

# Pella Cooperative Electric

Your Touchstone Energy® Cooperative   
The power of human connections

## ***REVOLVING LOAN FUND GUIDELINES***

### ***Eligibility:***

#### ***Initial Loan***

The initial loan of "federal funds" can only be made to not-for-profit entities, community agencies, or public bodies for projects that meet the requirements of USDA program regulations.

#### ***Subsequent Loans***

In general, eligible projects for subsequent loans can include any business venture, governmental public body, or non-profit entity involved in a community or economic development project that promote job creation and/or provide needed community services that benefit rural areas, including loans to businesses and loans to not-for-profit entities. Uses of RLF loan proceeds may be for land, fixed assets, machinery and equipment, or working capital needs. Working capital loans will only be considered in conjunction with the purchase of other assets as previously specified.

#### ***Ineligible uses***

Ineligible uses of RLF funds include pre-development costs, refinances of existing debts, residential housing projects, illegal activities or other legal activities that in the opinion of the board of directors adversely affect the RLF interest, general improvement loans related to normal replacement needs of a business and unrelated to business expansion/job creation, and loans to projects which have alternative sources of financing at reasonable interest rates.

#### ***Loan Amounts and Supplemental Financing Requirements***

The minimum RLF loan will be \$5000 and the maximum RLF Loan will be \$150,000. These limitations are for RLF loans made from repayments of the initial RLF loan identified in the federal application.

RLF projects must include a minimum of 20% funding from other sources. Greater leveraging of outside resources will enhance the approvability of an RLF loan request.

#### ***Interest Rate and Fees***

Initial loans of the "federal funds" will be made at zero percent interest. Interest rates on all subsequent RLF loans will not exceed the prevailing prime rates as published in the Wall Street Journal, and will be determined based on the evaluation of ability to repay and the necessity of below market financing to make the project happen. Interest earned on any RLF loan must stay in the fund for use in making additional RLF loans.

An annual loan servicing fee equal to 1% of the unpaid principal loan balance may be charged for loan administration.

In addition to accrued interest on RLF loans and the loan servicing fee (as noted above), the RLF may charge borrowers for loan closing costs, attorney's fees, filing fees, etc., as necessary to complete loan documentation. All loan fees will be addressed in the Loan Agreement between RLF and the loan recipient.

### ***Loan Terms***

The term of an RLF loan shall not exceed 10 years, and may be less than 10 years as determined by the REC Board. Loan deferments of up to 2 years may be considered on a project-by-project basis, but, are not encouraged.

The Loan Review Committee will make a recommendation concerning the term of the loan depending upon project need, the expected life of the security, and the applicant's ability to repay. The term of the loan will not exceed the expected life of the asset being used as collateral. While not mandatory requirements, the following maturities will be used as a general guideline:

Building	10 years
Real Estate	10 years
Equipment	5 to 7 years
Working Capital	1 to 3 years
Technology	1 to 3 years

### ***Collateral***

RLF loans will be collateralized with an irrevocable letter of credit, issued by an institution covered under FDIC or its equivalent, for the full amount of the loan.

The loan recipient will be required to maintain appropriate insurance on all secured assets and name the Cooperative as loss payee.

## **APPLICATION PROCEDURES**

1. Applications will be accepted for review when the RLF has a minimum balance of \$20,000. A copy of the application that includes a list on supporting information is attached to this plan.
2. Applications will be accepted at the Cooperative office during normal business hours. The Cooperative is located at 2615 Washington St., Pella, IA 50219
3. The Chief Executive Officer will review applications for completeness and present complete applications to the loan review committee. An application is not considered complete until all required information has been submitted to the Cooperative staff as listed on the attached application.
4. The loan review committee will analyze each project and make a written recommendation to the Cooperative Board of Directors.
5. The Cooperative Board of Directors will normally review RLF applications at their scheduled monthly Board Meeting. However, if needed and at the Board's opinion, the Board may call a special meeting to review a loan application.

6. The Cooperative Board of Directors shall have final authority to approved or deny RLF loan requests, and to determine appropriate terms and conditions.
  
7. For approved loans, a loan agreement addressing all of the terms and conditions, including monitoring procedures, repayments, delinquents, defaults and remedies for that project will be prepared by the RLF. In addition, the RLF shall have prepared all notes, mortgages, security agreements, UCC filings and other legal documents necessary to close the loan. The RLF will use appropriate note, mortgage, and other forms which are approved by the State of Iowa Bar Association.

