

EASTERN ILLINI ELECTRIC COOPERATIVE

REGULATION NO. 30

SUBJECT: Revolving Loan Fund Program for Rural Economic Development

OBJECTIVE:

It is the objective of Eastern Illini Electric Cooperative (Cooperative) to provide an additional source of funding for businesses and industries to access when considering locating or expanding within local communities. The Cooperative will accomplish this through the operation of a Revolving Loan Fund (RLF) program pursuant to the federal Rural Economic Development Loan and Grant (REDLG) program.

REGULATION:

I. Revolving Loan Fund Statement

The Cooperative will accept and consider applications for loans from the RLF for projects that will significantly benefit rural areas, without restriction to its service area or any other area.

The Cooperative will not condition the approval of a loan from the RLF upon the requirement that the prospective recipient receive electric service from this cooperative or any other associated electric utility.

The Board of Directors of the 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 the Cooperative.

It is the intent of the Cooperative that funds from the RLF program serve as seed money to generate economic development. The 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 further intended that the Cooperative will use the RLF program to supplement, but not compete with, capital sources that may already exist within the applicable communities.

II. Lending Parameters

A. Eligible Applicants:

1. Business entities, including:

- Corporations (including not-for-profit entities),
- Partnerships,

- Limited liability corporations and partnerships,
- Sole proprietorships, and
- Cooperatives.

2. Governmental units, including:

- Local townships,
- Municipalities,
- County governments, and
- Regional authorities.

B. Types of Projects Eligible for RLF Funding

Projects must aid in the creation or retention of employment or provide needed community facilities and services, including without limitation, the following:

- Industrial/commercial development;
- Small business expansion or startup businesses;
- Business incubators;
- Community infrastructure;
- Community facilities;
- Medical or other health care facilities;
- Training/educational facilities; and
- Tourism.

C. Types of Projects/Activities Ineligible for 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;
- Agricultural production costs (such as, cultivation, production and harvesting);
- Vehicles used for general purposes or that may be considered for personal use;
- Projects that are primarily working capital with limited security;
- Construction projects of an individual residential nature;
- Illegal activities and legalized activities (such as, gambling casinos) that, in the opinion of the Board of Directors, adversely affect RLF interests; and
- Projects in which any director, officer, general manager, or supervisory employee of the Cooperative, or close relative thereof, has a financial interest; projects in which any subsidiary or affiliated organization or the Cooperative 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.

D. Types of Financing Available

1. Fixed Asset Financing, including without limitation:

- Land,
- Buildings,
- Manufacturing equipment,
- Office and work equipment, and
- Infrastructure improvements.

2. Working Capital Financing:

- Available in a limited amount and only in conjunction with other RLF financing.

III. Loan Terms and Conditions

A. Amount

The RLF shall not lend more than fifty percent (50%) of the total amount that is needed for a project. The maximum amount of a single loan may not exceed \$50,000. The minimum RLF loan amount is \$5,000.

B. Interest Rates

The interest rate for loans made from the RLF will be set from zero to prime rate as published in the Wall Street Journal on the date of loan closing.

C. Fees and Charges

The following are fees and charges, which may be assessed to the borrower:

- A \$100 preliminary application fee;
- A one percent (1%) loan origination fee for all loans processed and approved, which may be financed as part of the loan;
- A late payment charge will be incorporated into the completed loan agreement documents; and
- Costs, including without limitation those associated with a business plan and financial information, assuring clear title to applicable real estate, obtaining an appraisal and environmental compliance.

D. Legal Fees

The loan recipient shall reimburse the Cooperative for all loan closing costs and expenses, including reasonable attorney fees, incurred by the Cooperative.

In addition, in the event that there is a default in payment, the loan recipient shall pay

all of the attorney fees, costs and expenses incurred by the Cooperative in enforcing the loan documents.

E. Repayment Terms

1. Repayment terms shall not exceed ten (10) years. The following maturities will be used as a general guideline:
 - Building construction - 10 years;
 - Real estate acquisition - 10 years;
 - Equipment acquisition - 5 to 7 years or depreciable life; and
 - Working capital - 1 to 3 years.
2. The applicable Cooperative committee will provide a recommendation on term options and loan repayment schedules (annually, quarterly, and monthly) on a project-by-project basis.

F. Other Financing

RLF loans are limited to financing fifty percent (50%) of a project. Other financing of fifty percent (50%) will be required. Evidence of availability of other financing will be required prior to loan approval of RLF funds.

