



The Revolving Loan Program of the Templeton Telephone Company

1. *Specific objectives* – to make loans to foster rural economic development so as:
 - a. To broaden the employment base by increasing the number and types of businesses in rural areas.
 - b. To encourage the expansion of existing businesses.
 - c. To establish Templeton as a progressive, confident community.

The loan funds will provide direct loans to prospects deemed to have a positive impact on the rural areas. Such funding may include site preparation and building construction. The maximum loan amount for a project shall be \$ 80,000.00. The minimum loan amount shall be \$ 1,000.00. The type of projects to be funded shall be those which offer the greatest potential to broaden the economic base and property tax base of the rural area.

2. *Documentation of coordination of lending activities with other local entities.* As stated in Item 5 of the rural development plan, the loan review committee will work with area lenders, particularly the Templeton Savings Bank. At no time will this revolving loan fund compete with other area lenders, but rather will serve to supplement such sources.. At all times, the committee will strive to maintain lines of communication with project lenders. While they are not local entities, the Small Business Administration and the Iowa Department of Economic Development may also be consulted concerning the financing of rural economic development projects.
3. *Eligibility criteria.* Applications will be considered from all sectors of the local rural economy, regardless of race, color, religion, sex, or national origin of the applicant(s). The loan fund will provide no more than 80% of the total project cost. A minimum of 20% must come from the out-of-pocket funds (non-grant, non-loan) of the project owner. It must be evident that a low interest loan is needed, particularly in the early years of the project, for a project to succeed. Projects shall not compete with, nor be a detriment to, existing area businesses. This program does not intend to help or encourage one area business, only to harm another. There will be no predetermined ratio regarding loan amounts in relation to the number of jobs being created. Some projects may well involve low-paying, entry level positions, while other projects may involve highly skilled, high technology employment. Therefore, each project will be considered on its own merits. Nevertheless, for any loans to a for-profit entity, there must be a minimum of three permanent, full-time positions being created within a 2 year time frame. This time period shall be considered to have begun when an application is approved. Loans may be made to both non-profit and for-profit entities. Loan payments will be made in equal monthly payments over the life of the loan, beginning no later than one year after complete disbursement of the loan proceeds. Upon disbursement of loan funds, loan review committee shall be allowed access to financial statement, including checking account statements, to monitor the expenditure of loan funds. All loan funds shall be used for the purpose intended or stated in the application.



4. *Application process and method of disposition of funds to the project owner.* Applications must be in writing and will be accepted at any time during the year. Applicants must agree to allow the loan review committee to research company history, make credit checks, and contact the applicant's financial institution for further information. Such research may include background checks on the individuals as well as the company. Cash flow projections will also be required. Once the application is deemed complete, the loan review committee shall have up to 30 days to make a loan decision. All applications will receive a written decision from the committee. If an application is approved, the applicant will sign a loan agreement with the telephone company. This agreement will include, but will not be limited to the following:

- a. The length of the loan, up to a maximum of 10 years. Call options or acceleration clauses may be included.
- b. The interest rate of the loan.
- c. Frequency of payment, which will be monthly.
- d. Penalties for late payment.
- e. Number of jobs created, and penalties for failure to achieve or retain those numbers.
- f. Security for the loan. May include mortgages, liens and personal guarantees.

Loans may be subject to renegotiation at the mutual agreement of the committee and the project owner. In the event a project is sold by the project owner to another entity, the loan may be assumed only at the discretion of the committee. A loan servicing fee up to 1% of the loan proceeds may be charged. This fee shall be collected prior to disbursement of the loan. Project owner must provide his contribution prior to the end of the loan disbursement period. The loan review committee shall be allowed to inspect the project on a quarterly basis while the loan is outstanding. The maximum interest rate on any RLF loan will not exceed the prevailing prime rate as published in the Wall Street Journal on the date of the loan closing. This cap on interest rates is required by Affirmative Covenants I (i) of the Rural Development Grant Agreement. Approval of an application shall require approval from a majority of the loan review committee. The loan review committee shall consist of the board of directors of the Templeton Telephone Company. Members of the committee shall elect a chair person. The committee may seek advice and counsel from the Templeton Area Development Corporation, or from any other organizations or individuals deemed suitable. Initial loans made from the revolving loan fund using RBS grant funds must carry an interest rate of zero percent. All other loans not involving the initial RBS grant funds shall carry an interest rate as agreed upon between the loan review committee and project owner. In any case, reasonable loan servicing fees may be charged, not to exceed 1% of the principal balance of the loan. The loan review committee may amend this plan by a majority vote of the committee, subject to prior written approval by RBS. No application will be considered which would result in a direct financial benefit to any committee member. All applications, both those approved and denied, along with any subsequent loan documentation, shall be retained by the telephone company for at least two years following the final payment of a loan.



5. *Procedure for monitoring project owner accomplishments and reporting requirements.* During the life of the loan, annual financial statements shall be requested from the project owner. A copy of the tax return may also be requested. Other financial information, such as checking account statements and cash flow statements, may be requested. Project owner shall provide employment figures annually. The loan review committee shall conduct on-site inspections at least quarterly.

6. *Budget.* The annual budget to operate the rural development plan, including the revolving loan program, shall be no more than \$ 2,000.00. No more than 10% of grant funds received shall be used to cover the operating expenses of the revolving loan program. In general, the income derived from the business operations of the Templeton Telephone Company shall be used to fund the operation budget, as needed, of the revolving loan program.