

## **Highline Electric Association Revolving Loan Fund Lending Parameters**

Loans made by the Revolving Loan Fund (RLF) must meet the following parameters.

- Assist in the retention and creation of jobs, which significantly benefit rural areas, including community projects or infrastructure improvements that enhance the ability of a community to attract business and industry.
- Eligible projects will include retail businesses and community facilities, but those projects must demonstrate an impact on local economy and critical need. Types of projects include industrial and commercial development, small business expansion or startup, business incubators, community infrastructure and facilities, medical facilities, training/educational facilities and tourism.
- Eligible entities include: for-profit-businesses, governmental public body, or non-profit entity involved in community or economic development that promotes job creation and/or provides needed community services that benefit rural areas.
- 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.
- The total investment by the RLF in any one project cannot exceed 80 percent of the total capital requirement of the project. The remainder must be derived from owner equity and public and/or private financing.
- The minimum loan size from the RLF is \$5,000; the maximum loan size is restricted to \$240,000 or available funds in the RLF at the time of application.
- Personal guarantees from partners, members, or majority stockholders may be required for all partnerships, limited liability companies or corporate borrowings along with such other collateral as is deemed appropriate.
- Highline Electric Association will work with the potential borrower to obtain security that is adequate for the term of the loan. The nature of the collateral pledged by the loan applicant shall be determined by the loan committee (subject to approval and additional collateral requirements of the Board of Directors) on a project-by-project basis. Generally, security will consist of a first lien position on real and personal property. If the same collateral is used in joint financing, the RLF will generally desire a parity position with other lenders. The type of collateral and the priority of Cooperative's lien will ultimately be decided on a project-by-project basis. Types of security may include:
  - Mortgages
  - Liens
  - Letters of credit from acceptable financial institutions
  - Personal & corporate guarantees

- Security interest in machinery and equipment which have a developed market and/or determined value.
  - Depending upon individual circumstances, including, but not limited to assignment of leases, subordination agreements, life insurance, etc.
- The loan recipient will be required to maintain appropriate insurance on all secured assets and name the RLF as loss payee.
  - Interest rates will not exceed the prevailing prime rate 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.
  - Highline Electric Association may charge an administrative fee of up to 1% per year on the declining balance. Repayment term will vary depending upon the use of the proceeds as well as the overall nature of the business and will be determined on a project-by-project basis. The following maturities will be used as a general guideline:
    - Buildings & Real Estate                      10 years
    - Equipment    5 to 7 years
    - Working Capital                                      1 to 3 years
  - All loans made will be required to comply with any applicable federal law, rule or regulation relating to the Rural Economic Development Loan and Grant Program.
  - Before RLF funds can be disbursed to the borrower, all requirements and terms of the loan agreement must be met and supplemental financing must be received or committed in writing. In general RLF funding is to be the last disbursed to the project.

# Highline Electric Association Rural Development Plan

## Introduction and Objective

Highline Electric has played an active role in the development of our rural communities. Through its board and staff, Highline Electric has provided both leadership and financial participation in the economic development and business expansion of our service territory. Now, through the creation of a Revolving Loan Fund (RLF), Highline Electric is seeking to improve the quality of life in rural areas by helping to leverage projects that create and retain job opportunities for rural residents; that provide technical assistance, education, or medical care to rural businesses or rural residents; that further the use of advanced telecommunications services and computer networks for medical, educational, and job training services; and that upgrade the public infrastructure to improve the economic potential of rural areas and the health, safety, and medical care of rural residents.