G. Security

1. The Cooperative will provide assistance to the potential borrowers in obtaining or locating security that is adequate for the term of the loan. The nature of the security shall be determined by the applicable Cooperative committee on a project-by-project basis. (Generally, security will consist of a first lien position on the asset that is funded by RLF funds. If the same security is used for joint financing, the RLF will require a parity or secondary position with other lenders.) Other types of security may include with limitation, the following:
 - Letters of credit from acceptable financial institutions;
 - Machinery and equipment which have a developed market;
 - Accounts receivable and inventory for short-term loans;
 - Securities issued by the federal government or its agencies; and
 - Such other security as the Cooperative deems necessary in its sole discretion.
2. The loan recipient shall be required to maintain commercial general liability and hazard insurance and flood insurance on all secured assets with the Cooperative designated as a loss payee. In some instances, credit life or key man insurance coverage shall be required with the Cooperative designated as a loss payee.
3. Personal guarantees from partners or majority stockholders shall be required for all corporate or partnership borrowings where there is insignificant cash to meet equity

requirements.

IV. Application Process

- A. All applicants shall provide a business plan, financial statements, financial projections and additional information as required. The business plan shall demonstrate the benefits of the project to the rural area, through either job creation or infrastructure improvements.
- B. All applicants for RLF funding shall be required to complete an application form and provide necessary documents in support of it.

V. Application Selection Process

- A. The applicable committee, comprised of Cooperative staff, to include the President/CEO, CFO, Vice President of Member & Community Relations, and representatives of local financial institutions involved in local economic development projects, will review and recommend to the Board of Directors of the Cooperative whether loan requests should be approved or denied. Factors used in determining loan approval will include without limitation, the following:
 - Total project costs;
 - Amount of funds requested;
 - Number of jobs to be created;
 - Likelihood of success;
 - Amount of equity provided; and
 - Such other criteria as the Cooperative deems appropriate in its sole discretion.
- B. The Board of Directors has final loan approval authority.

VI. Closing and Disbursement Process

The proposed loan closing process will be handled by the Cooperative and will include without limitation, the following: the loan agreement, promissory note, detailed list of security (including serial or other applicable identifying numbers), UCC financing statements as necessary, letters of credit, and the like. If applicable, a mortgage will be provided. Funds will not be disbursed until all documentation is completed and either purchase orders or paid receipts are presented to the Cooperative. The Cooperative prefers to make one disbursement, but may consider periodic disbursements on a case-by-case basis.

VII. Loan Monitoring

Loan monitoring will require regular reporting by the loan recipient. This includes, at a minimum and within the sole discretion of the Cooperative, the following:

- A. Annual income statements and balance sheets.

Depending on the nature of the project and security provided, the Cooperative reserves the right to require the submission of annual financial reports audited by a certified public accountant; and

B. Periodic management information reports.

Management reports will be required on a semi-annual basis beginning after the advance of RLF funds and continuing semi-annually thereafter for a period of three (3) years or until completion of the project, whichever period is later. The Cooperative reserves the right to require these reports on a more frequent basis in its sole discretion if it is determined to be in the best interest of the Cooperative and the RLF.

Management reports will include:

1. Information on the number of jobs created or retained during the reporting period, and
2. A comparison of accomplishments during the reporting period to the objectives established for the project, and
3. Description of any problems, delays, or adverse conditions, which may materially affect completion of the planned project objectives and a statement of action taken or contemplated to resolve the situation.

C. Communication and site visits.

At a minimum, semi-annually, a representative of the Cooperative will initiate communication with the loan recipient to review performance and any issues that the Cooperative decides to address. On-site visits will be conducted annually to verify and evaluate the use of RLF funds. The applicable committee members will compile, from the loan recipient and other data, an annual review and report about the outstanding loans of the RLF, including job creation totals and community benefits for presentation to the Board of Directors.

VIII. File Retention

All RLF files will be retained for a period of not less than three (3) full years after the loan has been paid in full. After three (3) years, the files will be destroyed by shredding or incineration; provided that, the files shall have been otherwise retained in an electronic format, such as scanning. Files will be secured in a locked, safe place and access will be limited to Cooperative staff with appropriate RLF responsibilities. Other security measures will be initiated as needed to protect confidentiality of loan documents.

IX. Amendments

Amendments to this rural development plan will require the approval of the Cooperative's Board of Directors. Action will not be taken to amend the plan without the prior written approval of the Rural Business Service, its successors or assigns.

X. Nondiscrimination

This is an Equal Opportunity Program. Federal law prohibits discrimination. Complaints of discrimination may be filed with the United States Department of Agriculture (USDA) Director, Office of Civil Rights, Washington, D.C. 20250-9410.

Adopted: 01/25/2011
Amended: 07/28/2015
Amended: 09/24/2019
Amended: 09/26/2023