

polar

rural development plan

Introduction

Polar Communications is a rural telephone cooperative servicing the northeast corner of North Dakota. The cooperative recognizes the needs and struggles currently being faced by rural communities in its service area. These communities depend primarily on the agricultural industry for their survival and recently, this economic sector has been hard hit with severe weather conditions, low prices, and a changing marketplace. Communities in this area are seeking assistance from the cooperative in the area of rural development. The cooperative is frequently approached by organizations, businesses and individuals seeking investment or contributions toward business or community development projects.

The cooperative wants to develop a mechanism for providing assistance to community-based development projects in rural North Dakota. Employees of the cooperative have been active for several years in coordinating activities and funding with many other technical service providers and financing programs in the area. They are currently involved in county loan pools and have provided financial assistance to some of the development projects in their area.

The Revolving Loan Fund will compliment existing public and private sources of financing for rural development. The RLF is greatly needed since the financial resources of existing sources are limited and the lending limits of rural banks are too small to cover some of the larger development projects. Further, essential community facilities, such as hospitals, congregate housing, assisted living quarters, and water and solid waste management systems are even more difficult to finance with traditional sources.

The cooperative will be using the initial proceeds in the RLF to fund the renovation of the First Care Health Center to include a new clinic, renovated inpatient rooms located on the main floor of the hospital, modernization and updating of the current facility and a new drive up circle for patient drop off and pick up. The clinic, in conjunction with the hospital, will provide inpatient and outpatient medical services to a population of about 20,000. The access to these services is essential to the residents for a number of reasons. Elderly have a difficult time traveling to urban centers for medical care and inclement weather conditions can prevent travel for long distances. Further, working parents of sick children are negatively impacted if they need to take time away from their jobs to travel long distances to seek medical care. Cardiac patients need immediate access to medical care before they pass the "Golden Hour" (the maximum time a heart attack patient can survive before receiving medical care.)

Polar Communications is dedicated to playing an active role in revitalizing the rural economy. The following pages outline the rural development plan the cooperative will follow for administering the Revolving Loan Fund. This plan will help safeguard the funds to ensure the RLF's existence into the future so the cooperative may continue to promote economic growth in rural areas.

Overview

Polar Communications Mutual Aid Corporation's plan for the future sets the foundation for the cooperative's continuing role in economic development:

"To assume a visible and aggressive role in rural development by working with local communities, organizations, and business and industry lenders to create new job opportunities and diversify our existing agri-based economy."

One of Polar Communications' strategies to meet this goal is to:

"Provide assistance, guidance, resources and technical support to local communities, the Jobs Development Authority, the Regional Development Council and businesses in their economic development efforts."

Building upon these goals and strategies, the Cooperative has developed the Polar Communications Revolving Loan Fund (RLF), through the Rural Business-Cooperative Service and its Rural Economic Development Loan and Grant Program. This policy sets forth the cooperative's objectives for the RLF, defines the authority for the approval and administration of the RLF and provides a reference for the RLF's funding activities.

Objectives

The objectives which the cooperative strives to meet through the operation of the RLF are:

- 1) To enhance the development and expansion of businesses and jobs that significantly benefit rural areas.
- 2) To provide financing alternatives for new or expanding businesses or community facilities that have an economically productive or socially desirable purpose.
- 3) To position the RLF to adapt to varying economic, technological and competitive conditions.
- 4) To leverage owner equity and other financing sources.
- 5) To maintain a diversified portfolio of investments in the RLF which will limit the overall risk of the fund.

Revolving Loan Fund Policy–June 23, 2006

Polar Communications will accept and consider applications to provide financing from the RLF for projects that will significantly benefit rural areas without restriction to the cooperative's service area. The RLF is intended to provide financing alternatives and leverage other funding sources for new or expanding businesses or community facilities to enhance employment and economic opportunities and as such, requires participation from other sources of financing.

The RLF will not compete with, but rather compliment existing public and private sources of financing for rural development in the area. Polar Communications will not condition the approval of a loan from the RLF with the requirement that the prospective recipient take communication service from Polar Communications Mutual Aid Corporation. No director, general manager, or employee of Polar Communications may benefit or be a recipient of RLF funds.

