



# Lincoln Electric Cooperative, Inc.

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## LINCOLN ELECTRIC COOPERATIVE, INC.

# REVOLVING LOAN FUND

## PROGRAM OVERVIEW FOR APPLICANTS

### PROGRAM OBJECTIVES

Lincoln Electric Cooperative administers a Rural Development Revolving Loan Fund (RLF) to promote and assist in economic development activities. The RLF will be used to provide community development assistance to nonprofit entities, businesses, and public bodies for employment creation projects, or other projects, which provide needed community facilities and services as outlined in this document. The RLF is a low-interest financing loan program intended to fill capital financing gaps in order to encourage economic development.

### RLF POLICY STATEMENTS

The primary purposes of the RLF are as follows:

- Loans for rural development activities resulting in the creation or retention of job opportunities for rural people.
- Loans for the construction and installation of needed community facilities, infrastructure or services that support rural economic development and result in the creation and/or retention of job opportunities.
- Loans that further new business development and/or existing business expansion.

Lincoln Electric Cooperative will not condition the approval of a loan from the RLF with the requirement that the prospective recipient take electric service from Lincoln Electric Cooperative or any other electric utility. The RLF is an equal opportunity lender and in accordance with Federal law and U.S. Department of Agriculture policy, will not discriminate on the basis of race, color, national origin, sex, religion, age, disability, or marital or family status.

Lincoln Electric Cooperative will work with local lenders and others to maximize the leverage of the RLF dollars so that the result is the maximum possible economic development. It is the further intent of Lincoln Electric Cooperative to use the RLF program to supplement, but not compete with, capital that may already exist within the communities. Interest from succeeding loans made will revert to the RLF for future loans and to build loan funds for future projects.

The Board of Trustees of Lincoln Electric Cooperative 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 will be operated and maintained solely by Lincoln Electric Cooperative.

### LENDING PARAMETERS

#### A. ELIGIBLE APPLICANTS

Eligible applicants for the RLF program include the following entities:

- Business Ventures – corporations, partnerships, sole proprietorships, cooperatives
- Governmental Units – local towns, municipals, county, regional, school districts
- Non Profit Entities

## **B. PROJECTS ELIGIBLE FOR RLF FUNDING**

Projects eligible for funding from the RLF program include:

- Industrial/commercial development
- Small business expansion
- Small business startup
- Business incubators
- Community infrastructure
- Community facilities
- Medical facilities
- Training/educational facilities
- Tourism

Projects must be employment creation/retention projects, create business opportunities or projects that provide needed community facilities and services. All projects shall be completed and all funds expended, within 24 months from the date of the RLF loan approval.

## **C. PROJECTS/ACTIVITIES NOT ELIGIBLE FOR RLF FUNDING**

Projects or activities that are not eligible for RLF funding include:

- Activities for purely speculative purposes or commercial real estate speculation or investment purposes.
- Purchase of owner-occupied or rental housing, general-purpose vehicles that may be considered for personal use or for personal expenditures.
- Refinancing or paying off any existing debt owed by the third-party recipient.
- Those used for electric or telephone purposes related either to the utility or third-party recipient
- Illegal activities, legalized gambling or activities considered by the community to be morally improper or which may cause excess competition.
- Purchase of an established business or operation or to primarily transfer property or real estate between owners without making substantial improvements or additions that will result in long-term job creation.
- Business relocation for other than sound business purposes, or result solely in a transfer of employment from one location to another.
- Projects that do not meet environmental guidelines.
- Refinancing of existing debt or payment to business owners or partners, or are considered unrelated to business expansion/job creation
- Projects in which any trustee, officer, general manager, or supervisory employee of Lincoln Electric Cooperative, or close relative thereof, has a financial interest; projects in which any subsidiary or affiliated organization of Lincoln Electric Cooperative has a financial interest; or projects which, based on the judgment of the Board, would create a conflict of interest, potential conflict of interest, or any appearance of a conflict of interest.

## **D. TYPES OF FINANCING AVAILABLE**

The following types of financing are available from the RLF program:

- Fixed asset financing will include financing for land, buildings, manufacturing equipment, office and work equipment, as well as financing for infrastructure improvements.
- Inventory, accounts receivable and working capital financing.

## E. LOAN TERMS AND CONDITIONS

The following apply to any loans made from the RLF program:

### **Amount**

The minimum RLF loan amount is \$5,000. The maximum amount of a single loan may not exceed available RLF funds at the time of application.

### **Interest Rates**

Interest rates for the loan will be no less than 1% and the maximum interest rate for loans made from the RLF is the prevailing prime rate on the date of loan closing as published on Wall Street Journal.

### **Application Fee**

An application fee of \$100 will be assessed to borrower at time of application.

### **Legal Fees**

The loan recipient will reimburse Lincoln Electric Cooperative for all loan closing and legal fees incurred by Lincoln Electric Cooperative in connection with the loan. These costs can be rolled into the loan amount.

### **Repayment Terms**

Repayment terms will not exceed 10 years. There are no prepayment penalties. 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

### **Supplemental Financing**

RLF loans can be used in combination of additional financing or as a standalone financing. Evidence of availability of other financing, if required, must be in place prior to advance of RLF funds.

