of the financial feasibility of a proposed project will be made based on both financial and non-financial information provided in the application. The Project Feasibility Form provides the applicant with an opportunity to discuss concerns regarding the financial feasibility of a project which may be raised by Hyde County.

INSTRUCTIONS

1. **FINANCIAL FEASIBILITY DOCUMENTATION** – The evaluation of a project's financial feasibility can only be based on documentation which is submitted to RLF with the application. The documentation listed on the form **must** accompany this section of the application. Applicants should make certain that all listed information is included in the application by placing a check in the appropriate boxes after verifying that the documentation has been included as an attachment to the application. Applicants with incomplete documentation may not be considered for funding until documentation is complete.
2. **PAST FINANCIAL HISTORY** – For new businesses, Hyde County will examine personal financial information and/or historical financial statements of any existing businesses owned and operated by the principals of the new business entity.
3. **SUMMARY OF FINANCIAL PROJECTIONS AND DEFINITION OF REQUESTED LOAN TERMS** – Quarterly financial projections for at least two years (eight quarters) are required, and are analyzed to determine if they are reasonable given supporting documentation. Projections should parallel the schedules provided in the application and, where feasible, should begin on the projected award date. Hyde County will focus on the following issues:
 - Documentation of Sales Projections: Applicants should show that sales projections are reasonable. Contracts or letters of support from potential clients that indicate the client's intent to purchase a specified dollar amount of the firm's product, including a discussion of the competition and the advantages that the firm's product or service will have over the competition, should also be provided along with other supporting information.
 - Documentation of Operation Costs: Applicants should show that projections of operating costs are reasonable. New businesses should show that operating costs relate to industry average, or are otherwise based on research and cost analyses specific to the area. Where the projections identify negative cash flows, identify source of funds available to cover the costs.

- Management Experience: Resumes of key management should be provided to show their experience and training in the field of operation. For new businesses that have not filled key management positions, a description of the experience and training to be required should be provided.
- Ability to Service Debts: Applicants should show through cash flow projections that the business will be able to cover payments on all projected debts.
- Working Capital: Applicants should show that they will have adequate working capital to meet their obligations in the future. The level of permanent working capital should equal the firm's operating cycle in days times the projected sales per day, or be based on an accountant's or business advisor's statement of needed working capital.

In the space provided on the Project Feasibility Form, applicants should discuss any projections which deviate from historical experience or industry standards. Applicants should discuss why such deviations are reasonable.

Applicants must provide two sets of financial projections. One set should show the Hyde County RLF loan at a conventional (commercial bank) rate and term with no deferral of principal or interest. The second set should show the Hyde County RLF loan at the requested rate and term, with any requested deferral of principal and/or interest, or other special payment terms. In Section 3.B., the applicant must provide written documentation, based on working capital/cash flow analysis, justifying the loan terms outlined in the "requested" financial projections. If a deferral period is requested, the second set of projections must extend two years beyond the first principal payment date. The loan term should be based on the average useful life of the asset to be financed, as evidenced in the following examples:

<u>Asset</u>	<u>Approximate Useful Life</u>
Real Estate Purchase	30 years
Building Rehabilitation/Construction	20 years
Machinery and Equipment	10 years
Furniture and Fixtures	5 years

If the loan is to be used to finance more than one type of asset, a weighted average should be used. For example, if 25% of the loan is to be used for construction and 75% for machinery, the life of the loan should not exceed 12.5 years (25% x 20 years plus 75% x 10 years).

B. FINANCIAL FEASIBILITY

1. Financial Feasibility Documentation – All items below must be submitted with the application. All historical and projected financial statements should be prepared by a certified public accountant, or a county-approved business advisor, in accordance with generally accepted accounting principles.

____ Historical Income Statement and balance sheets for most recent three years, with notes, for any existing businesses owned or operated by the new entity's principals. (Enter "N/A" if not applicable.)

