

The West Virginia Capital Access Program

WVCAP Operating Assistance Fund

With funds made available by the Claude Worthington Benedum Foundation, the WVCAP can now provide applicants a means to access the technical or operating assistance that can help them be better prepared to apply for WVCAP funds or to improve their company performance. Funding is available for; business plan development; financial modeling; market research; product branding; executive recruiting; strategic planning; marketing materials; marketing strategy; and design and implementation of accounting systems.

For further information please contact Matt Wender, WVCAP Marketing Liaison at 304-469-6364 or mwender@cwv.net.

Off to a Very Successful Start

The WVCAP, now in its 15th month and has had significant success. Currently West Virginia is the 4th leading state in making use of the Federal funds made available through the Small Business Jobs Act of 2010. To date there have been 17 direct loans, seed investments, and collateral support transitions completed totaling \$ 4,183,500.

In early 2012, West Virginia was awarded \$13.1 million from the US Treasury as part of the State Small Business Credit Initiative.

The first installment of \$4.1 million was received and has been placed in companies growing our economy.

Recently, the second installment of \$4.1 million, was received by WVCAP. Of this second installment, all funds have been committed. The final installment of \$4.1 million will be requested from the Treasury in the near future.

The WVCAP is made available to West Virginia businesses and not-for-profit sectors by the following eight program participants located throughout the state:

**Center for Rural Health
Development Inc.**

INNOVA Commercialization Group

WV Jobs Investment Trust Board

**Mid-Ohio Valley Area
Development Corporation**

**Regional Economic Development
Partnership (Wheeling)**

Natural Capital Investment Fund

**New River Gorge Regional
Development Authority**

Wyoming County EDA



An Old Company Continues to Provide Benefit

Washington Homeopathic Pharmacy was established in 1873 in Washington, DC. It was common in those days to have a homeopathic pharmacy in every city. Joe and Linda Lillard bought the pharmacy in 1991 and renamed it Washington Homeopathic Products. In 2005, a 12,500 square foot production facility was built in the Morgan County Business Park in Berkley Springs, WV. At that location, all operations were consolidated in 2009. Washington Homeopathic Products is one of the last original homeopathic pharmacies and is one of three manufacturers of homeopathic remedies in the United States today.

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An Old Company Continues to Provide Benefit continued...

The Company makes all the remedies, sometimes even using plants grown on the Lillard's farm, and now serves over 85,000 customers in more than thirty countries. Customers include individuals, veterinarians, physicians, pharmacies and over 40 distributors. They also provide private labeled products for over 35 companies. The Company distributes over 30,000 email newsletters monthly.

First formulated by the renowned German physician Samuel Hahnemann in 1789, a minimal, homeopathic dose

of a natural substance (plant, animal, or mineral) which would normally cause symptoms in a healthy person, when given to a sick person exhibiting those symptoms, will effect a cure.

Since 1991 the business has transformed from a company with five employees and an annual gross income of \$150,000.00 into a million dollar operation with over 30 employees.

Washington Homeopathic was recognized as the US Small Business Administration's 2007 WV Small Business Exporter of the Year.

Joe Lillard was selected as the SBA's 2009 Business Person of the Year for West Virginia.

In April 2012, along with participation from The Mountain Association for Community Development, Natural Capital Investment Fund made a \$112,500 equity investment through the WVCAP in the firm as part of a six point business expansion program.

WVCAP Program Components

Product Description	WVCAP Seed Capital Co-Investment Fund	WVCAP Subordinated Debt Fund	WVCAP Collateral Support Fund	WVCAP Loan Guaranty Fund
Use of Funds	To advance intellectual capital: property development, evaluation, including in-depth analysis of market potential; conducting competitive analysis; advance proof of concepts work for scientific discovery; advance prototype design and development needed to attract early stage venture capital financing; hiring key personnel and related activities	To purchase equipment, facility expansion and permanent working capital	Collateral support up to 20% of loan amount to augment the collateral that borrower provides banks, giving lenders greater confidence and willingness to extend credit	Guarantees up to 20% of loan amount for working capital loans for providing lenders with greater confidence and willingness to make small business loans
Maximum Investment Amount	Up to \$500,000 per individual company over life of investment	Up to 50% of the borrower's requirement with a maximum loan amount of \$500,000	Up to 20% of loan amount with maximum collateral support of \$250,000	Up to 20% of loan amount with maximum loan guarantee amount of \$250,000
Interest Rate	Market adjusted for risk (8-10%)	At or below prevailing market interest rates	At or below prevailing market interest rates, where applicable	N/A
Terms	1-5 years for convertible debt	1-5 years subject to acceptable leverage ratio	1-5 years subject to acceptable leverage ratio	1-5 years subject to acceptable leverage ratio
Fees	Reimbursement of legal fees and other customary transaction fees associated with equity investments	1% commitment fee based on loan amount due at signing of commitment letter and balance due at loan closing; borrower pays for documentation fees, as incurred	2% of the loan amount with a maximum loan amount of \$1.25 million, plus a documentation fee of \$250 upon closing	2% of the loan amount with a maximum loan amount of \$1.25 million, plus a documentation fee of \$250 upon closing
Collateral	When applicable	Secured promissory note and UCC-1 and deed of trust in case of real estate; all lien positions fully subordinate to senior lender	N/A	N/A



Creating New Employment

Following his service to our country for twenty years in the US Army, Chris Loftis retired in 2007 at which time he became a civilian contractor for Army projects. In recent years his ambition turned to business ownership and self employment.

Chris came to the project well prepared having pursued a BS degree in music while in the service as well as an MBA from Grantham University. These educational accomplishments along with seventeen years of personnel management and leadership skills honed during his Army career should suit him well in his new entrepreneurial capacity. Ironically included in Chris's past experience was four years working in a bowling center.

Presented with an opportunity to reopen a bowling center in Grafton, WV that had been closed for for two years, Chris's ambition was close at hand. He knew that facility had operated successfully for 43 years.

Chris knew the business must adapt to present market demands and competition so he set about determining the feasibility of making it a successful commercial venture.

Knowing the closest direct competitor was sixteen miles and that other commercial amenities were not available in the Grafton area, he began pursuing his project.

Premier Bank committed to participating in the project.

Chris contributed personal equity and the WVCAP, through Natural Capital Investment Fund, participated with \$183,000 in subordinated debt. The participation of NCIF with WVCAP funds gave Premier Bank the collateral to leverage the loan that made the transaction possible.

Open since late August, 2012, the Loftis Lanes Bowling Center employs four people full-time and eighteen people part-time. The business also includes an expanded food and beverage service and special events planning. These additional features take the new entity far beyond a simple bowling alley.



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