### ***Review Criteria***

The basis for determining the eligibility/approvability, loan amount, interest rate, and terms and conditions of a revolving loan fund request, and general RLF operational procedures, are as follows:

The loan review committee and Cooperative board will consider the financial need of the project, the probability of success, the security offered, and the overall benefits of the project to rural areas, including the number of jobs to be created or retained, diversification of the economy, the extent of the upgrading of the skills of the rural workforce, the quality of the jobs in terms of pay scale and benefit package, and, for community development projects, improvements to the community infrastructure, facilities, and/or acquisition of equipment that improves the health, safety, and/or medical care of rural residents.

### ***Loan Monitoring***

The Cooperative board of directors and/or the LRC shall monitor all RLF loans to ensure that loan proceeds are spend as identified in the RLF application, that all other sources of financing have been committed to the project, and that the benefits of the project, such as job creation, are accomplished as stated in the RLF application. The Cooperative board and/or LRC shall ensure that RLF loan collateral is secure and will require periodic financial statements from RLF borrowers as necessary to supervise the RLF loan. At a minimum, financial statements will be requested and reviewed on an annual basis.

An annual review and report of the outstanding loans of the RLF will be compiled by the loan committee for presentation to the Cooperative Board of Directors.

### ***Loan Disbursements***

Before RLF funds can be disbursed to the borrower, all requirements and terms of the loan agreement must be met and supplemental financing must already be contributed to the project.

# ECONOMIC DEVELOPMENT REVOLVING LOAN FUND APPLICATION

## BASIC INFORMATION

Name of business: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State \_\_\_\_\_ Zip Code: \_\_\_\_\_

Business contact person: \_\_\_\_\_ Phone: \_\_\_\_\_

FEIN/SSN #: \_\_\_\_\_

SUNS#: \_\_\_\_\_

Other contact(s)/application assistance providers:

Name	Telephone #
_____	( ) _____
_____	( ) _____
_____	( ) _____

Type of business;

\_\_\_\_\_ Sole Proprietorship      \_\_\_\_\_ Corporation      \_\_\_\_\_ Partnership

Have you ever filed personal or corporate bankruptcy? No \_\_\_ Yes \_\_\_ If yes, please explain.

\_\_\_\_\_

## I. NATURE OF THE LOAN REQUEST

Amount of loan request \$ \_\_\_\_\_ Total Project Cost \$ \_\_\_\_\_

New Business \_\_\_\_\_ Business Expansion \_\_\_\_\_

# of existing jobs \_\_\_\_\_ # jobs created \_\_\_\_\_ # of jobs retained \_\_\_\_\_

## II. FINANCING PURPOSE AND SOURCES

**Purposes for which fund are to be used**

	RLF	Bank #1	Bank #2	(Specify)	Other #2 (Specify)	Other #1 New Equity	TOTAL
Property Acquisition	_____	_____	_____	_____	_____	_____	_____
Site Improvements	_____	_____	_____	_____	_____	_____	_____
Building Renovation	_____	_____	_____	_____	_____	_____	_____
New Construction	_____	_____	_____	_____	_____	_____	_____
Machinery & Equipment	_____	_____	_____	_____	_____	_____	_____
Working Capital	_____	_____	_____	_____	_____	_____	_____
Inventory	_____	_____	_____	_____	_____	_____	_____
Other (Specify)	_____	_____	_____	_____	_____	_____	_____
<b>Totals</b>	_____	_____	_____	_____	_____	_____	_____

### III. FINANCING TERMS AND CONDITIONS

	RLF	Bank #1	Bank #2	Other #2 (Specify)	Other #1 (Specify)	New Equity	TOTAL
Amount	_____	_____	_____	_____	_____	_____	_____
% of Project Costs	_____	_____	_____	_____	_____	_____	_____
Term (Years)	_____	_____	_____	_____	_____	_____	_____
Interest Rates	_____	_____	_____	_____	_____	_____	_____
Debt Service	_____	_____	_____	_____	_____	_____	_____
Collateral Offered	_____	_____	_____	_____	_____	_____	_____
Asset	_____	_____	_____	_____	_____	_____	_____
Lien Position	_____	_____	_____	_____	_____	_____	_____
Collateral Offered	_____	_____	_____	_____	_____	_____	_____
Asset	_____	_____	_____	_____	_____	_____	_____
Lien Position	_____	_____	_____	_____	_____	_____	_____

Participating Bank #1: \_\_\_\_\_ Phone #: ( ) \_\_\_\_\_

Contact Person: \_\_\_\_\_

Participating Bank #2: \_\_\_\_\_ Phone #: ( ) \_\_\_\_\_

Contact Person: \_\_\_\_\_

Other Lender #1: \_\_\_\_\_ Phone #: ( ) \_\_\_\_\_

Contact Person: \_\_\_\_\_

Other Lender #2: \_\_\_\_\_ Phone #: ( ) \_\_\_\_\_

Contact Person: \_\_\_\_\_

### IV. BUSINESS PLAN OUTLINE

#### A. History of Business

Briefly describe the past operation of the business and/or the events leading to its creation.

