



Enterprise Finance Guarantee

The Enterprise Finance Guarantee (EFG) has replaced the Small Firms Loan Guarantee Scheme which has been suspended until new Government proposals for a scheme post March 2010 have been considered. This is a facility intended primarily to improve the availability of working capital through term loans and the consolidation of overdrafts. It will also support lending for business growth and development in cases where a sound proposition may otherwise be declined due to lack of security.

Under the EFG, the Government will guarantee £1.3 billion of new bank lending to viable businesses to ensure availability of working capital and investment in the current difficult economic climate. The EFG operates to provide a Government based guarantee against default by the borrower so that approved lenders will lend to them.

Loans covered by the EFG run from £1,000 to £1,000,000 with repayment schedules between 1 and 10 years.

The EFG will cover new term loans, existing lending where banks might not otherwise refinance the debt and loans to consolidate part, or all of an existing utilised overdraft onto a term loan in order to release capacity in the overdraft to meet working capital requirements.



Who is eligible for EFG?

- Small businesses in the UK with an annual turnover of up to £25 million are eligible.
- Loans for most business purposes to businesses in most sectors are eligible.
- The principal exclusions relate to businesses in the agriculture, coal and steel sectors, and to the financing of individual export orders. Your bank will advise if any of these restrictions affect your business when they consider your loan application.
- Conventional lending is not available

How to Apply

You must apply for conventional funding first and then be referred to this scheme once that is rejected by your bank.

A clear and detailed business plan, including forecasts must be presented. Monahans can help you with this using our own business planning software.

Your bank must be convinced that they would have taken on the loan conventionally but for lack of available security. This means that all personal assets have been considered and are not satisfactory and the proposal is viable.

There is no automatic entitlement to receive a guaranteed loan and nor is there any pre-qualification process for it.

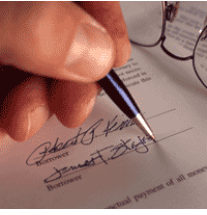
The Loan Agreement

The BERR is not a party to the loan agreement. The contract is between you and your bank and determined by specific terms contained within that agreement.

Loan Size

Eligible businesses are able to borrow between £1,000 and £1,000,000.

The Guarantee



75% of the loan outstanding will be guaranteed by the Government.

The Cost

In addition to regular capital and interest payments to your lender and any arrangement fee which they may charge, a premium is payable to BERR.

The premium is equivalent to 2% pa on the outstanding balance of the loan, assessed and collected quarterly in advance throughout the life of the loan.

A discount of 25% ie. 0.5% will be applied to all premiums due and successfully collected during 2009.



Financial Information

You will have to provide all the information normally required by a bank in connection with a loan application, which will involve completing the bank's application form and providing supporting information, typically including:



- Historic trading figures
- Statutory and management accounts
- Information on any other publicly funded support received by your business within the past 3 years
- Current business plan
- Financial projections

Default

If the borrower fails to repay the loan, the business remains liable for the full debt and recovery will be sought.

Monahans can assist you with finding a suitable lender and help with the production of business plans and forecasts.

For further advice and assistance please contact **Peter Lugg** in the Bath office on **01225 785520** or email peterl@monahans.co.uk

www.monahans.co.uk

The office for Business, Enterprise and Regulatory Reform (BERR) can be contacted via their website www.berr.gov.uk