



Illinois Black
Chamber of Commerce



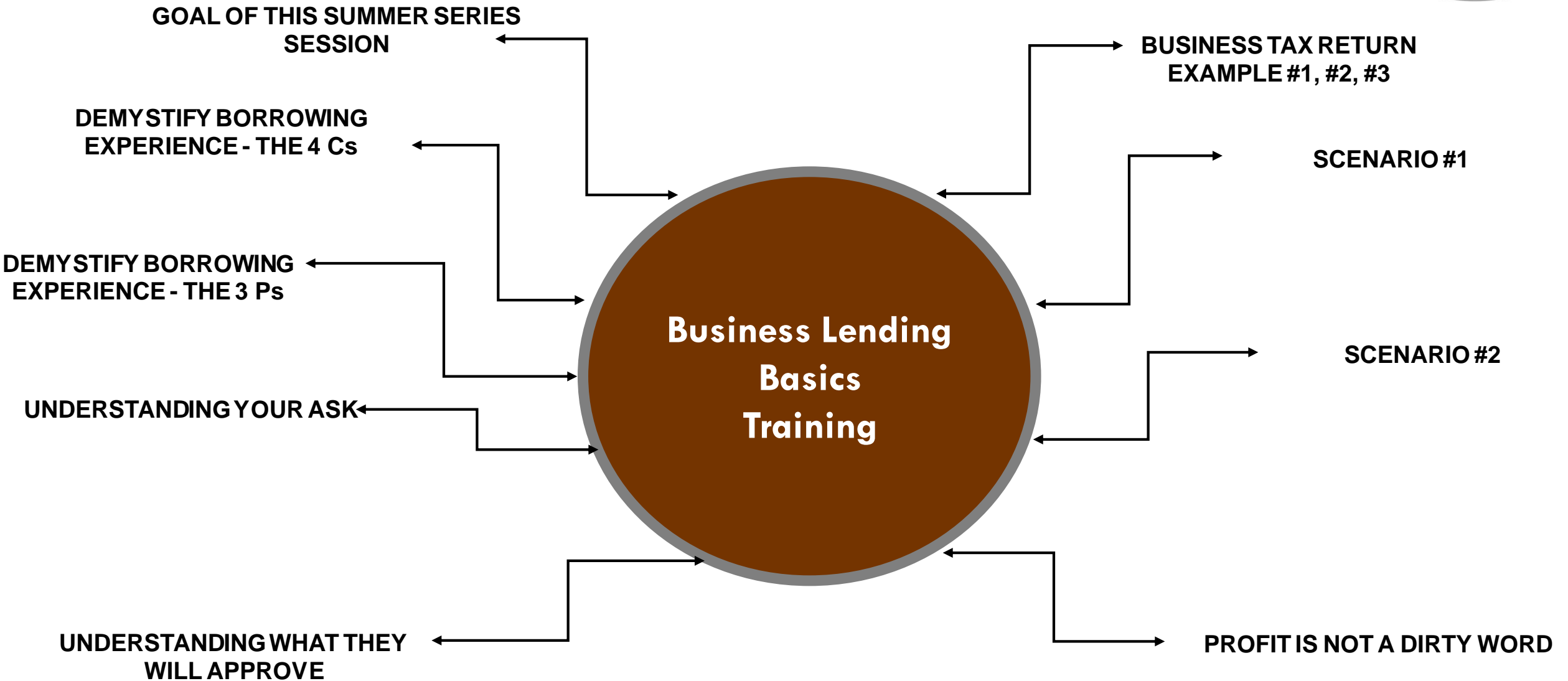
TECHNICAL ASSISTANCE

POWERED BY THE ILLINOIS TOLLWAY

Equipping Businesses for Success



ILLINOIS TOLLWAY AUTHORITY BUSINESS LENDING BASICS



GOAL OF THIS SUMMER SERIES SESSION

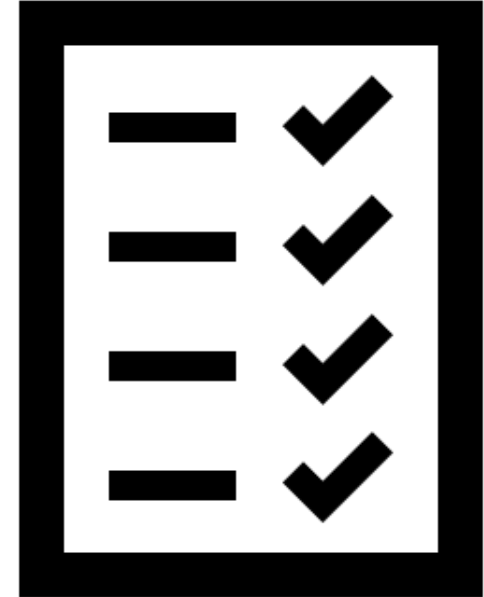
- Demystify the borrowing experience
- Understanding your ask
- Understanding what they'll approve
- Real life examples
- Profit is not a “dirty word”