- ___ Conventional and Requested Projected Income Statement Forms, with notes. Two full years from first RLF principal payment should be provided.
 - ___ Conventional and Requested Projected Cash Flow Statement Forms, with notes. Two full years from first RLF principal payment should be provided.
 - ___ Resumes of key management, providing a detailed description of their business experience and training.
 - ___ Personal financial statements from the firm's principals (or Form 1040's for past three years with statement of net worth).
 - ___ Marketing information and other documentation to support financial projections.
 - ___ Credit Report(s) from the firm's principals (no older than 30 days)..
2. Past Financial History – If applicable, discuss any negative indicators or trends which may be evidenced in the historical financial statements of the principals or for other businesses owned by the principals. Explain the reasons for these negative indicators and discuss steps which are being taken or will be taken to resolve any problems.
 3. Summary of Financial Projections and Definition of Requested Loan Terms:

C. EMPLOYMENT FEASIBILITY

The purpose of this section is to provide information and documentation to support the employment and benefit claims made by the applicant. Hyde County will review the total number of jobs proposed, job type, and other information and documentation submitted, in order to determine the feasibility of attaining the projected goals. Applicants must develop realistic and attainable employment goals. If funds are awarded, Hyde County will monitor the project to see that these commitments are achieved.

INSTRUCTIONS

1. TOTAL NUMBER OF JOBS—
 - a. Job creation refers to jobs which will be newly created as a result of the RLF project.
 1. Full-time jobs – at least 35 hours per week for at least 50 weeks per year.
2. JOB INFORMATION AND EMPLOYMENT SCHEDULE—
 - a. Applicants must specify by actual job title or classification the positions to be created, such as machinist 1, secretary, or materials handler. Personnel being transferred from other sites should not be listed.
 - b. The anticipated hourly wage for each job classification should be stated.

- h. The number of full-time jobs to be created for each job title/classification.

- c. The total number of jobs to be created during each project quarter. Job goals must be met by the end of the 8th quarter after the loan closing.

C. EMPLOYMENT FEASIBILITY

- 1. Total number of jobs to be created:
Full-time 3

- 2. Total number of jobs to be retained:
Full-time N/A

- 3. Explain the method used to arrive at the number of jobs to be created.

Job commitments were projected by referring to; the NC Brewers Guild, Brewers Association of America, Outer Banks Brewing Station and personal owner/operating experience on Ocracoke. Brewery job positions were established through a 4+ year apprenticeship program with Outer Banks Brewing Station in Kill Devil Hills, NC under the direction of mentor/head brewer, Scott Meyer. Job positions were realized and quantified in order to sustain the projected growth of a Craft Brewery on Ocracoke. Job and growth projections were established by referencing literature and brewer's guides/tools published by the NC Brewers Guild and the Brewers Association of America with direct relation to craft brewing trends. Job projections were cross-referenced to growth trends specific to Ocracoke, NC through the personal experience of owning/operating Ocracoke Coffee Co. for 17 years.

PROJECT FEASIBILITY FORM

a. Job Title/ Classification	b. Hourly Wage	e. Employment Schedule for All Jobs (By Quarter)								
		FT	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
Wholesale sales/distribution	\$	x	x	x	x	x	x	x	x	x
Wholesale sales/distribution		x					x	x		x
Cooperage cleaning/brewing practices		x	x	x	x	x	x	x	x	x
TOTALS										

Legend: FT – Full Time

**ECONOMIC DEVELOPMENT REVOLVING LOAN FUND
ACTIVITIES IMPLEMENTATION SCHEDULE FORM**

1. Name of Applicant: Ocracoke Brewing, Inc
2. Original, dated: 10/18/2017
Amendment, date: _____
3. Project Name: 1718 Ocracoke Brewing
4. Implementation Date: _____

5. ACTIVITIES	MONTH:																								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
Real Estate Closing																									
Engineering Design/ Planning																									
Site Improvements																									
Building Construction/ Renovation																									
Public Facilities Construction																									
Hiring New Employees																									
Training																									
Working Capital Expenditure	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Machinery and Equipment Purchases	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Raw Materials Purchased	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Other (Specify)																									

BUSINESS DEBT SCHEDULE FORM

CREDITOR NAME A. Current Debts (Existing Prior to RLF Project)	Original Loan Amount	Origination Date	Present Balance	Interest Rate	Maturity Date	Monthly Payment	Security
1.							
2.							
3.							
4.							
5.							
B. Projected New Debts							
1.							
2.							
3.							
4.							
5.							

MAPS

ACTIVITIES MAP – This map must include the location of all activities and an accurate scale. All structures located on the business site should also be clearly marked. All industries and residences benefiting from the activity must be shown on the activities map. This map must be in sufficient detail to allow for an accurate environmental review to satisfy all environmental review requirements. The applicant must insure that this map is consistent with information submitted in the Project Description.



