

Macoupin Economic Development Partnership, Inc.

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Macoupin County Revolving Fund Policies

The Macoupin County Board maintains a Revolving Fund (RF) to provide financial assistance to new or expanding businesses in Macoupin County in order to strengthen the community's economic development through the retention and creation of jobs, stimulating private investment within the county and strengthening the tax base. Loans will be made to projects which show a significant impact on local employment.

The funds used to establish the RF is money financed by the Illinois Department of Commerce and Economic Opportunity (DCEO). Money recaptured from existing or new loans is deposited in an RF account by the Macoupin County Economic Development office through the Macoupin County Clerk and County Treasurer's offices.

The RF shall be administered by the Economic Development Coordinator with questions of policy being considered by the Macoupin County Economic Development Committee and the RF Review Committee for vote and final approval by the Macoupin County Board.

The mission of the RF is as follows:

- To assist short-term economic development by supporting projects which create and retain jobs.
- To encourage growth and involvement of area financial institutions through joint efforts to make feasible projects which otherwise would not be undertaken.
- To assist long-term economic development by supporting projects which protect the existing tax base and which seek to expand it.
- To insure the financial and political security for the RF through appropriate due diligence in the use of funds.

A. Revolving Fund Guidelines-Generally

The following guidelines describe the way in which the RF will achieve its stated goals:

1. Eligible Borrowers

Any business and/or property owners who are located or expanding in Macoupin County. The Macoupin County Board is also an eligible borrower, but only for infrastructure improvements (i.e. water, sewer and roads) which will assist a business to retain or create jobs.

2. Eligible Uses of Funds

- a. Site development/infrastructure extension costs.
- b. Building construction, renovation, acquisition or improvement.
- c. Leasehold improvements
- d. Purchase of new or used machinery and equipment
- e. Working capital
- f. Land and/or building acquisition.

Projects of a speculative nature and refinancing of existing or private debt are ineligible for funding. Also the transfer of firms and jobs from a location within the State of Illinois using Macoupin County RF proceeds is prohibited unless it can be shown that the proposed jobs/job opportunities will be lost to another state or country.

3. Maximum Loan Agreement

The maximum Macoupin County RF loan amount shall be \$100,000 unless waived by the Macoupin County Board. Macoupin County RF loans will be made on a matching basis. The RF Review Committee may waive these limits at its sole discretion. Matching funds preferably will be in the form of a bank loan, but owner equity or supplier financing may be allowed at the discretion of the RF Review Committee. All matching funds shall be financial contributions (cash). Funds spent prior to approval of the RF application will not count as a match. A match of 2:1 will generally be required. The 2:1 match may be waived by the RF Review Committee, but in no case will the match be less than 1:1.

4. Demonstration of Financial Need

The Macoupin County Board when utilizing recaptured Community Development Assistance Program (CDAP) dollars for the State of Illinois may participate with any lending institution and/or source of equity in making Macoupin County RF loans. Applicant firm and participating lenders must demonstrate a financial need for local CDAP-RF funds. Financial need can be demonstrated by meeting one or more of the following financial need criteria:

- a. CDAP-RF funds are needed to “fill the gap” between the estimated project cost and what lenders are able and willing to lend.
- b. The estimated return on investment (ROI) exceeds the bank-determined, industry-wide standard.
- c. The banks determine there is insufficient collateral without CDAP revolving fund participation.
- d. CDAP-RF financing is needed to keep the firm in the community (applicant must furnish the bank with detailed incentive letters from other states and detailed cost information/explanations on how CDAP-RF funds equalize the costs between the community site and the out-of-state site, CDAP-RF funds cannot be used to relocate firms from one part of the State of Illinois to another part of the state).

5. Geographic Area

Recaptured funds will be expended for projects which are located within Macoupin County.

6. Interest Rates and Terms

A minimum fixed-rate (currently 3%) shall be charged on Macoupin County RF program loan. The participating lender and the applicant/borrower may negotiate any mutually acceptable loan terms. The term of a Macoupin County RF program loan shall generally be determined by the following classifications:

Purpose	Maximum Term
Infrastructure	15 years
Land and/or Building Acquisition	20 years
New Construction	20 years
Purchase of Machinery and/or Equipment	10 years
Leasehold Improvements	7 years
Building Rehab or Renovation	7 years
Working Capital	7 years

(NOTE: In no event shall Macoupin County participation exceed the term granted by the participating lender for the same class of asset.)