## Policy Statements

- Highline Electric will accept and consider applications for loans from the RLF for projects that will significantly benefit rural areas, without restriction to Highline Electric's service area or any other area.
- Highline Electric will not condition the approval of a loan from the RLF with the requirements that the prospective recipient purchase electrical services from Highline Electric.
- The Board of Directors of Highline Electric is the sole authority for approval or denial of loans from the RLF and is responsible for all decisions and actions of the RLF.
- The RLF is not intended to compete with other public and private lenders. The RLF will collaborate with other lenders to provide the financial package necessary to make the project happen, but at the same time to minimize the RLF financing component.
- To avoid potential conflicts of interest, or the appearance of a conflict of interest, an RLF loan will not be made to any board member, officer, general manager, or supervisory employee of Highline Electric or close relative thereof, or to any subsidiary or affiliated organization in which Highline Electric has a financial interest.
- The RLF is an equal opportunity lender and requires loan recipients to adhere to all equal opportunity laws.
- All information regarding RLF loan requests will at all times be kept confidential by the members of Highline Electric's board, the RLF committee, and Highline staff. If necessary, the RLF may seek the advice and counsel of outside consultants and sources in order to adequately perform due diligence regarding the project.
- Amendments to this Rural Development Plan will require the approval of Highline Electric's board of directors. However, no action will be taken to amend this plan without the prior written approval of the USDA Rural Business Cooperative Service (RBS).
- Highline Electric will ensure that equal opportunity and nondiscriminatory requirements are met in accordance with the Equal Credit Opportunity Act. Highline Electric will not discriminate against

applicants on the bases of race, color, religion, national origin, sex, marital status, or age, or to the fact that all or part of the applicant's income derives from public assistance program, or to the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

## **REVOLVING LOAN FUND MANAGEMENT:**

### **Administration of the Revolving Loan Fund**

Management of the RLF will be "in house" by Highline Electric's staff in addition to their regular responsibilities, although other community resources may be used. Up to, but not more than, 10% of the USDA grant funds received can be used for RLF administration.

### **Loan Review Committee**

Highline Electric's board of directors has appointed a Loan Review Committee (LRC), consisting of both RUS Borrower's staff and community leaders, to review all RLF loan applications. The LRC will perform necessary credit analysis and due diligence in order to make a written recommendation to Highline Electric's board of directors, which has final authority regarding all actions of the RLF. The LRC will meet on an as needed basis under the terms of the application procedures listed below.

The Loan Review Committee serves on a volunteer basis. The LRC will have a minimum of three members and a maximum of seven members. If a member of the LRC has a financial interest in the project being reviewed, the member will abstain from the LRC loan review and recommendation to Highline Electric's board of directors. Members of the LRC will serve indefinite terms. However, the REA board of directors has the right to remove and/or to replace members of the LRC at their discretion. A majority of the appointed LRC members constitute a quorum, and attendance at LRC meetings by members may be by telephone, as long as all members present can hear the comments of all others present. The LRC is an advisory panel to Highline Electric's board of directors. Accordingly, and all projects voted on by the LRC, together with the recommendation for the LRC, shall be reviewed and considered by Highline Electric's board of directors.

## **REVOLVING LOAN FUND GUIDELINES**

### **Eligibility:**

#### **Initial Loan**

The initial loan of federal funds (USDA grant) from the RLF can only be made to not-for-profit entities or public bodies for community development projects that meet USDA REDL&G 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 promotes job creation and/or provides needed community services that benefit rural areas, including loans to for-profit 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.

**Special Loan Limits—Residential Housing Projects:** Recognizing the link between economic development, workforce availability and housing development and in accordance with USDA program limits, up to 20% of the RLF may be used for residential housing projects.

## **Ineligible uses**

Ineligible uses of RLF funds include pre-development costs, refinances of existing debts; illegal activities; legal activities that in the opinion of Highline Electric's board of directors adversely affect the RLF

interests; 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 \$240,000.

RLF projects must include a minimum of 20% funding from other sources; greater leveraging of outside resources enhance the chances for approval of an RLF loan request.

## **Interest Rate and Fees**

The initial loan of federal funds (USDA grant) will be made at zero percent interest; however, an annual loan servicing fee of up to 1% of the unpaid balance may be charged to help cover administrative costs of the RLF. Interest rates on all subsequent RLF loans will not exceed the prevailing prime rate 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.

In addition to accrued interest and loan servicing fees, 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 the 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 Highline Electric's board. Loan deferments of up to 2 years may be considered on a project-by-project basis.

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

## **Collateral**

RLF loans will be collateralized, as determined necessary by Highline Electric's board, to secure its participation in the project, and can include, but is not limited to, mortgages, liens, letters of credit, and/or personal and corporate guarantees. Other terms and conditions may be required as determined by the RUS Borrower's board, depending upon individual circumstances, including but not limited to assignment of leases, subordination agreements, life insurance, etc.