1718: Ocracoke Island Brewing Company

Howard's Pub

12

Google earth

**Hyde County Board of Commissioners
AGENDA ITEM SUMMARY SHEET**

Meeting Date: November 6, 2017
Presenter: Kris Noble
Attachment: Yes

ITEM TITLE: REVOLVING LOAN REQUEST FOR CHRISTOPHER WILLIAMS/HYDE PARK PROPERTIES

SUMMARY: Christopher Williams is requesting an \$110,000.00 revolving loan to purchase the Hyde Park office building and the storage rental facilities located at 1271 & 1299 Main Street, Swan Quarter. Part of the Hyde Park office space is leased by the United States Postal Service for the Swan Quarter post office. Mr. Williams is not planning to further develop the properties. He will continue to lease office space to the postal service, lease the remainder of the building for office space and operate the storage rental facility across the street.

We are proposing a loan term of 15 years at 3% interest. Security for the loan will be a First Deed of Trust on the Hyde Park office building and the storage rental facility.

The Revolving Loan Committee met on October 25 and unanimously approved the request and required that Mr. Williams personally guarantee the loan. Payments will be automatically drafted for this all loans outstanding to Mr. Williams.

RECOMMEND: APPROVAL

Motion Made By: Earl Pugh, Jr.
 Barry Swindell
 Dick Tunnell
 Ben Simmons
 Tom Pahl

Motion Seconded By: Earl Pugh, Jr.
 Barry Swindell
 Dick Tunnell
 Ben Simmons
 Tom Pahl

Vote: Earl Pugh, Jr.
 Barry Swindell
 Dick Tunnell
 Ben Simmons
 Tom Pahl

**HYDE COUNTY
NORTH CAROLINA**

**ECONOMIC DEVELOPMENT
REVOLVING LOAN FUND**

**Christopher Williams
Hyde Park Office & Storage Rentals**

APPLICATION FOR EXPANSION OF AN EXISTING BUSINESS

TABLE OF CONTENTS

Listed below are the required contents of an application. Applications should be organized in this format. Applicants should number all pages in the application. **Two completed copies of the application should be submitted directly to the Hyde County Revolving Loan Fund Administrator, Hyde County Courthouse, Swan Quarter, NC.**

Application Contents

- Table of Contents
- Application Summary Form
- Project Description Form
- Project Source and Use Form
- Project Private Commitment Form
- Project Needs Form
- Project Feasibility Form
- Activities Schedule Form
- Maps
- Attachments
 - A. Historical Financial Statements (Business)
 - B. Business Debt Schedule Forms
 - C. Tax Cards
 - D. Lease

Only information received by Hyde County with the submission will be considered in the selection process, unless the county specifically requests additional information from the applicant. Failure to submit required information may be grounds for rejection of the application. Applicants should carefully review each project package, including attachments, to make certain that all required information is submitted and is internally consistent.

**HYDE COUNTY ECONOMIC DEVELOPMENT
REVOLVING LOAN FUND
APPLICATION SUMMARY**

1. APPLICANT a. Name: Christopher Williams b. Street/P.O. Box: 13221 US Hwy 264 c. City: Swan Quarter, NC d. Zip Code 27885 e. Contact Person Chris Williams f. Telephone No.: (252) 945-7291		
2. Project Number	3. Project Name	4. RLF Funds Requested
	Hyde Park Office & Storage Rentals	\$110,000.00
5. CERTIFICATION a. To the best of my knowledge and belief, data in this application is true and correct, the applicant will comply with the certifications in the attached Private Commitment Form if the assistance is provided.		b. Typed Name and Title of Authorized Representative Christopher Williams Owner c. Signature  d. Date 10/18/17
FOR HYDE COUNTY USE ONLY		
6. Date Received	8. Action Taken	9. Amount Funded:
_____	<input type="checkbox"/> Funded <input type="checkbox"/> Not Funded <input type="checkbox"/> Withdrawn	\$ _____
7. Application Number		

PROJECT DESCRIPTION FORM

1. Name of Applicant: **Christopher Williams**
2. Application Date: **October 18, 2017**
3. Project Name: **Hyde Park Office & Storage Rentals**
4. Description:
 - a. Briefly describe the new business (products/services offered, basic project goals and objectives): **Pre-existing Post Office space and storage rentals.**
 - b. Proposed location of new business (include location map(s)): **1271 Main Street, Swan Quarter, NC 27885**
 - c. Number, size, and general description of any new buildings to be constructed (include site map and plans, if available): **N/A**
 - d. Size of any parcel(s) of land to be acquired (include survey map) **1.33 acres (see tax cards)**
 - e. Describe any existing buildings to be demolished or abandoned: **N/A**
 - f. Describe any improvements to be made to existing buildings(s): **N/A**
 - g. How many full-time equivalent jobs will be created by the expanded business during the two-year period? **N/A**

