**KEOSAUQUA LIGHT & POWER - REVOLVING LOAN FUND**

# GUIDELINES

In general, eligible projects for the RLF loans can include any business venture, governmental public body, or non-profit entity involved in a community or economic development project that creates or saves jobs and/or provides needed community facilities that benefit rural areas in the State of Iowa.

**Eligible Applicants include:**

- Corporations
- Limited Liability Companies
- Partnerships
- Sole Proprietorships
- Cooperatives
- Nonprofit Entities
- Governmental Units, including: Local Townships, Municipalities, County Government, Regional Authorities, School Districts, and City or County Hospitals
- Federally-recognized Tribal Authorities

**Application projects** must create or retain employment or provide needed community facilities and services such as:

- Industrial/Commercial Development
- Small Business Expansion or Startup
- Business Incubators
- Community Infrastructure
- Community Facilities
- Medical Facilities
- Training/Educational Facilities
- Tourism

**Loan Purposes**

Uses of RLF loan proceeds may be for land, buildings, manufacturing machinery and equipment, office and work equipment or infrastructure improvements. 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 (an amount equal to KLP "matching funds") may be used for residential housing projects. Please note, consumer financing of a residence is not permitted.

**In-Eligible Uses of RLF Funding:**

- Refinancing of existing debt, or payment to business owners or partners;
- Projects without any supplemental financing;
- Activities determined to be for investment purposes;
- General improvement loans related to normal replacement needs of a business and unrelated to business expansion/job creation;
- Projects that would result in the transfer of existing employment or business activity more than 25 miles from its existing location;
- Agricultural production except where the project is a farmer-owned cooperative or similar, and the agriculture production is part of an integrated

business that processes the agriculture products, and the agriculture production portion of the loan will not exceed 50% of the loan amount;
  - Projects that are primarily working capital with limited security and/or without other capital purchases as part of the project;
  - Construction projects of an individual residential nature;
  - Vehicles used for general purposes or that may be considered for personal use;
  - Illegal activities and legalized activities (e.g. gambling casinos) that in the opinion of the Board of Directors adversely affect RLF interests;
  - Projects in which any director, officer, general manager, or supervisory employee of the Intermediary, or close relative thereof, has a financial interest; projects in which any subsidiary or affiliated organization of Intermediary has a financial interest; or projects which, based on the judgment of the Board, would create a conflict of interest, potential for conflict of interest, or any appearance of a conflict of interest.

**Minimum / Maximum Loan Amounts**

The minimum RLF loan will be $10,000 and the maximum RLF Loan will be the total amount of funds available in the RLF not to exceed $100,000.

**Supplemental Financing Requirements**

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**

Interest rates on all subsequent RLF loans will not exceed the prevailing prime rate as published in the Wall Street Journal on the day of loan closing and will be determined based on the evaluation of the applicant's ability to repay and the necessity of below market financing to advance the project. Interest earned on any RLF loan must stay in the fund for use in making additional RLF loans.

**Administration Fee**

In addition to the interest rate charged, an annual loan servicing fee of up to 1% of the unpaid principal loan balance may be charged for loan administration. However, this fee must be specified in the Loan Agreement signed at closing.

**Closing Costs / "Out of Pocket" Expenses**

The RLF may charge loan recipients 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 KLP 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 and payment frequency (monthly, quarterly, etc.) 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:

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| Building | 10 Years |
| Real Estate | 10 years |
| Equipment | 2 to 7 Years |
| Computers | 2 Years |

**Security / Collateral**

The Intermediary will work with the potential loan recipient to obtain security that is adequate for the term of the loan. The nature of the collateral pledged shall be determined by the loan committee on a project-by-project basis. If the same collateral is used in joint financing, the RLF will seek a parity position with other lenders. Types of security may include:

- Mortgage Lien on Real Property
- Machinery and equipment which have a developed market;
- Letter(s) of credit from acceptable financial institution(s);
- Securities issued by the Federal government or its agencies.
- Accounts receivable and inventory for short-term loans; and

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, directors or majority stockholders may be required for all corporate or partnership borrowings.

## *APPLICATION PROCEDURES*

All applicants for RLF funding will be required to complete an application form and provide a corresponding business plan with verifiable data which demonstrates that their proposed projects are economically feasible, sustainable, and will provide benefits to rural areas, either through job creation or infrastructure improvements. A copy of the application which includes a list on supporting information is attached to this plan.

