

Howard County Revolving Loan Fund (HCRLF)

Goal: To stimulate job creation and economic well-being for the citizens of Howard County.

Background:

Howard County received assistance from the Economic Development Administration in response to a request to assist distressed communities after the disastrous floods in 1992 and 1993. The seed capital from this grant source created the first loan made for business development and subsequently created the Howard County Revolving Loan Fund (HCRLF). Recommendations for the use of the capital returned to the fund are the responsibility of the Howard County Economic Development Advisory Board (HCEDAB).

According to the National Business Incubator Association, over 85% of business expansion and start up begins with factors already existing in the community. Most small businesses, firms with 50 people or less, grow as a result of:

1. Assistance with financing,
2. Available transportation and infrastructure,
3. Available people to work,
4. Attitude of the community for preparing a growth environment
5. Affordable housing based on all income levels, and
6. Amenities or the location of the amenities in respect to the community.

These six factors create more wealth in the community and more jobs that are sustained than any combination of events. Community growth begins from within. The following criteria have been set by the Howard County Economic Development Advisory Board, the organization formed by the Howard County Commission to advise the Howard County Commissioners on fair and equitable use of the funds coming into HCRLF through loan re-payment and interest earned and loans made from the HCRLF.

Eligibility Criteria:

In order to receive loan funds from HCRLF the business must:

1. Be a for profit company located or locating in Howard County
2. Demonstrate growth potential, job retention, and equal opportunity

3. No loans will be given for the following: Gaming, RV parks, media (newspapers) cable television, publishing, real estate rental unless the owner occupies half of the total rental space.¹
4. No refinancing of existing debt
5. Borrower(s) must be U.S. citizens or the corporation held by at least 51% U.S. Citizens²

Lending Priorities:

*Priorities will be given to the following conditions **when multiple applications are received and limited funds are available.** Applicants **DO NOT** necessarily need to meet all priorities for consideration.*

Priority must be given to:

1. Businesses locating in Howard County.
2. Existing business with a positive history. Start-ups will be eligible but existing businesses will be given a priority.
3. Businesses offering strong business and personal collateral guarantees
4. Credit worthiness of the borrower(s)
5. Loans that will retain and create jobs, with priority given to jobs with salary and benefits and increase sales and gross profit.
6. Businesses in which the borrower(s) have at least 25% cash or in-kind injection into the project.
7. Borrowers must show they have knowledge of business management and business experience with the product or service proposed in the business plan.

Uses of Funds:

Funds provided by the HCRLF can be used for the following purposes:

- Tangible assets
 - Real Estate
 - Equipment
- Cash flow (with a personal guarantee)
- Inventory (with a personal guarantee)

¹ This condition is found in federal and state lending criteria.

² This condition is found in USDA recommendations

Borrowing Limits:

Eligible applicants may be approved for a maximum for any business of \$40,000 not to exceed \$20,000 per project.

Interest Rate:

Loans will be variable. The rate will be 2% to 4% above the deposit account earnings. The rate will be reviewed on an annual basis with a maximum of 2% increase per year.

Loan Terms:

The loan will be paid with monthly installments, with exceptions made only by 2/3's approval of the majority of the quorum, as per the amortization schedule provided at loan closing. Loans will have a term of repayment of three (3) to five (5) years. Loan payments will be a combination of principal and interest. Direct debit payment back to HCRLF is requested.

Fees:

Application Fee: \$100.00

Late Payment Fee: 10% of the loan payment. In addition fees dealing with collection will be the responsibility of the borrower(s).

Borrower(s) are responsible for all application costs including but not limited to: legal fees, environmental review, title insurance, recording fees and surveys.

Prepayment:

A loan may be prepaid at any time without penalty. The prepayment amount will be equal to the remaining principal balance plus any accrued interest.

Loan Processing Time:

Application submission to the HCRLF will be reviewed by a Loan Committee. The decision of the Loan Committee will be made within thirty (30) days of the submission of the complete application. Incomplete applications will not be processed.

The loan committee will be made up of a minimum of three (3) individuals to be selected to serve by the Chairman of the HCEDAB. Three (3) people will be asked to review an application and determine if the criteria have been met to make the loan from the available funds. At least 2 of the 3 members so appointed will have a background in

loans or financing, and one member will be from the HCEDAB. Advisory Board members may be asked to sign a Conflict of Interest Statement prior to serving.

