

ECONOMIC DEVELOPMENT LOAN GUIDE

Revolving Loan Fund

TWEC will accept and consider RLF loan applications for projects that will significantly benefit rural areas in Todd and Wadena counties and the surrounding region, without restrictions to the TWEC service area or any other area.

TWEC has been involved in local economic development activities for many years. The establishment of a revolving loan fund (hereinafter “RLF”) allows the Cooperative to have financial resources to become an even more active participant in economic development efforts in rural areas. The RFL is primarily intended to create employment opportunities, improve infrastructure or improve the quality of life in rural areas, without restriction to the Cooperative’s service area.

Eligible Applicants:

1. Business Ventures: Corporations, Partnerships, Sole Proprietorships, and Cooperatives
2. Governmental Units: Local Townships, Municipals, County, or Regional Authorities
3. Non-Profit Entities
4. Tribal Authorities

Eligible Projects:

1. Industrial/Commercial Development
2. Small Business Start-up
3. Small Business Purchase
4. Small Business Expansion
5. Business Incubators
6. Community Infrastructure
7. Community Facilities
8. Medical Facilities
9. Training/Educational Facilities
10. Tourism
11. Advanced Telecommunications for Medical & Educational Facilities

Ineligible Projects:

1. Refinancing of Existing Debt or Payment to Business Owners/Partners
2. Projects without any Supplemental Financing
3. Activities Determined to be for Investment Purposes
4. General Improvements Related to “Normal” Replacement Needs Unrelated to Business Expansion and/or Job Creation
5. Agricultural Production Costs (ie: Cultivation, Production, or Harvesting)
6. Vehicles Used for General Purposes or Personal Use
7. Primarily Working Capital with Limited Security
8. Construction Projects of an Individual Residential Nature
9. Legal and Illegal Activities that in the Opinion of the TWEC Board Of Directors May Adversely Affect RLF Interests

10. Any Project in which Any Director, Officer, CEO/General Manager, or Supervisory Employee of TWEC or Close Relative Thereof, has a Financial Interest
11. Any Project in which Any Subsidiary or Affiliated Organization of TWEC has a Financial Interest
12. Any Project Based on the Judgement of the TWEC Board, Would Create a Conflict of Interest, Potential Thereof, or Any Appearance of Such

Financing Available:

1. Fixed Asset Financing
 - a. Infrastructure Improvements
 - b. New Construction
 - c. Acquisition of Land, Buildings, and Equipment
2. Working Capital Financing is only available in a limited amount and only in conjunction with other financing.

Loan Selection Criteria:

1. The following criteria may be reviewed and used to determine the Committee's recommendation:
 - a. Demonstrate Ability to Repay Debt
 - b. Credit Worthiness of Applicant
 - c. Adequate Collateral Coverage
 - d. Management Capability and Borrower Reputation
 - e. Equity Commitment
 - f. Proposed Marketing Plan
 - g. Leveraging of Other Funding Sources
 - h. Impact on Community
 - i. Job Creation and/or Retention
 - j. Financial Need of the Project
 - k. Overall Benefit to the Rural Area

Loan Terms and Conditions: Loan Awarded and Terms are at the discretion of the Economic Development Committee and the approval of the Board of Directors.

1. Loan Amounts:
 - a. Loan Minimum: \$1,000
 - b. Loan Application Maximum: 80% of Total Project Cost
 - c. Loan Award Maximum: 100% of Loan Request, Not to Exceed 80% of Total Loan Fund Balance
2. Interest Rates
 - a. 2 Points Less Than Prime as Published by the Wall Street Journal
 - b. Interest Minimum: 3%, unless Prime is less than Prime
 - c. Interest Maximum: 5%
3. Loan Length:
 - a. Length Minimum: No Minimum
 - b. Length Maximum: 10 Years

4. Loan Fees:
 - a. Any loan closing and/or legal fees will be directly passed through to the loan recipient and the recipient will be required to reimburse TWEC for those incurred costs.
5. Security
 - a. Security Examples
 - i. Real Estate and Buildings
 - ii. Machinery and Equipment
 - iii. Account Receivables and Inventory
 - iv. Letters of Credit from Acceptable Financial Institutions
 - v. Securities issued by the Federal Government or its Agencies
 - vi. Personal Guarantees
 - b. The Cooperative will work with the applicant to obtain security that is adequate for the term of the loan.
 - c. Proof of collateral value, appraisal, and/or vendor verification may be required
 - d. Security will consist of a 1st lien position on real property. If the same collateral is used in joint financing, the RLF will generally require a parity position with other lenders.

Reporting Requirements:

1. Projects that receive funding will be required to report information annually to the Cooperative per USDA Requirements.
 - a. Annual income statements and balance sheets
 - b. Annual audited financial statements by a CPA
 - c. Periodic management reports to include the following:
 - i. Information on the number of jobs created or retained during a reporting period
 - ii. Comparison of accomplishments during the reporting period compared to the objectives established for the project
 - iii. Description of any problems, delays, or adverse conditions which may affect the attainment of the objectives of the project, including a statement of actions taken or plan to take to resolve the issues.
 - d. COI Renewals, showing continued coverage in compliance with this plan.
 - e. Property tax records
2. TWEC may initiate a phone call or a site visit with the loan recipient to review performance, discuss any issues, and to verify and evaluate the use of RLF funds any time during the length of the loan.