#### B. Market Analysis and Strategy

1. Description of current buyers and target markets (provide verification of purchase orders, contracts, etc., which relate to reasons for the loan request)
2. Competition
3. Pricing
4. Distribution
5. Advertising
6. Sales Promotions

#### C. Products

7. Description of product line
8. Proprietary position of patents, copyrights, legal and technical considerations
9. Comparison to competition

- D. Manufacturing Process**
  - 10. Materials
  - 11. Production Methods
- E. Financial Projects**
  - 12. Monthly Cash Flow Analysis for Next 12 months
  - 13. Profit and Loss Statement: last three years and current quarter, plus two-year projection.
  - 14. Balance Sheet: last three years and current quarter, plus two-year projection
- F. Schedule of Existing Business Debt**

List outstanding balance, interest rate, term, maturity date, and collateral on all existing debt.
- G. Statement of Proposed Collateral**

A detailed list of all collateral offered, its value, and security positions by funding source.
- H. Resumes and Personal Financial Statements**

Include resumes of all principals as well as current, dated, and signed personal financial statements on all principals with a significant financial interest in this business.
- I. Commitment Letters**

Include Commitment letters from banks or others that state terms and conditions of their participation.
- J. Affiliates**

Description of any affiliates or subsidiaries of business or principals requesting assistance, as well as balance sheets and income statements for past two fiscal years on such affiliates or subsidiaries.
- K. Appraisals/Proposed Lease/Purchase Options of Agreements**

An independent appraisal will be required for any real estate which is subject of the proposed financing or which is offered as a major source of collateral to secure the loan. Also include copies of existing or proposed lease(s), purchase options, or any other financial arrangements.
- L. Partnership Certificate of Authorization or Corporate Certificate of Authority and Incumbency; include minutes of the corporate meeting adopting this certification, where Applicable.**

**V. OTHER REQUIRED DOCUMENTS**

- 1. Copy of last year's submitted business income tax statement
- 2. Copy of last year's submitted personal income tax statement
- 3. Evidence of payment of last quarter's payroll tax.
- 4. Evidence of Worker's Compensations insurance coverage.

## VI. CHECK LIST FOR FINAL APPLICATION

The following is a checklist of the information and documentation necessary to submit a final application.

- \_\_\_\_\_ A. History of Business
- \_\_\_\_\_ B. Market Analysis and Strategy
- \_\_\_\_\_ C. Products
- \_\_\_\_\_ D. Manufacturing Process
- \_\_\_\_\_ E. Financial Information
  - 1. Monthly Cash Flow Analysis for Next 12 months
  - 2. Profit and Loss Statements; last three years, current statement (less than 90 days) and two year projections
  - 3. Balance Sheet: last three years, current, and two year projection
- \_\_\_\_\_ F. Schedule of Business Debts
- \_\_\_\_\_ G. Statement of Collateral
- \_\_\_\_\_ H. Resumes and personal Financial Statements
- \_\_\_\_\_ I. Commitment Letters
- \_\_\_\_\_ J. Affiliates
- \_\_\_\_\_ K. Appraisals/Proposed/Lease/Purchase Agreements
- \_\_\_\_\_ L. Corporate/Partnership Authorization

## VII. ADDITIONAL ATTACHMENTS

- \_\_\_\_\_ 1. Copy of last year's submitted business income tax statement.
- \_\_\_\_\_ 2. Copy of last year's submitted personal income tax statement.
- \_\_\_\_\_ 3. Evidence of payment of last quarter payroll tax.
- \_\_\_\_\_ 4. Evidence of Worker's Compensation insurance coverage.
- \_\_\_\_\_ 5. Supporting Resolution from Cooperative Board.

## TO BE SIGNED BY APPLICANT

I have willfully furnished this confidential information to Pella Cooperative Electric Association for the purpose of applying for a loan. I understand that this information will be reviewed by the RLF staff. I further understand that this information will become available to the Revolving Loan Fund Review Committee. I further authorize RLF staff to be in contact with those individuals and institutions involved in the proposed project.

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\_\_\_\_\_  
Applicant's Signature

\_\_\_\_\_  
Date