### **Security**

Lincoln Electric Cooperative 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 on a project-by-project basis. Generally, security will consist of a first lien position on real property. If the same collateral is used in joint financing, the RLF will require a parity position with other lenders. Other types of security may include:

1. Letters of credit from acceptable financial institutions
2. Liens on machinery and equipment that have a developed market value
3. Liens on accounts receivable and inventory for short-term loans
4. Securities issued by the Federal Government or its agencies
5. Mortgage on real estate

The loan recipient will be required to maintain fire insurance, and flood insurance if necessary, on secured assets. In some cases, credit life or key man insurance will be required with the RLF as loss payee. Personal guarantees from partners or majority stockholders may be required for all corporate partnership borrowings where the equity requirement is not met by cash.

## APPLICATION PROCESS

Please contact:

Ray Ellis, General Manager  
Lincoln Electric Cooperative, Inc.  
406 889 3301  
rayellis@lincolnelectric.coop

for information forms.

Applications may be submitted at any time during the calendar year. Completed loan applications and supporting documents should be submitted to:

Revolving Loan Fund  
Lincoln Electric Cooperative, Inc.  
Attention: Ray Ellis  
Post Office Box 628  
Eureka, MT 59917

Any questions regarding the RLF should be directed to the above address.

Applications shall be reviewed in the order received and based on readiness for the proposed project to proceed. In those instances where the number of requests for RLF funds exceeds available funding, RLF applications shall be prioritized based on date of receipt of all required materials, the number of jobs to be created and/or retained, and the amount of private sector leverage that is included in the project.

### **The following sections discuss the key elements of the Revolving Loan Fund process.**

#### **(1) Loan Screening**

Upon receipt of the loan application, Lincoln Electric Cooperative will do an initial screening to ascertain that the application meets basic criteria.

#### **(2) Loan Evaluation**

Upon verification that the loan application fits the required RLF criteria, the Loan Committee will meet to review the application and prepare a recommendation for the Lincoln Electric Cooperative Board's review for funding consideration. Final loan approval authority remains with the Lincoln Electric Cooperative Board of Trustees.

#### **(3) Obligation of Loan Recipient**

In addition to the terms and conditions of the loan, all borrowers shall agree to comply with the following:

- (1) Not to discriminate on the basis of age, race, religion, color, handicap, sex, physical condition, development disability as defined in §51.01(5), sexual orientation, or national origin in any employment or construction activity related to the use of RLF monies.
- (2) To use RLF monies only to pay the cost of services and materials necessary to complete the RLF project or activity.
- (3) To permit inspections by persons authorized by the RLF of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections that include, but may not be limited to, contracts, materials, equipment, payrolls, and conditions of employment. Requests for inspection shall be complied with by the borrower.
- (4) To maintain records on the project that are necessary for the RLF to determine if the performance of the business complies with the terms of the loan agreement. Files shall be maintained as long as the loan is active or for at least three years after completion of the work for which the loan has been obtained, whichever is longer.

- (5) To submit the following documentation during the outstanding term of the RLF loan: a) annual financial statements compiled by an independent accountant in accordance with generally accepted accounting principles within 120 days of the end of each fiscal year; b) signed copies of corporate Federal income tax returns within 30 days following their due dates; and d) management information reports as specified by the Loan Committee.
- (6) To maintain property-casualty insurance for the property financed with RLF monies for the term of the RLF loan. The RLF shall be listed as an additional insured on the policy. In addition, key-person life insurance coverage naming the RLF as a beneficiary, with a declining balance equal to the outstanding loan balance may be used where appropriate.
- (7) To abide by all Federal laws, when applicable.

#### **(4) Closing and Disbursement Process**

If the need arises, the RLF and the borrower may each have an attorney that prepares and reviews the loan documents and assists with the loan closing. In the loan covenants, regular reporting requirements will be specified.

#### **FORECLOSURES AND LIQUIDATIONS**

In the event the loan recipient is in default on any of the terms and conditions of the loan agreement, the promissory note, or any other loan document, other than the failure to make a payment of principal or interest when due, all sums due and owing to the RLF, including the full unpaid principal balance and all unpaid accrued interest, shall, at the option of the RLF, become immediately due and payable.

If the loan recipient fails to make any payment of principal or interest when due under the promissory note, and the default continues for 30 days, all sums due and owing to the RLF, including the full unpaid principal balance and all unpaid accrued interest shall, at the option of the RLF, become immediately due and payable, without notice or demand.

In the event of the occurrence of a default and the RLF exercises its option to accelerate the promissory note, and interest after the date of default shall be computed at a market rate to be established at the time the loan agreement is executed.

Lincoln Electric Cooperative reserves the right that if a loan recipient shows signs of faltering (based on payment ability and reporting) the RLF Committee can request the business to participate in a mandatory Lincoln County Business Expansion and Retention (BEAR) interview. The BEAR interview MAY provide additional services to retain the business and/or help provide an exit strategy if needed.

Lincoln Electric Cooperative is an Equal Credit Opportunity Lenders.