7. Collateral Requirements

The participating lender shall have the responsibility for determining the applicant's credit risk for their loan and the county RF Review Committee shall make an independent assessment of the applicant's credit risk. If the participating lender requires, it shall be entitled to the senior lien or security interest on any collateral given as security. In the case where Macoupin County secures the RF loan with identical collateral, its lien or security interest shall be subordinated to the participating lender. In addition, Macoupin County will generally require PERSONAL GUARANTY on Macoupin County RF loans.

8. Loan Disbursements

All loan disbursements and payment shall be made by the Macoupin County Board.

9. Origination Fee

An origination fee of up to 1 percent of the amount requested may be charged by Macoupin County and is payable at closing. In addition, the Macoupin County Board may charge a \$100.00 fee to cover application costs.

10. Loan Call Provisions

Failure to abide by Macoupin County RF program policies or administrative guidelines can result in calling of the RF loan at the RF Review Committee's request. Also, the Macoupin County Board can call the RF loan due and payable in the event of: 1.) the transfer of substantially all the borrower's assets to any third party; 2.) bankruptcy or insolvency of the borrower; 3.) cessation of the conduct of active trade or business by the borrower for any reason, including, but not limited, fire and other casualty. 4.) inability to meet the obligations for job creation/retention as originally stated. These provisions are contained in a loan agreement between the borrower and Macoupin County.

B. Other RF Program Requirements

1. Applicants

- a. An applicant must have the ability to repay the loan and be an acceptable credit risk as determined by the RF Review Committee and the participating lender.
- b. Upon completion of any construction activities, the applicant's property must comply with all applicable code, permit and license requirements of Macoupin County.
- c. The applicant must make adequate progress toward loan closing as determined by the RF Review Committee. Failure to do so can result in a revocation of loan authorization by the RF Review Committee.

2. Limitations

Macoupin County RF loan proceeds may be used for any of the following: site development/infrastructure extension costs; construction of new facility or additions, renovation of existing facilities, leasehold improvements, purchase of new or used machinery and equipment, and working capital.

Federal Davis-Bacon and Related Acts require that prevailing wage be paid for all construction activities.

Loan to start-up businesses will require 20 percent equity unless waived by the Macoupin County Board. Macoupin County RF loan proceeds cannot be used to refinance existing or personal debt of any kind.

3. Job Creation/Retention

For every full-time equivalent (FTE) job to be created/retained, no more than \$15,000.00 of RF funds will be allowed. FTE is defined as 1,950 hours a year (35 hours a week). At least 51 percent of those jobs created/retained must benefit low-to-moderate income persons. The applicant must agree to work with the local JTPA service delivery area office and the regional Illinois Employment and Training Centers to place the economically disadvantaged person in the new positions created through the Macoupin County RF program. This requirement may also be addressed by furnishing complete employee certification forms. First preference in hiring must be given to the unemployed and those eligible economically disadvantaged persons as defined by federal guidelines.

4. Activities Completed Prior to Loan Closing

All project activities completed prior to loan closing are ineligible for financing through the Macoupin County RF program. Also, any lender financing or equity which is disbursed prior to loan closing cannot be counted as match.

5. State/Federal CDAP Program Requirements (Title I)

The RF program will be operated according to applicable CDAP Program requirements, which include, but are not restricted to environmental review, prevailing wage rate, equal employment opportunity, minority business enterprise, Section 3 ("Local Hire") Provisions and Persons with Disabilities/Developmentally Disabled provisions.

6. Bad Loans

In the event of a bad loan, legal steps will be taken to recover the RF funds.

C. Required Documentation/RF Processing

1. Sign-off sheet
2. RF Application
3. Lender Commitment Letter containing (unless participation of another lender is waived by the RF Review Committee):
 - Statement of loan approval and need for RF participation by authorized lender officer or committee
 - Specified dollar amount of loan
 - Specified loan term
 - Specified interest rate
 - Collateral or security requirements
 - Other special conditions of the loan
4. Borrower Commitment Letter
 - Description of the project
 - Total project cost
 - Number of jobs created/retained and benefit to low/moderate income persons
 - Type of jobs to be created/retained and wage scales
 - Time frame for job creation
 - Potential use of JTPA training program
 - Name of lender making commitment
 - Amount of equity if start-up business
 - Statement that borrower can begin project implementation immediately upon Macoupin County RF program approval
4. Environmental Review Checklist Requirements
(In some cases this may not be applicable.)