

Montgomery County Revolving Loan Fund

Goal of Montgomery County Board

To establish a revolving loan fund (RLF) in Montgomery County to benefit new and existing businesses that operate within Montgomery County limits.

An original investment of \$250,000 by the Montgomery County Board from the General Revenue Fund (allocation of money generated from sale of coal rights) was used to start this fund.

Objectives of RLF

- Create and retain permanent private sector employment,
- Encourage small business start-ups and expansions,
- Stimulate investments in the county,
- Leverage public and private investments.

Eligible Projects

- Acquisition of land, buildings, and fixed equipment,
- Working capital and inventory,
- Site preparation and construction, reconstruction, or installation of buildings and fixed equipment,
- Clearance and demolition, removal or rehabilitation of buildings, and improvements.

Ineligible Projects

- Reimbursing expenditures made prior to approval of the loan,
- Land, buildings, or fixed equipment not essential to the business,
- Routine maintenance.

Montgomery County Revolving Loan Fund

General Information

Loans are subject to availability of funds.

Only loan requests between \$5,000 and \$50,000 will be considered. In the event the RLF board views the project as exceptional due to the number of employees or other measurable impact, the RLF board has the right to increase the maximum request amount. However, the revolving loan cannot exceed 33% of the total project costs. Request for funds will be made by financial institutions for specific projects for the businesses they represent.

If a loan is approved by the RLF board, the requested amount is deposited into the financial institution that requested the funds at a fixed 2% rate for the duration of the loan. The RLF board has the right to change the RLF rate as needed. However, changes in the rate will only affect future loans. The financial institutions will then re-loan the requested funds to the recipient at a fixed rate not more than 4% above the RLF rate.

The repayment schedule will be determined by the financial institutions and presented in the request for revolving loan funds.

Any changes to original terms of the repayment schedule must be approved by the RLF board.

The term of the loan will vary depending upon the collateral and use of funds. As a guide, the revolving loan will normally allow a maximum of 20 years on real estate, 10 years on equipment and 7 years on working capital.

Collateral must be more than sufficient to cover the loan amount. Collateral, the security pledged for the repayment of the loan, must equal the amount of monies borrowed. Verification of the value of the collateral must be supplied in the form of independent appraisals; deeds, titles, etc.

Montgomery County Revolving Loan Fund

Requirements

The revolving loan fund board and County will review the capital position of the borrower to make sure it is adequate. The County's portion of the total loan will not exceed 33 percent.

Create or retain one full-time permanent position for every \$20,000 requested.

The lead financial institution must demonstrate that they have reviewed and approved the borrower's financial condition and business plan and have found evidence of collateral necessary to justify the loan.

Maintain adequate insurance on the pledged collateral. The participating financial institution must verify adequate insurance is maintained on the pledged collateral.

Comply with all applicable local, state and federal laws, regulations and ordinances.

Loan will be recalled in the event that jobs are lost due to relocation of part or all of the business outside Montgomery County. The rate of recall is based on \$20,000 per job lost due to relocation.

Default

In the event of borrower default on the loan, the participating financial institution will be responsible for repossession of the assets, real and personal. The liquidation and disposition of assets will be shared risk between the financial institution and County pro rata. The financial institution shall notify the County, in writing, if it declares a loan in default.

Application Process

Applications will be made available at the MCEDC office located within the Montgomery County Courthouse in Hillsboro, Illinois, 62049. A loan application must include the following information about the business that the financial institution is applying for:

- The company's complete business plan, as well as a brief summary, (1-2 pages) that provides background about the project and market opportunity.
- Detailed project costs and forecasts of potential revenue.
- Financial statements for the business of the past three years. If the RLF project is for new business, then copies of the majority owner(s)'s¹ personal financial statements² for the past three years are required. Both

¹ Majority ownership is defined as anyone owning at least 20% or more of the business.

² Personal financial statements include, but are not limited to, past tax returns with the IRS.

Montgomery County Revolving Loan Fund

personal and business and/or consolidated financial statements must be submitted.

- Repayment analysis with cash flow projections.
- Collateral analysis
- Current credit report

Applications are reviewed on an as needed basis by the RLF board. Applicants will be invited to attend the meeting at which their application is reviewed. The RLF board makes a decision within 30 days of the meeting. Applicants will be notified in writing of the decision of the RLF board. Before a participation agreement can be offered, approval by the Economic Development Committee of the Montgomery County Board has to take place. If a participants' agreement is offered to the applicant, they will have 30 days from date of written notification to accept or deny the agreement. There is no limit on the number of applications that an applicant may submit.

Contact Information

Lindsay Wagahoff
Executive Director
MCEDC
P.O. Box 213
Hillsboro, IL 62049
217.851.4332
ed@montgomerycountyillinois.org

Date: 11/6/2014