How many full-time equivalent jobs will be retained by the expanded business during the two-year period? **N/A**

How many for residents of Hyde County? **N/A**
 - h. Briefly describe how RLF and other funds (bank loans, owner equity, etc.) will be used during property acquisition, construction, and startup of the new business. **RLF funds will be used to purchase the existing Hyde Park office building and storage facilities (located across the street). The owner is putting down a \$20,000 down payment.**
 - i. How are road transportation and water and electric service to be supplied to the site? **Existing**
 - j. How will sewage disposal be accomplished? **Existing**

PROJECT SOURCE AND USE FORM

1.	Name of Applicant: Christopher Williams		
2.	Project Name: Hyde Park Office & Storage Rentals		
3.	Source of Project Funds:		
	RLF Funds Requested: \$110,000.00		
	RLF Project Resources	Source A.	<u>\$110,000.00</u>
	Other:		
	B. Chris Williams	Source B.	<u>\$20,000.00</u>
	C. _____	Source C.	\$ _____
	D. _____	Source D.	\$ _____
	E. _____	Source E.	\$ _____
	F. _____	Source F.	\$ _____
4.	TOTAL PROJECT RESOURCES		<u>\$130,000.00</u>

Use of Funds <small>(List major expenses separately)</small>	Source A	Source B	Source C	Source D	Source E	Source F	Total Cost
a. Acquisition	\$110,000	\$20,000					\$130,000
(1)							
(2)							
b. Water							
c. Sewer							
d. Construction/ Rehabilitation							
e. Working Capital							
(1) Insurance							
(2)							
(3)							
f. Machinery/ Equipment							
(1)							
(2)							
(3)							
(4) Other							
g. Site Improvements							
h. (1) Other							
(2) Other							
i. TOTAL	\$110,000	\$20,000					\$130,000

PROJECT PRIVATE COMMITMENT FORM

As _____ (title) of this company, I commit to the following actions, as described more fully in the project application:

- a. Undertake and carry out the project as described in the project application.
- c. Create a minimum of ____ jobs with ____ for persons residing in Hyde County, and obtain the level of jobs indicated above by _____.
- d. Provide certified payroll report prior to initial disbursement of funds and provide quarterly reports thereafter showing job creation numbers.
- e. Secure funding for the project from the following sources, in the specified amounts:
 - 1.
 - 2.
 - 3.
 - 4.
- e. Provide Hyde County with quarterly income statements and balance sheets throughout a two-year period following the loan award.
- f. Begin project activities only following execution of a legally binding commitment and loan agreement and the release of other conditions, if any, placed on the loan by Hyde County.
- g. Complete project activities by no later than _____.

My firm is committed to undertake this project and but for the provision of the RLF assistance this project will not be undertaken.

Signed _____ Date _____ Title _____

Name of Business _____

PROJECT NEEDS FORM

- a. Name of Applicant: **Christopher Williams**
- b. Project Name: **Hyde Park Office & Storage Rentals**
- c. **Relationship between Project Activities and Job Claim**: Explain how the activities described in the application will result in the jobs claimed as retentions or creations. If the project is a job retention project, the applicant must clearly demonstrate that existing jobs would be lost without provision of RLF funds.
- d. **Total Documented Project Financing Needs**: Check applicable activities and in attachments provide required cost breakdowns shown (**Attachment “A”**). Describe here sources and methods of estimating for each activity **including those financed with non-RLF funds**.
- Real Estate (land or existing buildings) – Attach purchase option or lease option. Provide documentation on comparable land costs in the local vicinity, or an appraisal.
 - Construction/Rehabilitation – Attach listing of components (HVAC, plumbing, electrical, etc.) with architect/engineer’s estimate or quote from contractor.
 - Site Improvements – Attach listing of components (grading, drainage, paving, etc.) with engineer’s estimates or quotes from contractor.
 - Machinery and Equipment – Attach detailed listing of items, with price quotes from suppliers.
 - Public or On-Site Water and Sewer – Attach detailed listing of components and sizes, with engineer’s estimates.
 - Working Capital Expenditures – Attach detailed listing of startup/operating costs.
- e. **Verification of RLF Need**
- (a) Loan Amount: **\$110,000.00**
- (b) The Gap Addressed:
- Sufficient funds not available elsewhere, including internally.
- _____ Funds available elsewhere, but cash flow is not sufficient to meet debt service.
- _____ Other (Describe):

The amount of the gap must be no greater than the level of direct assistance proposed. Describe how the gap was identified and measured, referencing supporting documentation. Adequate financial documentation must be included with the application for the existence and dollar amount of the gap to be independently verified. See Application Instructions – Project Needs Form.