DEMYSTIFYING THE BORROWING EXPERIENCE

The 4 Cs

1. Cash Flow
2. Credit
3. Collateral
4. Character



DEMYSTIFYING THE BORROWING EXPERIENCE

The 3 Ps

1. Purpose of the loan
2. Payback plan
3. Provide proof you can pay back



UNDERSTANDING YOUR ASK

- How much do you need
- How much can you afford to borrow



UNDERSTANDING WHAT THEY WILL APPROVE

- Debt Coverage Ratio (DCR) 1.25x to 2.0x
- 4 Lines
 - Revenue
 - Profit
 - Basic Add Backs
 - Depreciation
 - Interest





Income	1a	Gross receipts or sales	1a	769,098			
	b	Returns and allowances	1b				
	c	Balance. Subtract line 1b from line 1a				1c	769,098
	2	Cost of goods sold (attach Form 1125-A)				2	
	3	Gross profit. Subtract line 2 from line 1c				3	769,098
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)				4	
	5	Net farm profit (loss) (attach Schedule F (Form 1040))				5	
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)				6	
	7	Other income (loss) (attach statement)			7		
	8	Total income (loss). Combine lines 3 through 7			8	769,098	
Deductions <small>(see the instructions for limitations)</small>	9	Salaries and wages (other than to partners) (less employment credits)				9	245,323
	10	Guaranteed payments to partners				10	
	11	Repairs and maintenance				11	14,136
	12	Bad debts				12	
	13	Rent				13	40,843
	14	Taxes and licenses				14	1,983
	15	Interest				15	6,109
	16a	Depreciation (if required, attach Form 4562)	16a				
	b	Less depreciation reported on Form 1125-A and elsewhere on return	16b			16c	
	17	Depletion (Do not deduct oil and gas depletion.)				17	
	18	Retirement plans, etc.				18	
	19	Employee benefit programs				19	
	20	Other deductions (attach statement)				20	104,686
	21	Total deductions. Add the amounts shown in the far right column for lines 9 through 20				21	413,080
22	Ordinary business income (loss). Subtract line 21 from line 8				22	-256,018	



Income	1a	Gross receipts or sales	544,340	b	Less returns and allowances		c	Bal ▶	1c	544,340		
	2	Cost of goods sold (Schedule A, line 8)							2	103,213		
	3	Gross profit. Subtract line 2 from line 1c							3	441,127		
	4	Dividends (Schedule C, line 19)							4			
	5	Interest							5			
	6	Gross rents							6			
	7	Gross royalties							7			
	8	Capital gain net income (attach Schedule D (Form 1120))							8			
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)							9			
	10	Other income (see instructions—attach schedule)							10			
	11	Total income. Add lines 3 through 10							▶	11	441,127	
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)							▶	12	108,121	
	13	Salaries and wages (less employment credits)								13	117,004	
	14	Repairs and maintenance								14	1,165	
	15	Bad debts								15		
	16	Rents								16	50,892	
	17	Taxes and licenses								17	21,752	
	18	Interest								18		
	19	Charitable contributions								19	467	
	20	Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)								20	19,122	
	21	Depletion								21		
	22	Advertising								22	1,300	
	23	Pension, profit-sharing, etc., plans								23		
	24	Employee benefit programs								24	13,640	
	25	Domestic production activities deduction (attach Form 8903)								25		
	26	Other deductions (attach schedule)								26	88,072	
	27	Total deductions. Add lines 12 through 26								▶	27	421,535
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11									28	19,592
	29	Less: a Net operating loss deduction (see instructions)			29a							
		b Special deductions (Schedule C, line 20)			29b						29c	0
nts	30	Taxable income. Subtract line 29c from line 28 (see instructions)								30	19,592	