1. Applications will be accepted for review when the RLF has a minimum balance of $25,000.

2. Applications will be accepted at Keosauqua City Hall, 804 1st St., Keosauqua, IA 52565 during normal business hours OR application with all supporting documents can be mailed to: Keosauqua Light & Power, P.O. Box 216, Keosauqua, IA 52565

3. Executive Director, Villages of Van Buren, Inc., by appointment of KLP, 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 KLP staff as listed on the attached application.

4. The loan review committee will analyze each project and make a written recommendation to KLP board of directors.

5. KLP Board of Directors will normally review RLF applications at their 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. KLP board of directors shall have final authority to approve 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, 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 which are approved by the State of Iowa Bar Association.

8. Before RLF funds can be disbursed to the loan recipient, all requirements and terms of the loan agreement must be met and supplemental financing must already be contributed or verified ready to contribute to the project.

### *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 KLP 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 education, health, safety, and/or medical care of rural residents.

## *Loan Monitoring*

KLP board of directors and/or the loan review committee shall monitor 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. KLP board and/or LRC shall ensure that RLF lien positions and loan collateral are secure

This loan monitoring will require regular reporting by the loan recipient.

Annual income statements and balance sheets will be collected from the loan recipient. Depending on the nature of the project and security arrangements, KLP board of directors and/or the loan review committee reserves the right to require the submission of annual financial reports as audited by a certified public accountant.

KLP board of directors and/or the loan review committee will also conduct periodic site visits to meet with the loan recipient, verify collateral and collect any information as required.

At the option of KLP board of directors and/or the loan review committee, periodic management information reports may be required of the loan recipient. Management reports may be required on a semi-annual basis beginning six months after the advance of RLF funds and continuing semi-annually thereafter for a period of 3 years or until completion of the project, whichever is the later period. If requested, management reports will include:

- information on the number of jobs created or retained during the reporting period;
- a comparison of accomplishments during the reporting period to the objectives established for the project,

- a description 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.

KLP board of directors and/or the loan review committee reserves the right to require these reports on a more frequent basis if it is determined to be in the best interest of the RLF.

An annual review and report of the outstanding loans of the RLF, including job creation/retention totals and community benefits, will be compiled by the loan committee for presentation to KLP board of directors.

### *Collection Procedures*

The Executive Director, Villages of Van Buren, Inc., is charged with the responsibility for loan collections and related workouts, collection of charged-off loans, management and disposal of other real estate owned and any other activities related to delinquent accounts.

As part of this responsibility, the Executive Director, shall have authority to initiate foreclosures, and collection suits after consultation with KLP legal counsel. The Executive Director will advise the board of such action at their next regular meeting.

1. Past due notices will be generated and sent to the loan recipient according to the following schedule:
   - First notice sent on the 10th day after a note or payment is due.
   - Second notice sent on the 20th day after a note or payment is due.
2. If the delinquent account becomes 30 days delinquent, The Executive Director will make phone contact with the loan recipient to inquire about the situation and arrange appropriate corrective action.
   - As a prudent lender and at the intermediary's sole discretion, a one-time corrective action/workout of a delinquent account is permitted. As part of the workout, loan terms may be modified by deferral, reamortization and/or balloon payments. However, the term of the modified loan can not exceed a 10 year period from the date of the original loan closing.
3. If the delinquent account is not taking steps to cure default and the account becomes 60 days delinquent, a written 30 day Notice to Cure will be issued and sent to the loan recipient via certified, first class mail with a return receipt requested.
4. If the delinquent account does not respond to the Notice to Cure by paying the amount stated in the cure notice, the file will be forwarded to KLP's legal counsel to start foreclosure actions.
   - As mentioned earlier, up to 10% of Rural Development Grant funds may be applied toward operating expenses of the RLF over the life of the fund. Operating expenses include the costs of administering the RLF and technical assistance provided to loan recipients by independent providers. Under the authority of this section, costs of administering the RLF includes any costs related to collections and/or foreclosure of a delinquent account.
   - KLP board of directors and/or the loan review committee will maintain an aggregated total of any and all related collections / foreclosure costs which are charged against this 10% allowance.

### *File Retention*

All RLF files will be retained for a period of not less than 3 full years after the loan has been paid in full. After 3 years, the files will be destroyed by shredding or incineration. Files will be secured in a locked, safe place and access will be limited to KLP board of directors and/or the loan review committee with RLF responsibilities. Other security measures will be initiated as needed to protect confidentiality of loan documents.