6. **Security (Describe): A First Deed of Trust on the Hyde Park Office Space and Rental Units Facility located at 1271 Main Street, and 1299 Main Street, Swan Quarter, NC 27885. The office space is currently leased by the United States Postal Service (copy of lease attached)**

PROJECT FEASIBILITY FORM

1. Name of Applicant: **Christopher Williams**

2. Project Name: **Hyde Park Office and Storage Rentals**

A. BUSINESS PLAN

1. Name of Existing Business: **Williams Markets**
Name of Proposed Business: **Hyde Park Office and Storage Rentals**

2. Legal Status:

- Partnership
- Proprietorship
- Cooperative
- Corporation
- Other (Specify):

3. Business Ownership and Management (include addresses and phone numbers):

Christopher L. Williams, Owner, FT
Joseph C. Williams, Repair & Maintenance, FT
Virginia G. Williams, Secretary, FT

4. Other Business Affiliations of Proposed Owners (if any):

a. Name of Business: **Engelhard Red & White, Chris's Groceries, Swan Quarter Garden Center, Swan Quarter Equipment Company, Engelhard Laundromat, Courthouse Café, all under the sole proprietorship known as Williams' Markets.**

b. Name of Owner or Manager Involved: **Christopher L. Williams**

c. Position in this Business: **Owner**

d. Relationship Between this Business and RLF Project Business: **All businesses are operated under the umbrella of Williams' Markets, a sole proprietorship. Chris Williams is the owner.**

5. Product Line or Service

a. Range of Products or Services: **Mr. Williams plans to continue to lease the USPS office space in the Hyde Park office building. He will lease two other spaces in the building. He will continue to keep the storage facility for rentals.**

6. Market Information

- a. Geographic Market Area: **No other storage rental facilities in the area.**
- b. Major Customers: **Private individuals leasing storage facilities**
- c. Market Characteristics: **N/A**
- d. Competition: **No competition**

6. Marketing and Distribution **N/A**

8. Cost Effectiveness: **N/A**

9. Project Innovation/New Technology: **N/A**

10. Employee Benefits: **N/A**

B. B. FINANCIAL FEASIBILITY

RLF applicants must show that the business requesting a loan has the financial and management capacity to carry out the RLF project as proposed. A determination of the financial feasibility of a proposed project will be made based on both financial and non-financial information provided in the application. The Project Feasibility Form provides the applicant with an opportunity to discuss concerns regarding the financial feasibility of a project which may be raised by Hyde County.

INSTRUCTIONS

1. FINANCIAL FEASIBILITY DOCUMENTATION – The evaluation of a project’s financial feasibility can only be based on documentation which is submitted to RLF with the application. The documentation listed on the form **must** accompany this section of the application. Applicants should make certain that all listed information is included in the application by placing a check in the appropriate boxes after verifying that the documentation has been included as an attachment to the application. Applicants with incomplete documentation may not be considered for funding until documentation is complete.

flow analysis, justifying the loan terms outlined in the “requested” financial projections. If a deferral period is requested, the second set of projections must extend two years beyond the first principal payment date. The loan term should be based on the average useful life of the asset to be financed, as evidenced in the following examples:

<u>Asset</u>	<u>Approximate Useful Life</u>
Real Estate Purchase	30 years
Building Rehabilitation/ Machinery and Equipment	20 years
Furniture and Fixtures	10 years
	5 years

If the loan is to be used to finance more than one type of asset, a weighted average should be used. For example, if 25% of the loan is to be used for construction and 75% for machinery, the life of the loan should not exceed 12.5 years (25% x 20 years plus 75% x 10 years).

FINANCIAL FEASIBILITY

1. Financial Feasibility Documentation – All items below **must** be submitted with the application. All historical and projected financial statements should be prepared by a certified public accountant, or a county-approved business advisor, in accordance with generally accepted accounting principles.

_____ Historical Income Statement and balance sheets for most recent three years, with notes, for any existing businesses owned or operated by the new entity’s principals. (Enter “N/A” if not applicable.)

_____ Conventional and Requested Projected Income Statement Forms, with notes. Two full years from first RLF principal payment should be provided.