Operating Procedures

The RLF will be administered under the direction of the Chief Executive Officer (CEO) of the cooperative within the parameters set by the board of directors.

Technical assistance for potential projects will be provided by the cooperative's Chief Financial Officer in conjunction with other technical service providers in the area. Once projects have been identified as potentially eligible for the RLF, assistance will be provided in completing the application and/or referral made to other technical assistance providers in the area.

All applicants for RLF financing will be required to complete an application which includes sufficient information to properly evaluate the merits of the request. The procedure for review and action on application will be:

1. Applications must be submitted by the first day of the month for consideration at that month's board meeting. Applications submitted after the first will be held over until the next month.
2. The Chief Financial Officer (CFO) will review applications for eligibility and completeness. If more information is needed, it will be requested. Any requests for additional information may delay processing. If the project does not meet eligibility criteria, the applicant will be notified of reason why within five (5) working days and allowed to provide additional information to prove eligibility.
3. An internal loan committee consisting of the CEO, CFO, and any such individual that may be appointed by the Board of Directors will analyze the RLF request using the criteria for the RLF, negotiate terms with the applicant and develop a recommendation for the board. All applications submitted will be forwarded to the board of directors.
4. The board of directors will act upon the recommendation of the loan committee and notify the project developer of their decision in writing within five (5) working days following the monthly board meeting. The board of directors is the sole authority for approval or denial of loans from the RLF.
5. The cooperative's staff will arrange for the closing in a timely manner based on the contingencies set forth by the board of directors.
6. All projects will be monitored for compliance with all covenants in the closing documents for financial performance. Reports will be made to the board of directors at least quarterly on all problem loans. The status of performing loans will be reported to the board annually.
7. The project will be required to submit, at least annually, a year-end balance sheet, income and expense statement and a report on milestones reached as outlined during the application process. More frequent reporting may be required according to loan conditions and the current status of loan performance.
8. Specific sanctions as outlined in the guidelines will be enforced for noncompliance with loan conditions or nonperformance.

Lending Parameters

Loans made by the RLF must meet the following parameters:

1. The RLF is targeted to primary sector business job creation or retention which significantly benefits rural areas.

Primary sector business is defined as an individual, partnership, or association which through the employment of knowledge or labor, adds value to a product, process, or export services that results in the creation of new wealth. The term includes tourism and export services but does not include production agriculture.

2. Eligible projects will include retail businesses and community facilities but those projects must demonstrate an impact on local economy and critical need. Types of projects include industrial and commercial development, small business expansion or starting business incubators, community infrastructure and facilities, medical facilities, training and educational facilities and tourism projects.
3. Eligible entities include corporations, partnerships, sole proprietorships, limited liability companies, limited liability partnerships, cooperatives, governmental entities, and nonprofit entities.
4. The RLF may be used to provide interim or permanent financing for building construction or renovations, real estate, machinery and equipment, and working capital.
5. The RLF cannot be used to refinance existing debt.
6. The RLF cannot be used to finance production agriculture, illegal activities and legalized activities which in the opinion of the board adversely affect RLF interests.
7. The total investment by the RLF in any one project cannot exceed 25 percent of the total capital requirements of the project. The remainder must be derived from owner equity and public and/or private financing.
8. The minimum loan size from the RLF is \$5,000; the maximum loan size is restricted to funds available in the RLF at the time of application. No more than 75% of the fund balance may be borrowed out at any time.
9. Personal guarantees from partners or majority stock holders may be required for all corporate or partnership borrowing.
10. Adequate collateral will be required to protect the interest of the RLF. The collateral must be of such a nature that repayment of the loan is reasonably assured. Examples of acceptable collateral may include:
 - a) Accounts receivable and inventory for short-term loans.
 - b) Machinery and equipment which have a developed market.
 - c) Securities issued by the Federal Government or its agencies.
 - d) Letters of credit from acceptable financial institutions.
 - e) A mortgage on real estate.
11. The borrower will be required to maintain hazard insurance on secured assets, and in some cases, credit life or key man insurance with the RLF as loss payable.
12. The rate of interest may range from zero percent to a maximum rate of prime as published in the Wall Street Journal on the date of loan closing and will be set taking into consideration factors such as risk, liquidity of collateral, equity position, repayment and the term of the loan.
13. Repayment terms will vary depending upon the use of the proceeds as well as the overall nature of the business and will be determined on a project-by-project basis. The following will be used as a general guideline:

