



Northern Kentucky Area Development District Revolving Loan Fund Program

The Northern Kentucky Area Development District's Revolving Loan Fund (RLF) is a publicly administered development capital fund, established through a grant from the Economic Development Administration, U.S. Department of Commerce. It was established to provide a flexible and continuing source of debt financing capital for small businesses that are unable to obtain sufficient private financing for projects deemed of economic benefit to an area.

RLF Eligible Uses:

Loans extended by the RLF will be between \$10,000.00 and \$100,000.00 and will be utilized to finance the following types of direct or associated project costs and activities:

- The purchase of equipment, machinery and/or fixtures (including related costs)
- Acquisition of land and/or site preparation for industrial or commercial uses (and related costs)
- Building construction, acquisition or demolition (and related costs)
- Renovations and/or additions to an existing facility (and related costs)
- Working Capital
- Other activities or costs that will contribute directly to the project's fixed assets

RLF Repayment Terms:

Generally, loans shall be repaid in equal monthly installments including the interest and principal amount as set forth in the amortization schedule. However, the borrower may repay an RLF loan at any time prior to its payoff date without prepayment penalties. Maximum loan repayment terms:

- Working Capital: 5 years
- Machinery & Equip: 10 years or useful life
- Real Estate: 15 years

RLF Interest Rate:

The minimum interest rate to be charged for an RLF loan will be four (4) percentage points below the current money center prime rate quoted in the Wall Street Journal, not to fall below 4%. If prime rate is below 4%, the minimum interest rate to be charged shall be 75% of the current prime interest rate. If the prime interest rate exceeds 14%, the minimum RLF interest rate would not be required to be raised above ten percent 10% if to do so would compromise the ability of the RLF to implement its financing strategy.

Prime rate will be determined at the time the loan is extended.

RLF Fees:

The borrower, once approved, will be charged a two percent (2%) origination fee that will be deducted from the loan proceeds. The borrower will also be responsible for all closing costs associated with the loan.

RLF Collateral Requirements:

Liens or assignments of rights to the assets of the borrower will secure RLF financing. Additionally, the RLF will also require security in the form of insurance (i.e. hazard, key-man, flood, title, and others) and such other additional security as the NKADD RLF Committee determines as necessary to protect the RLF's risk exposure. A minimum of a 1:1 collateral match will be required.

RLF Job Creation/Retention Requirements:

It is expected that for every \$20,000.00 of RLF loans extended to borrowers, that one (1) job will be created/retained. Roughly 75% of the jobs associated with the loan will be created while 25% will be tied to job retention. Special consideration will be given toward the creation of unskilled positions where there is potential for advancement and skills development, as well as job creation/retention for minorities, women, the long-term unemployed and/or Job Training Partnership Act (JTPA) eligible participants.

Leveraged Funds:

To induce private participation, the RLF may subordinate their position on the available collateral to that of the private lender and offer more favorable terms for its portion of the financing. The applicant(s) is (are) also required to contribute at minimum 10% toward the total costs of the project.

For More Information Contact:

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