_____ Conventional and Requested Projected Cash Flow Statement Forms, with notes. Two full years from first RLF principal payment should be provided.

_____ Resumes of key management, providing a detailed description of their business experience and training.

_____ Personal financial statements from the firm’s principals (or Form 1040’s for past three years with statement of net worth).

_____ Marketing information and other documentation to support financial projections.

_____ Credit Report(s) from the firm’s principals (no older than 30 days)..

2. Past Financial History – If applicable, discuss any negative indicators or trends which may be evidenced in the historical financial statements of the principals or for other businesses owned by the principals. Explain the reasons for these negative indicators and discuss steps which are being taken or will be taken to resolve any problems.

N/A

3. Summary of Financial Projections and Definition of Requested Loan Terms:
See Tax Returns for 2015-2016

C. EMPLOYMENT FEASIBILITY

The purpose of this section is to provide information and documentation to support the employment and benefit claims made by the applicant. Hyde County will review the total number of jobs proposed, job type, and other information and documentation submitted, in order to determine the feasibility of attaining the projected goals. Applicants must develop realistic and attainable employment goals. If funds are awarded, Hyde County will monitor the project to see that these commitments are achieved.

INSTRUCTIONS

1. TOTAL NUMBER OF JOBS—
 - a. Job creation refers to jobs which will be newly created as a result of the RLF project.
 1. Full-time jobs – at least 35 hours per week for at least 50 weeks per year.
2. JOB INFORMATION AND EMPLOYMENT SCHEDULE—
 - a. Applicants must specify by actual job title or classification the positions to be created, such as machinist 1, secretary, or materials handler. Personnel being transferred from other sites should not be listed.
 - b. The anticipated hourly wage for each job classification should be stated.
 - h. The number of full-time jobs to be created for each job title/classification.
 - b. The total number of jobs to be created during each project quarter. Job goals must be met by the end of the 8th quarter after the loan closing.

ACTIVITIES IMPLEMENTATION SCHEDULE FORM

Each applicant will be required to submit an Activities Implementation Schedule. This plan will present the applicant's schedule for implementing key project activities and provide Hyde County with a tool for evaluating each project's progress, if funded. If a project lags six months or more behind the approved schedule, Hyde County will evaluate the project's continued feasibility and may elect to terminate the project and withdraw any un-obligated funds. A sample is found on the following page.

INSTRUCTIONS

1. NAME OF APPLICANT – Enter the legal name of the applicant.
2. ORIGINAL, AMENDMENT – Indicate whether the application is an original or an amendment, and enter the date the application is submitted to Hyde County.
3. PROJECT NAME – Enter the project name.
4. IMPLEMENTATION START DATE – This date should be one month after the submission of the application. Month 1 on the schedule should begin with this date.
5. ACTIVITIES – Applicants should indicate a schedule for all major activities, RLF and non-RLF funded, related to their project. Other activities listed should be incorporated where appropriate and others not listed should be specified with implementation schedules indicated. All project activities must be completed 24 months after the preliminary award is made.

BUSINESS DEBT SCHEDULE FORM

CREDITOR NAME A. Current Debts (Existing Prior to RLF Project)	Original Loan Amount	Origination Date	Present Balance	Interest Rate	Maturity Date	Monthly Payment	Security
1. Hyde County RLF Engelhard Red & White Store, Engelhard, NC	\$150,000	3/2/09	\$111,331	5%	2029	\$994.88	D/T
2. Hyde County RLF Engelhard Laundromat, Engelhard, NC	\$120,000	6/2012	\$84,671	5%	2024	\$1,109.87	D/T & Equip.
3. Hyde County RLF Parking Lot Project-Engelhard, NC	\$50,000	1/8/15	\$47,946	5%	2025	\$506.23	Lease
4. Hyde County Golden Leaf RLF The Courthouse Café	\$90,000	7/12/16	\$88,014	4%	2036	\$545.38	D/T
5.							
B. Projected New Debts							
1. Hyde County RLF Hyde Park Office & Storage Rentals	\$110,000		\$110,000				D/T
2.							
3.							
4.							
5.							

MAPS

ACTIVITIES MAP – This map must include the location of all activities and an accurate scale. All structures located on the business site should also be clearly marked. All industries and residences benefiting from the activity must be shown on the activities map. This map must be in sufficient detail to allow for an accurate environmental review to satisfy all environmental review requirements. The applicant must insure that this map is consistent with information submitted in the Project Description.

