



## **Rural Economic Development Loans**

**Revised 07/11/2006**

Southeast Colorado Power Association wishes to assist the community by offering Rural Economic Development Loans (known as REDL) to provide a loan source for the general development of our community.

Southeast Colorado Power Association will accept and consider applications for loans from the “REDL” for projects that will significantly benefit rural areas.

Southeast Colorado Power Association will condition the approval of a loan from the “REDL” with the requirement that the prospective recipient receives electric service from Southeast Colorado Power.

The Board of Directors of Southeast Colorado Power Association, in conjunction with the Rural Business Cooperative Service is the sole authority for approval or denial of loans from the “REDL” and is responsible for all decisions and actions of the “REDL”. The plan shall not be amended without the prior written approval of the Rural Business Cooperative Service.

It is the intent of Southeast Colorado Power Association that loans from the “REDL” program serve to promote economic development. Southeast Colorado Power Association will work with the local lenders and others to maximize leverage of the “REDL” dollars so the result is the maximum possible economic development. It is the further intent of Southeast Colorado Power Association to use the “REDL” program to supplement, but not compete with, capital that may already exist within the communities.

# Lending Parameters

## A. ELIGIBLE APPLICANTS:

1. Business Ventures
  - a) Corporations
  - b) Partnerships
  - c) Sole Proprietorships
  - d) Cooperatives
2. Governmental Units
  - a) Local Townships
  - b) Municipals
  - c) County
  - d) Regional
3. Not for Profit Entities
4. Tribal Authorities

## B. TYPES OF PROJECTS ELIGIBLE FOR “RLF” ZERO INTEREST LOANS :

Zero interest loans will be provided to recipients to finance projects that promote economic development and job creation in rural areas. Examples include but are not limited to:

1. Business expansions and business startups, including cost of buildings, equipment, machinery, land, site development, and working capital.
2. Community infrastructure necessary for economic development and job creation purposes.
3. Community facilities and services necessary for economic development and job creation purposes.
4. Medical facilities and equipment to provide medical care to rural residents.
5. Educational facilities and equipment to provide training and job enhancement skills to rural residents to facilitate economic development.
6. Business incubator projects to assist developing emerging enterprises.

To be considered, the project must be employment creation/retention projects or projects that provide needed community facilities and services.

## C. TYPES OF PROJECTS / ACTIVITIES INELIGIBLE FOR “RLF” FUNDING:

1. Project costs incurred prior to filing of the completed application.
2. Refinancing or paying off existing debt.
3. Electric or telephone purposes related to Utility Programs or third party.

4. Projects that would adversely impact the environment.
5. The 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.
6. Projects that will be used for residential purposes or entertainment purposes at the residential level.
7. The 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.
8. Projects that will result in the transfer of existing employment or business activities from one area to another.

E. LOAN TERMS AND CONDITIONS:

1. Amount

The “REDL” will not lend more than 80% of the total amount needed for a project. The maximum amount of a single loan may not exceed total dollars of available funding for any one project. (In the past not more than \$450,000; the minimum amount is \$20,000.)

2. Interest Rates

These loans will be at 0% interest.

3. Servicing Fee

A servicing fee may be applied for all loans. The fees will be no more than one percent (1%) per year of the outstanding principal loan balance on the first day of each year of the loan.

4. Legal Fees

The loan recipient will reimburse Southeast Colorado Power Association for all loan closing and legal fees incurred by Southeast Colorado Power Association in connection with the loan.

5. Repayment Terms

- Borrower signs a ten (10) year promissory note, payable to the SECPA. Lesser term notes are acceptable.
- Note will carry a 0% interest rate.
- Principal repayment will be on a monthly basis.

## 6. Security

Southeast Colorado Power 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 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 "REDL" will require a parity position with other lenders. Other types of security may include:

- a) Letters of credit from acceptable financial institutions
- b) Machinery and equipment which have a developed market
- c) Accounts receivable and inventory for short term loans
- d) Securities issued by the Federal Government or its agencies

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 "REDL" as loss payee.

Personal guarantees from partners or majority stockholders shall be required for all corporate or partnership borrowing where the equity requirement is not met by cash.

## 7. Application Process

All applicants for "REDL" funding will be required to complete an application form, providing data which demonstrates that their proposed projects are economically feasible and will provide benefits to rural areas, either through job creation or infrastructure improvements.

## 8. Application Selection Process

The applicant will be expected to have a completed feasibility plan prepared and reviewed with one of the area participating local economic development offices. The Board of Directors of Southeast Colorado Power Association shall make the final loan approval, however it is the intent that the individual or agency assisting the applicant, will have prepared a recommendation to assist the Board with their final determination.

## F. LOAN MONITORING:

Loan monitoring will require regular reporting by the loan recipient. This includes:

1. Annual income statements and balance sheets. Depending on the nature of the project and security arrangements, Southeast Colorado Power

Association reserves the right to require the submission of annual financial reports as audited by a certified public accountant.

2. Periodic management information reports. Management reports will be required on a semi-annual basis beginning six months after the advance of “REDL” funds and continuing semi-annually thereafter for a period of three years or until completion of the project, whichever is the later period. Management reports will include (i) information on the number of jobs created or retained during the reporting period; (ii) a comparison of accomplishments during the reporting period to the objectives established for the project, and (iii) 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. Southeast Colorado Power Association reserves the right to require these reports on a more frequent basis if it is determined to be in the best interest of the “REDL”.
3. Telephone contact and site visits. A minimum of twice annually, an “REDL” representative will initiate a phone call to the loan recipient to review performances and issues. On-site visits will be conducted annually to verify and evaluate the use of the “REDL” loan.

An annual review and report of the outstanding loans of the “REDL” will be compiled by the loan committee for presentation to the entire Southeast Colorado Power Board of Directors.

G. PLAN AMENDMENTS

In the event that the “REDL” becomes too cumbersome to be effectively utilized, and upon the recommendation of the loan committee, the Board of Directors of Southeast Colorado Power Association or the Rural Business Cooperative Service (RBS), the plan may be amended following written approval from (RBS).