Boone Electric Cooperative (BEC) was created in 1936 to reliably provide electricity and related services to its members at a competitive price and to improve the quality of life in the communities of its service area. BEC, in keeping with that commitment, has established a Revolving Loan Fund (RLF) to foster and promote sustainable rural economic development and job creation in its service area.

The RLF is a local funding source with a goal of providing low interest loans to assist with local economic and community development projects. Our priorities include job creation and retention, diversification of the local economy, improving the skills of the rural workforce, and upgrading the public infrastructure to improve the health, safety, and/or medical care of rural residents. This fund is administered by the BEC Board of Directors. They will review and select applications for funding. The authority for approval or denial of applications for loans from the RLF will rest solely with the BEC Board of Directors.

The RLF seeks to minimize its financial participation in all projects. The RLF is not intended to compete with other public and private lenders. The RLF will collaborate with other lenders to provide the financial package necessary to make the project occur, but at the same time to minimize the RLF financing component. Working capital loans can only be considered in conjunction with the purchase of other assets as previously specified and are limited to 25% of the requested RLF loan amount. Borrowers applying for the RLF must have a positive net worth, and provide assurances of willingness and ability to repay the RLF loan.

BEC will not condition the approval of a loan from the RLF with the requirement that the prospective Borrower purchase electric service from BEC or any other electric utility.

To avoid potential conflicts of interest, or the appearance of a conflict of interest, an RLF loan will not be made to any board member, officer, general manager or supervisory employee of BEC or close relative thereof, or to any BEC subsidiary or affiliate organization in which BEC has any financial interest.

All information regarding RLF loan requests will at all times be kept confidential by the members of the BEC board, the loan review committee, and BEC staff. If necessary, the RLF may seek the advice and counsel of outside consultants and sources in order to adequately perform due diligence regarding the project.

The BEC Revolving Loan Fund is an equal opportunity lender and requires loan receipts to adhere to all equal opportunity laws.

Amendments to this Rural Development plan will require the approval of the BEC board of directors.

Following is a summary of the RLF loan terms and program eligibility requirements:

**Eligible Applicants:** include organizations involved in community or economic development projects.
- New or expanding private businesses
- Local governments
- Non-profit community development organizations

**Eligible Uses of Funds:**
- Land purchase
- Buildings
- Fixed assets
- Machinery and equipment
- Infrastructure
- Residential housing projects
- Medical facilities
Ineligible Uses of Funds:
Ineligible uses of RLF funds include residential housing, pre-development costs, refinancing of existing debts, illegal activities or other legal activities that in the opinion of the board of directors adversely affect the RLF interests, general improvements loans related to normal replacement needs of a business and unrelated to business expansion/job creation, relocation of business without immediate jobs growth, loans to projects which have alternative sources of financing at reasonable interest rates, and loans for agricultural production costs (cultivation, production, harvesting), and projects with no supplemental financing.

Loan Terms:
Set by the BEC Board of Directors based on the financial need of the project. The following is to be used as a guide for application requests:

Loan Amounts:
- Minimum Loan: $25,000
- Maximum Loan: $360,000

Review Criteria: The loan review committee and then the BEC board will consider the financial need of the project, the probability of success, security offered, equity injection by owner, supplemental financing, the overall benefits of the project to the rural area, including the number of new jobs to be created or retained, 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, diversification of the economy, projects that add value to locally produced raw materials, and other factors in making their loan decision. Community development projects review considerations include improvements to the community infrastructure, facilities and/or acquisition of equipment that improve the health, safety and/or medical care of rural residents.

Interest Rates: The interest rate will not exceed the existing prime rate of interest at the time of the loan approval.

Terms and Security: The RLF requires adequate collateral for the loan request. Preferred security is an irrevocable letter of credit. Other acceptable collateral includes a first lien on real estate and/or machinery and equipment. The maximum loan term is 10 years. Load deferments of up to 2 years may be considered on a project-by-project basis, but are not encouraged. BEC will make a recommendation concerning the term of the loan 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. Depending on the type of collateral, the RLF loan Borrower will be required to maintain insurance on all secured assets and name BEC as loss payee. Generally, the length of the loan will be based on the collateral offered by the applicant. While not a mandatory requirement, the following maturities will be used as a general guideline:
- Building: 10 years
- Real Estate: 10 years
- Equipment: 5 to 7 years
- Computer Equipment: 2 Years
- Working Capital: 1 to 3 years

Servicing Fee: In addition to the applicable interest rate charge, a servicing fee will be charged up to one percent (1%) per year of the outstanding principal loan balance on the first day of each year of the loan.

Application Fee: A non-refundable application of $250 will be charged for all loan applications.

Legal Fees: All loan closing costs including legal, title, and recording fees will be paid by the loan applicant.

Fund Availability: RLF loan applications may be accepted at the BEC offices when the RLF has an available balance of at least $25,000.

Loan Agreement: For approved loan applications, a loan agreement addressing all of the terms and conditions, including monitoring procedures, repayments, delinquencies, defaults, and remedies for the 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 Missouri Bar Association.

Loan Monitoring: The BEC board of directors shall monitor all RLF loans to ensure that loan proceeds are spent as identified in the approved 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/retention are accomplished as stated in the RLF application.
The BEC board shall ensure that RLF loan collateral is secure and will require periodic financial statements from the RLF Borrowers, as necessary to supervise the RLF loan. At a minimum, financial statements will be requested and reviewed on an annual basis. The BEC board reserves the right to require submission of annual financial reports as audited by a certified public accountant and conduct site visits for the purpose of inspecting the project when necessary with prior notice to Borrower. Company progress reports may also be required from the Borrower. The reports could include information concerning the number of jobs created and/or retained, a comparison of the Borrower’s accomplishments since the last report, and a summary 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.

**Other Funding:** RLF projects must include a minimum of 50% funding from other sources, this to include Borrower equity of 10% or more in cash or fixed assets of the project/business. Greater leveraging of outside resources will enhance the possibility of an approved RLF loan request. Documentation will be required from the Borrower that other financing has been committed before RLF load commitment is given.

**Loan Disbursement:** The RLF is to be the last source of funding to be received by the project and can only be disbursed to the Borrower after all requirements and terms of the loan agreement have been met and supplemental financing has been received.

**Time and Place of Loan Payments:** Payments will be made annually on the prescribed due date until all of the principal, interest, and applicable fees are paid. If payment is not received at the Cooperative Headquarters by the end of 15th calendar day after the due date, a late payment fee of 10% or $50, whichever is more, of the loan payment amount may be assessed. Additional fees dealing with collection of past due loan payments will be charged to the Borrower and are subject to the Collection Policy hereto attached. A RLF loan may be prepaid at any time without penalty. Advance payments will be credited first to outstanding interest, then principal. The payoff amount will be equal to the remaining principal balance plus all accrued interest.

This document is a summary of the RLF Program. It is not inclusive of all the policies and procedures associated with the program. For more information, please contact Boone Electric Cooperative.

For further information, please contact:
Boone Electric Cooperative
PO Box 797, Columbia, MO 65201
573-449-4181