4 Schedule M-3 attached		E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change		
Income	1a	Gross receipts or sales	1a	208,366.
	b	Returns and allowances	1b	
	c	Balance. Subtract line 1b from line 1a	1c	208,366.
	2	Cost of goods sold (attach Form 1125-A)	2	
	3	Gross profit. Subtract line 2 from line 1c	3	208,366.
	4	Dividends (Schedule C, line 19)	4	
	5	Interest	5	
	6	Gross rents	6	
	7	Gross royalties	7	
	8	Capital gain net income (attach Schedule D (Form 1120))	8	
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	9	
10	Other income (see instructions-attach statement)	10		
11	Total income. Add lines 3 through 10 ▶	11	208,366.	
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (see instructions—attach Form 1125-E). ▶	12	
	13	Salaries and wages (less employment credits)	13	
	14	Repairs and maintenance	14	
	15	Bad debts	15	
	16	Rents	16	53,000.
	17	Taxes and licenses	17	
	18	Interest	18	4,267.
	19	Charitable contributions	19	3,785.
	20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	20	49,048.
	21	Depletion	21	
	22	Advertising	22	
	23	Pension, profit-sharing, etc., plans	23	
	24	Employee benefit programs	24	
	25	Domestic production activities deduction (attach Form 8903)	25	
	26	Other deductions (attach statement)	26	58,908.
	27	Total deductions. Add lines 12 through 26 ▶	27	169,008.
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11	28	39,358.
	29a	Net operating loss deduction (see instructions)	29a	
	b	Special deductions (Schedule C, line 20)	29b	
c	Add lines 29a and 29b	29c		
ts	30	Taxable income. Subtract line 29c from line 28 (see instructions)	30	39,358.



1a	Gross receipts or sales.	1a	208,366.
30	Taxable income. Subtract line 29c from line 28 (see instructions)	30	<u>39,358.</u>
18	Interest	18	<u>4,267.</u>
20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	20	<u>49,048.</u>

Debt Coverage Ratio (DCR)

\$92,673

SCENARIO #1:
\$250,000 Line of Credit
10% Interest Rate
\$25,000 Annual Interest Rate
\$50,000 Debt Coverage Ratio Requirement 2.0x
\$92,673/\$25,000 = 3.70x DCR
3.70x > 2.0x PASS



1a	Gross receipts or sales	544,340	b	Less returns and allowances		c Bal ▶	1c	544,340
18	Interest						18	
20	Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)						20	19,122
30	Taxable income. Subtract line 29c from line 28 (see instructions)						30	19,592

Debt Coverage Ratio (DCR)

\$38,714

SCENARIO #2:

\$250,000 Line of Credit

10% Interest Rate

\$25,000 Annual Interest Rate

\$50,000 Debt Coverage Ratio Requirement 2.0x

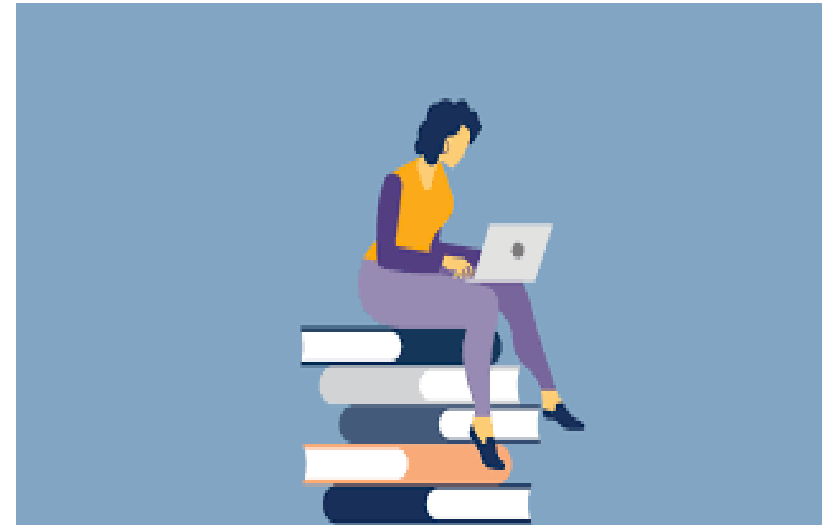
\$38,714/\$25,000 = 1.55x DCR

1.55x < 2.0x

FAIL

PROFIT IS NOT A DIRTY WORD

- Be profitable
- Pay taxes
- Provide proof





THANK YOU! QUESTIONS?

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