



Economic Development Programs

May 2018

I. APPLICANT ELIGIBILITY:

Polk-Burnett has established the following criteria for its economic development participation:

- A. Receiving electric service from Polk-Burnett may not be required to obtain a loan for the project as long as there is secondary benefits to Polk-Burnett members. If electric service is taken, an electric service agreement may be required.
- B. Polk-Burnett requires sufficient supporting documentation to determine the overall feasibility of the project.
- C. The project may be financially viable but must also have the support of the community.
- D. Polk-Burnett may determine the level of its financial participation.
- E. For-profit, non-profit organizations, public authorities (municipalities, fire, ambulance units, counties), private businesses ventures (for-profit and non-profit corporations), partnerships and sole proprietorships shall be eligible.
- F. Eligible applicants must be able to demonstrate the ability to repay.

II. ELIGIBLE PROJECTS:

- A. commercial and industrial site development
- B. infrastructure construction in support of economic development projects to include but not limited to water and waste-treatment facilities and hard-surface streets
- C. direct loans to authorities, organizations or businesses in support of the purchase of real property, real property development, construction, expansion and/or renovation
- D. direct loans to authorities, organizations or businesses for the purchase of machinery and equipment

III. INELIGIBLE PROJECTS:

- A. any project in which a director or employee of Polk-Burnett, or close relative thereof (parent, spouse, child, sister or brother of a director or employee), has a financial interest which would, in the judgment of Polk-Burnett board of directors, create a conflict of interest or any appearance of conflict of interest
- B. the repayment of any expenses incurred prior to the receipt of the borrower's application
- C. the refinancing of existing debt
- D. any project that would adversely affect the environment
- E. working capital needs
- F. project expenditures incurred and/or work completed prior to loan approval
- G. any other project Polk-Burnett's board of directors determines to be ineligible per the intended purpose and objectives
- H. any illegal activity

IV. LOAN PROGRAMS AND LIMITATIONS:

A. Dairyland Power Cooperative Economic Development – Policy #80:

1. Applicant must be provided electric service by Polk-Burnett
2. Minimum loan amount is \$10,000
3. Maximum loan amount is \$150,000
 - a. Dairyland first \$50,000
 - b. 50/50 Polk-Burnett/Dairyland for next \$100,000
4. Maximum 10 year term
5. Interest rate: US treasury rate that matches term of loan
6. Loan amounts shall not exceed 50% of the total project cost.
7. New, expansion of real property (building/equipment, machinery), infrastructure, equipment
8. Cooperative guarantees repayment

B. Dairyland Power Cooperative Economic Development – Revolving Loan Fund

1. Minimum loan amount is \$10,000
2. Maximum loan amount is \$150,000
 - a. Dairyland first \$50,000
 - b. 50/50 Polk-Burnett/Dairyland for next \$100,000
3. Maximum 10 year term
4. Interest rate: US treasury rate that matches term of loan
5. Loan amounts shall not exceed 50% of the total project cost.
6. New, expansion of real property (building/equipment, machinery), infrastructure, equipment
7. Follows USDA REDL requirements
8. Cooperative guarantees repayment

C. USDA Rural Economic Development Loan Program

The loan involves the cooperative working with the applicant to request funding from this program. The funding request are competitive in a nationwide pool of applicants. The loan is made to the cooperative who guarantees the principal.

1. Minimum loan amount is \$10,000
2. Maximum loan amount is \$2 million
3. Maximum 10 year term
4. Interest rate: 0%
5. Loan amounts shall not exceed 80% of the total project cost.
6. Not applicable for the purchase of residential real estate projects.

D. USDA Rural Economic Development Grant Program

1. Applicant must be a municipality, non-profit organization, or other public body
2. Minimum loan amount is \$10,000
3. Maximum loan amount is \$360,000
4. Maximum 10 year term
5. Interest rate: 0%
6. \$300,000 (80%) from USDA, \$60,000 (20%) from Cooperative
7. Loan amounts shall not exceed 80% of the total project cost.

