**Section 110.280 Revolving Fund Fundability Analysis**

Each RF shall have a standard RF financial assistance application. The RF administrator shall conduct a review and maintain documentation for each RF application to support that minimum program requirements have been satisfied pursuant to Sections 110.250 and 110.260 of this Subpart and that fundability is consistent with the following:

a) Financial Feasibility Evaluation – The RF applicant shall submit supporting financial data which at a minimum shall include the following information:

1) A brief history of the business and past employment growth.

2) Market Information on the business' products or services and identification of existing and potential major customers and competitors.

3) Three years historical financial statements which consist of: a balance sheet, profit and loss statement and a reconciliation of net worth. This information shall cover three years, as well as the most recent 90 days. Accountant's notes or detailed notes, in those instances in which the statement is not audited, shall be included with the statement.

4) Prior three years of tax statements for those small businesses with no formal financial statements.

5) Personal financial statement of each principal (sole proprietor, partner, officer, stockholder) owning 20 percent or greater share of the outstanding stock or interest in the business, as well as a brief personal history statement for each.

6) Projected earnings report which includes a three year projected balance sheet and profit and loss statement, as well as a one year monthly cash flow statement. Base assumptions shall also be included.

7) Business plan and/or market feasibility information which addresses business products or services and identifies existing and potential major customers and competitors.

8) Financial statements of the general partners, if a business is a limited partnership. If a business is a corporate general partner, the personal and corporate financial statements of the general partner shall be submitted.

9) A list of major equipment or classes of equipment to be acquired. For acquisition of new machinery and equipment, reliable vendor cost estimates shall be provided. For used machinery and equipment acquisition, an appraisal shall be provided which demonstrates that the fair market value is in line with the purchase price.

10) A detailed explanation of the need for and specific use of working capital. If used for inventory, a list with supporting cost estimates shall be provided.

11) A list of all sources of leveraging documented by written letters of commitment. Loans from financial institutions used as leverage shall indicate approval as well as the loan amount, the specified term and rate, collateral, and conditions attendant to the loan. Equity contributions shall be documented through signed letters from the benefiting business.

12) Documentation of the legal status of the borrower and authorization to enter into the loan, e.g., Articles of Incorporation, Secretary's Certificate, Certificate of Good Standing, etc.

13) A letter verifying the number of jobs to be created and/or retained, including the number to be filled by low and moderate-income persons and the specific time period over which this will occur.

b) Determination of Need – Documentation shall be maintained by the RF administrator to verify that the RF application review procedures include criteria to determine if revolving funds are necessary. Such criteria shall consist of the following elements:

1) Evaluation of Project Costs – All costs associated with the project shall be verified prior to making a funding determination and establishing a funding level. Third party cost estimates shall be obtained to document all project costs. If a grantee does not use third-party quotations to verify cost elements, then the grantee shall conduct its own cost analysis using appropriate cost estimating manuals or services.

2) Verification of Other Funding Sources – At a minimum, the loan applicant shall show evidence, in the form of a bank commitment letter, of the level of financing that a bank will commit. This review shall also include an analysis of the private equity available to be committed to the project. All sources of funding shall be firmly committed in writing and maintained in the loan file. All units of local government with existing RFs shall utilize all available revolving funds prior to requesting funds through CDAP.

3) The grantee shall review the applications to ensure that, to the extent practicable, CDBG funds will not be used to substantially reduce the amount of non-RF financial support for the activity. To reach this determination, the grantee shall conduct a financial analysis of the project, including review of the appropriate projections of revenue, expenses, debt service and return on equity investments. The extent of the review shall be appropriate for the size and complexity of the project and use industry standards for similar projects, taking into account the unique factors of the project such as risk and location.

(Source: Amended at 28 Ill. Reg. 13468, effective September 23, 2004)