

Junction Texas Economic Development Corporation Loan Guarantee Program

Methodology:

The JTEDC Board of Directors has the complete jurisdiction, discretion and authority to either APPROVE or DENY any formal request submitted for a LIMITED LOAN GUARANTEE based upon the written proposal, financial records and any other documentation prepared and presented for JTEDC consideration. All such information will be permanently retained by the JTEDC and treated in a strictly confidential manner at all times.

The LIMITED LOAN GUARANTEE commitment decision rendered by the JTEDC Board of Directors shall be issued in writing to the subject financial institution (lender) that submitted the request and the decision will be final in all cases.

Although the borrower's cash flow resources are expected to provide the primary source of repayment and will be analyzed accordingly for their reliability, all JTEDC Guaranteed Loans should also normally be supported by the pledge of tangible assets as collateral with reasonably adequate marketability and value. Any exceptions require unanimous Board approval.

A JTEDC LIMITED LOAN GUARANTEE commitment may be issued only to guarantee a certain percentage of each qualified loan. For example, either 20%, 40%, 60% or up to 80%. But in no case will a commitment be issued to guarantee repayment of more than 80% of any future deficiency balance in the event of a loan repayment default that escalates into a loss.

The appropriate percentage of each individual loan guarantee commitment shall be determined and set by the JTEDC Board of Directors, at the time the commitment is issued to a lender, based upon the assessed level of potential risk involved.

The JTEDC Board of Directors may seek out and contract for the specialized expertise, experience and independent objectivity of a qualified professional consultant to assist in the credit analysis and risk evaluation process. Selection of a professional consultant to serve in such an advisory capacity on an ongoing basis is within the sole discretion of the JTEDC Board of Directors.

In the event of an approved borrower's eventual default in repayment of a JTEDC Guaranteed Loan whereby the financial institution's orderly seizure and liquidation of collateral results in a deficiency balance that must be satisfied with a claim filed by the financial institution for reimbursement under provisions of the LIMITED LOAN GUARANTEE, the JTEDC Board of Directors should always require the financial institution (lender) to assign ownership of the loan papers "Payable to JTEDC" to provide JTEDC with the options to pursue future legal action against the borrower(s) if warranted.

The JTEDC Board of Directors will limit guarantees so that they do not exceed total amount of assets.

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Policy and Guidelines

Mission Statement:

- To provide a genuine avenue of opportunity for creditworthy local small business entrepreneurs to seek and receive a helpful hand up, rather than a “handout”.
- To utilize available local resources to actively participate in efforts to promote sound economic growth within the City of Junction and the surrounding Kimble County trade area.
- To encourage Junction area financial institutions to assist in the establishment of viable new small business ventures and also the further development, improvement or expansion of existing small business and/or industrial enterprises.
- To assist creditworthy local Commercial Loan applicants in their efforts to obtain satisfactory financing arrangements for certain specifically identified “reasonable business purposes”, as further defined in the following guidelines, by making LIMITED LOAN GUARANTEES available for duly qualified and approved borrowers based upon this program’s established uniform LIMITED LOAN GUARANTEE criterion.

Qualification Requirements:

In order for any loan request to be considered for the approval of a LIMITED LOAN GUARANTEE commitment to a financial institution by the Junction Texas Economic Development Corporation (hereinafter referred to as “JTEDC”), ALL of the following requirements are absolutely necessary and accordingly must be met in each case:

1. Every request for a LIMITED LOAN GUARANTEE must be submitted to the JTEDC in writing by a financial institution that has already tentatively approved the borrower’s loan request.
2. The PURPOSE (designated use of funds) of any requested loan must be clearly defined and for a legitimate and reasonable business project (not consumer use) that will be of ultimate economic benefit to both the borrower and the community.

By definition, JTEDC LIMITED LOAN GUARANTEES are designed to promote the building, enhancement or expansion of worthwhile business enterprises. JTEDC LIMITED LOAN GUARANTEES are NOT intended to support borrowing funds for any new business’s total “start-up” costs, for “speculative venture” capital, or to supplement any type of recurring operating expenses.

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Qualification Requirements (Continued):

For Example: Loans to purchase land, construction materials (such as structural steel, stone & mortar) or machinery are eligible to be considered for JTEDC Guarantees, but loans for general business operating expenses will not be considered.

In order to be considered for approval by the JTEDC Board of Directors, any formal request for a JTEDC LIMITED LOAN GUARANTEE must include, at the very minimum, the following required items of documentation:

1. A current (within 90 days of the loan request date) Financial (Asset/Liability) Statement, duly signed and dated, for the subject commercial business entity (borrower) and each individual person who proposes to personally sign on and be obligated for the loan.
2. A current (within 90 days of loan request date) Cash-flow (Income/Expense) Statement, duly signed and dated, for the subject commercial business entity (Borrower) and each individual person who proposes to personally sign on and be obligated for the loan.
3. Copy of the most recent past two (2) years IRS Tax Return Form(s) 1040 and all supplementary documentation such as Schedule C or F, for each individual person who proposes to personally sign on and be obligated for the loan; and the appropriate corresponding IRS Tax Return Form(s) information for the subject commercial business entity (if applicable).
4. A current (within 30 days of loan request date) written Credit Bureau Report on each individual person who proposes to personally sign on and be obligated for the loan.
5. A written description and qualified estimate of the "Quick Sale" market value of any tangible assets that will be pledged as collateral for the proposed loan.
6. A copy of the duly recorded "Assumed Name Certificate", "Articles of Incorporation" or "Partnership Agreement", as may be applicable in each subject case.
7. Copy a written "Strategic Business Plan" prepared by the subject borrower(s), that is adequately researched and designed to serve as a realistic guideline for generating sufficient reliable cash-flow to achieve and sustain a consistently profitable business operation and ensure the timely repayment of the proposed loan.