Conditions of Lending:

Actions preceding the loan transaction if applicable:

Execution of a Note and Loan Agreement

Execution of and filing of Security Agreements

Proof of personal guarantees

Proof of regulatory approvals, licenses, environmental assessments

An opinion of Counsel may be requested

If the borrower(s) is a Corporation:

- Execution and Certification of a Board Resolution to borrow from the Howard County Revolving Loan Fund
- Execution and Certification of a Board Resolution naming the President to sign on behalf of the Corporation
- Submission of the company's corporate papers

Affirmative Covenants:

The borrower(s) must agree to the additional terms and conditions, which may included but is not limited to the following:

1. Pay HCRLF as stated in the terms of the loan
2. Pay any other loans associated with the project
3. Maintain all taxes and insurance applicable
4. Provide semi-annual financial statements and the board reserves the right to request periodic financial statements as needed.
5. Maintain legal existence
6. Notify HCRLF Committee of any defaults on loans associated with the project

Additional Affirmative Covenants:

Additional Affirmative Covenants may also be required:

Term Life Insurance on the key person responsible³

Business Interruption Insurance

Negative Covenants:

The borrower(s) may not engage in the following actions without written consent of the Howard County Economic Development Advisory Board (HCEDAB):

³ The HCRLF will be the beneficiary on all policies written in the amount of the indebtedness.

Will not encumber assets pledged as collateral for the loan
Will not sell assets pledged as collateral for the loan
Will not change the business assets ownership composition
Will not change the scope or use of funds outlined in the application

Collateral:

Collateral requirements will be determined on a case-by-case basis

Events of Default:

The loan agreement will list all the events which will constitute a default on the Loan Agreement. A default allows the HCEDAB to accelerate payment and demand immediate full payment of all outstanding principal and accrued interest. Events of default include the following:

Non-Payment of the Loan to HCRLF
Non-payment of other loans associated with the project
Incorrect representation or warranty
Default of any covenant
Insolvency either voluntary or involuntary
Judgments in excess of liability insurance

Fund Dissolution:

In the event the HCRLF would cease to function, the assets will be transferred to be used for economic development in the community of Howard County, Missouri.

Howard County Community Revolving Loan Fund
Application

Complete the following application and attach this application to your business plan, the checklist for the business plan is attached. Return the application and two (2) copies of your plan to:

Howard County Commission
#1 Courthouse Square
Fayette MO 65248

Applicant Company Name: _____

FEIN _____ **Corporation:** **Y/N** *(circle one)*

If yes does the company have permission from the board to request this loan? Y/N¹

Contact Person: _____

Daytime Phone Number: _____

E-mail: _____

Contact Mailing Address: _____

Purpose of Loan _____

Business Location & or Legal Description _____

Proposed project Period *(Circle one of the following)*

12 months 24 months 36 months

Total Number of Jobs to be created: _____ Full-time _____ Part-time

Estimated Total Payroll to be created: _____

Total Loan Amount Requested from Howard County Community Revolving Loan Fund: _____

Total Amount Financed by other sources: _____

Length of Loan Requested: **36 months 48 months 60 months**

¹ All Corporations are required a letter signed by an officer of the corporation to make application.
Howard County Community Revolving Loan Fund Application

Howard County Community Revolving Loan Fund

BUSINESS PLAN Checklist

COVER SHEET

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BUSINESS PURPOSE, GOALS AND OBJECTIVES

SUMMARY (EXECUTIVE SUMMARY) 1 page

BUSINESS DESCRIPTION

MARKETING PLAN

COMPETITION – Competitive Ranking

MANAGEMENT AND PERSONNEL – Job Descriptions

APPENDIX – Supporting documents

If applicable:

- Sources and uses of funds
- Capital equipment, inventories, and tooling
- Break-even analysis
- Pro Forma Balance sheet
- Pro Forma Income Statement
- Pro Forma Cash Flow Statement
- Prior year Tax Returns
- Prior year Sales, Costs, and/or Budgets if available
- Resumes of Owners and/or Principals
- Credit Reports
- Leases, Contracts
- Revenue Forecasts
- Equipment, Fixtures, and Tooling lists
- Inventory list for start-up
- Assumptions used in the plan
- Financial Ratio Analysis of the Company