



# ADVANTAGE ILLINOIS

State Small Business Credit Initiative

Fall 2011

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Department of Commerce & Economic Opportunity

# Small Business Credit Crunch

## The Storefront

Why people aren't spending and businesses aren't hiring

By Mike Benbow

Thursday, October 6, 2011 | 11:45 am

Bill Dunkelberg is the chief economist for the National Federation of Independent Business, which focuses on small business.

He has a video out today that does a good job of explaining the nation's high unemployment and what's making job creation so tough.

Basically, he says its hindered by weak consumer spending, the housing glut, and the credit crunch.

**THE WALL STREET JOURNAL.**

MONEY HUNT | JUNE 30, 2011

**Smaller Businesses Seeking Loans  
Still Come Up Empty**

# Help is On the Way



 ADVANTAGE  
ILLINOIS

The logo for Advantage Illinois features a stylized blue 'A' with a green keyhole and a green key. The word 'ADVANTAGE' is in blue and 'ILLINOIS' is in green.



Two Avenues to Access Capital

## **Institutional Lending**

- Capital Access Program
- Participation Loan Program (4)
- Collateral Support Program

## **Venture Capital**

- Invest Illinois Venture Fund

# Eligible Business Purposes

- start-up costs
- working capital
- business procurement
- franchise fees
- equipment
- inventory
- purchase, construction, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purposes.

# Capital Access Program

- Where to Access
  - A participating lender
- Eligible Borrowers
  - Business located and legally authorized to do business in Illinois
  - 500 or fewer employees
  - Maximum loan size: \$1M
- Types of Loans
  - Term loans up to 5 years
  - Revolving Lines of Credit (renewable for up to one year, with only one fee due)
- How Loans Work
  - Borrower is charged an upfront fee of 2-5%, which is deposited into a bank Reserve Account.
  - The fee amount is matched by DCEO and deposited in the same account, aiding the Bank's ability to build reserves against future loan losses
  - CAP loans are private transactions between banks and borrowers and the bank assumes risk; DCEO plays no role in lending decisions nor in setting loans terms & conditions



# Participation Loan Program

- Where to Access
  - A participating lender or DCEO Financial Analyst
- Eligible Borrowers
  - Viable small/middle market business
  - For-profit business
  - 750 or fewer employees
- How Loans Work
  - Financial institution identifies potential opportunities for state participation
  - Or DCEO reviews business plan and facilitates a meeting with the prospective borrower's bank
- 4 Product Lines
  - Standard PLP
  - Minority/Women/Disabled/Veteran-Owned Business
  - Revolving Line of Credit
  - SBA Supported Activity



# Collateral Support Program

- Where to Access
  - A participating lender
- Eligible Borrowers
  - For-profit business
  - 750 or fewer employees worldwide
- Types of Loans
  - Term loans (max term 5 yrs)
- How Loans Work
  - DCEO supplies pledged collateral accounts to participating lenders
  - Program to help lenders and borrowers establish mutually acceptable terms and conditions despite lender's determination of insufficient collateral or equity





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# Invest Illinois Venture Fund

## Preferred Applicants

- 3<sup>rd</sup> party investment commitment
- Fast growth company in expanding markets
- Dedicated and experienced management team
- New idea/leverages technology
- Strong and sustainable with competitive advantage
- Defined investment plan
- Strong strategic partners
- Establishing reasonable price per share
- State strategic value and potential to impact Illinois economy

## How Process Works

- Application submitted
- Internal Review
- Interview with mgt team
- Response within 30 days

## Funding Parameters

- Awards under \$1M and/or 25% equity
- Investment in form of equity or convertible debt
- Likely to follow lead investor terms



# How to Apply

- Make sure you have a credible business plan by visiting an Illinois SBDC
- Contact a participating financial institution
- Visit our web site for more information or
- IIVF online application



[www.ildceo.net/AdvantageIllinois](http://www.ildceo.net/AdvantageIllinois)



- Questions about institutional lending programs
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  - [CEO.IllinoisAdvantage@illinois.gov](mailto:CEO.IllinoisAdvantage@illinois.gov)
- Questions about the IIVF
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  - [CEO.IIVF@illinois.gov](mailto:CEO.IIVF@illinois.gov)
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Keep in touch



Illinois Department of Commerce &  
Economic Opportunity



Illinois DCEO