E. Polk-Burnett Revolving Loan Fund

1. Minimum loan amount is \$10,000
2. Maximum loan amount is \$108,000
3. Maximum 10 year term
4. Interest rate: not to exceed current Prime interest rate
5. Loan amounts shall not exceed 50% of the total project cost.
6. Follows USDA REDL requirements

V. **LOAN TERMS AND CONDITIONS:**

A. Loan Terms:

1. Amount:
The maximum and minimum loan amounts vary by type of loan program. Refer to the individual loan programs for details.
2. Interest Rate:
 - a. The interest rate on the loan amount shall be determined based on the specific loan program applicant is applying. Polk-Burnett's reserves the right to modify the interest rate for borrowing based on the source of loan funds, an evaluation of the borrower's ability to repay, and the necessity of below market financing to help the project succeed.
 - b. Polk-Burnett may determine to match the interest rate of other public or private financing in the project if Polk-Burnett is a participant in joint financing of a project.
3. Term:
 - a. The maximum term of the loan shall not exceed 10 years. Polk-Burnett may determine to match the term of other public or private financing in the project.
 - b. With fixed asset lending, the Polk-Burnett loan term shall not exceed the life of the fixed asset.
4. Fees:
 - a. Polk-Burnett may charge the borrower for any incurred loan closing costs, reasonable attorney's fees, filing fees, and/or any other expense incurred by Polk-Burnett that is related to the loan.
 - b. A servicing fee of one (1) percent annually may be charged on the loan balance. The charge will commence on the first anniversary date the funds are distributed to the borrower and thereafter be calculated and payable on the same date each year until the note is paid in full.
5. Repayment:
 - a. The loan repayment schedule shall be determined on a project-by-project basis. Generally, loan repayment shall be amortized on a monthly basis.
 - b. Polk-Burnett may determine to match the loan repayment terms set by other public and/or private lenders involved in the financing of the project.
 - c. Loan principle and interest payments shall be due on the anniversary of the date of the promissory note
6. Loans shall be closed at the direction of Polk-Burnett's attorney who shall verify

compliance with governmental regulations and perfection of the required security.

B. Loan Conditions:

1. Supplemental Financing:

- a. It is preferred that there be at least equal participation from other economic development funding sources in the community in which the project occurs and may consist of any other form(s) of public and/or private financing. This indicates community support and commitment which is often essential for the success of a project.
- b. It is essential that the project owner have maximum cash equity in the project. The owner should strive for a cash equity position of at least 25% of the total project cost.
- c. Polk-Burnett may determine to match any loan terms and/or conditions as required by other public or private financing in the project.

2. Security:

- a. The Polk-Burnett board of directors shall, on a project-by-project basis, have final determination on the collateralization necessary to secure its loan participation in any project.
- b. Polk-Burnett shall require a first lien position on real property. A first lien position on machinery and equipment shall only be acceptable if it is necessary to cover that part of the loan that cannot be secured with real property. Said machinery and equipment shall have a marketable value.
- c. In the event of joint financing and other lenders should have similar collateral requirements, Polk-Burnett may pursue a shared first lien position equal to its participation in the project.
- d. On any loan, Polk-Burnett may determine the need for an irrevocable letter of credit, surety bond guarantee or other acceptable form of security from an acceptable financial institution.
- e. Personal guarantees from owners, partners, stockholders or others may be required for any loan at the determination of the Polk-Burnett board of directors.

VI. APPLICATION PROCESS:

A complete loan application shall consist of the following:

- A. A completed loan application.
- B. An acceptable business plan including pro forma financial statements.
- C. At least three (3) years of historical financial statements
- D. A supporting market analysis or feasibility study if a new venture

Loan applications and all necessary supporting documents shall be received not later than 14 days prior to the regular monthly Polk-Burnett board of directors meeting in order to allow adequate staff review and inclusion on the board meeting agenda.

All information regarding Polk-Burnett loan requests will, at all times, be kept confidential by the board and staff of Polk-Burnett.

VII. SELECTION PROCESS:

Upon review of the necessary project application and the Polk-Burnett CEO's recommendation, the Polk-Burnett board of directors, by a majority vote, shall determine whether a project application shall be submitted for funding from whatever available source applicable. The board of directors shall have final authority to approve or deny loan applications and to determine appropriate terms and conditions.

Requests should satisfy the basic fundamentals of any credit extension:

- A. character of owners and management
- B. capacity to repay
- C. capital of their own
- D. collateral
- E. conditions (environmental, economic, competition, risk)

Consideration shall be given to the following selection factors concerning the project:

- A. eligibility
- B. financial need and supplemental funds
- C. probability of success
- D. benefits per Polk-Burnett objectives
- E. completeness of the application

VIII. DISBURSEMENT OF ECONOMIC DEVELOPMENT LOAN FUNDS:

Polk-Burnett will release loan funds with acceptance and signature of the following:

- A. Economic Development Loan Agreement addressing all of the terms and conditions, including applicable monitoring procedures, repayments, delinquencies, defaults and remedies, for the project.
- B. promissory note
- C. necessary security agreement(s)
- D. electric service agreement, if required
- E. any other requirements as deemed necessary by Polk-Burnett