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

## **APPLICATION PROCEDURES AND LOAN ADMINISTRATION**

1. Requests for assistance from the RLF must be made on the Revolving Loan Fund Application form and must include the supporting information identified in the RLF Application.
2. Applications will be accepted at Highline Electric's office during normal business hours.
3. A staff person of Highline Electric will review applications for completeness and present complete applications to the Loan Review Committee.
4. The LRC will analyze each project and make a written recommendation to Highline board of directors.
5. Highline Electric's board of directors will normally review RLF applications at their regularly scheduled monthly board meeting. However, if needed and at the board's option, the board may call a special meeting to review a loan application.
6. Highline Electric's board of directors shall have final authority to approve or deny all 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, delinquencies, 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 that are approved by the State.

### **Review Criteria**

The basis for determining the eligibility, merit, 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 Highline Electric's 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.

### **Loan Monitoring**

Highline Electric's board of directors is responsible for monitoring all RLF loans to ensure that loan proceeds are spent 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. Highline Electric's board is responsible for ensuring that RLF loan collateral is secure and that periodic financial statements from RLF borrowers, as necessary to supervise the RLF loan, are submitted. At a minimum, financial statements will be requested and reviewed on an annual basis. Highline reserves the right to require submission of annual financial reports as audited by a certified public accountant.

Company progress reports may also be required from the borrower. The reports may include information concerning the number of jobs created and/or retained, a comparison of borrower's accomplishments since the last report, and a summary of any problems, delays, or adverse conditions which will materially affect the attainment of planned project objectives and a statement of action taken or contemplated to resolve the situation.

The Loan Review Committee will compile an annual review and report of the outstanding loans of the RLF for presentation to Highline Electric's 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 be received or committed in writing. In general, RLF funding is to be the last disbursed to the project.

By: \_\_\_\_\_, President

Date: \_\_\_\_\_

By: \_\_\_\_\_, Secretary

Date: \_\_\_\_\_

# Highline Electric Association Revolving Loan Fund

## Check List

- Application
- Business Plan
- Summary of Job Creation/Retention
- Business/Banking References
- Financial Statement (Balance Sheet & Income Statement)
- **If approved**, applicant will need to obtain a D-U-N-S number if they do not already have one. You can request a D-U-N-S number by visiting <https://www.dnb.com/duns-number.html>



# Revolving Loan Fund

**Business Plan:** (Use additional sheets if necessary)

A. Business History

B. Nature of the Project (include goals & objectives of the project)

C. Use of Funds

D. Supplemental Funds/Financing

E. Source of Revenue for Loan Repayment

F. Job Creation (include quality of jobs created/retained)

G. Impact on Area Economy and Environment





# Highline Electric Association Revolving Loan Fund

Name of Applicant/Business Entity: \_\_\_\_\_

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

Type of Business: \_\_\_\_\_ Date Established: \_\_\_\_\_

D-U-N-S Number: \_\_\_\_\_ *(If approved, applicant will need to obtain a D-U-N-S number if they do not already have one. You can request a D-U-N-S number by visiting <https://www.dnb.com/dunsnumber.html>)*

Full Street Address of Business: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

Email: \_\_\_\_\_

**Please include a completed W-9.**

Number of Employees	
At Time of Application	
If Loan is Awarded	
Jobs Saved/Created with Loan	

Use of Proceeds <i>(Enter gross Dollar Amounts Rounded to the Nearest Hundreds)</i>			
	Project Costs		Project Costs
Land Acquisition		Other: _____	
New Construction/Expansion		Other: _____	
Inventory Purchase			
Working Capital		Total Cost of Project	
Acquisition of Existing Business		Total Loan Request (max. 80% of project)	
Acquisition/Repair of Machinery/Equipment		Term of Loan (Requested Maturity)	Yrs.

## Project Description *(Brief Description of the Proposed Project):*

Blank area for project description.

Personal/Business Credit References			
Name	Address	Phone	Contact

Management Please include W-9s for individuals named below. (Proprietor, partners, officers, directors, registered agents):				
Name	Address	Title/Position	Gender*	Race/Ethnicity*

\*This data is collected for statistical purposes only. It has no bearing on the credit decision to approve or decline this application.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title