Buildings and Real Estate	10 years maximum
Equipment 5 to	7 years maximum
Working Capital	1 to 3 years maximum

Lending Criteria

The loan committee will follow RLF's general policies and the following criteria in reviewing any loan requests:

1. Job creation and retention including the number of jobs to be created or retained, whether the jobs will be full-time, part-time, or seasonal and the cost per job created or retained.
2. The quality of the jobs to be created or retained including wage rates, benefit package offered, potential for longevity in employment, ability to advance in the organization and the working environment.
3. Impact on area economy and environment.
4. Leveraging of other funds, both public and private.
5. Financial strength.
6. Likelihood of success.
7. Likelihood of repayment.
8. Need and appropriateness for funds and terms.
9. Management strength, expertise and past performance.
10. Evidence of a market and marketing plans.

Disbursement of Funds

Loan funds will be dispersed to the successful applicants upon:

1. Evidence that all supplemental funding has been committed.
2. Evidence that all loan conditions have been met.
3. Proper documentation of expenditures or commitment of funds for the approved purposes. Documentation may include invoices, purchase orders, bills of sale, deeds, receipts or other evidence.

Loan Monitoring

All projects will be monitored for compliance with all covenants in the closing documents and for financial performance. Reports will be made to the board of directors at least quarterly on all problem loans. The status of all outstanding loans will be reported to the board annually.

The project will be required to submit at least annually, a year-end balance sheet, income and expense statement and a report on the milestones reached as outlined during the application process. More frequent reporting may be required according to loan conditions and the current status of loan performance. The cooperative reserves the right to require the submission of financial reports audited by a certified public accountant.

A minimum of twice annually, a cooperative representative will initiate phone calls to review performance and issues. On-site visits will be conducted annually to verify and evaluate the use of RLF funds.

Sanctions for Noncompliance/Nonperformance

Nonperformance and/or noncompliance by the business will result in a freeze of any unused funds and access to any additional funding through Polar Communications Mutual Aid Corporation and the establishment of a specific schedule to bring the business into compliance with the original terms and conditions of the loan agreement; renegotiation of the original loan; or the determination to call the loan or any other remedy provided by law.

Performance Standards

The Polar Communications RLF must balance its community and economic development purposes with the financial prerequisites of the fund. It will seek to promote creation of jobs and enhancement of essential community services, but at the same time reflect the need to assure the ability of the borrowers to repay the loans, and to maintain and grow the fund. The standard of performance for the loan portfolio will be designed to measure the progress of the programmatic and financial goals and objectives of the RLF. The cooperative will continuously evaluate its lending activity to determine if it is meeting the goals established for the RLF. A formal evaluation of the RLF's activity will be conducted annually to guide and direct future program activity; measure progress toward goals, and most importantly to determine if the RLF is serving the purposes for which it was created.

The programmatic goals will be evaluated by the following standards:

1. Total jobs created or retained.
2. Cost per job created or retained.
3. Target groups served.
4. Quality of jobs created or retained.
5. Impact on area economy.

The criteria for community development projects are somewhat more subjective in nature and will include:

1. Leverage of funds.
2. Types of facilities financed.
3. Number of persons served.

The effectiveness of the financial assistance provided by the RLF will assess criteria including:

1. The number and dollar amount of loans provided as compared to planned amounts
2. Portfolio of default rates as compared with planned amounts.
3. Leveraging of local, public and other private financing.

Coordination of Lending Activities

The Polar Communications RLF will not compete with, but rather compliment existing public and private sources of financing for rural development in the area. Since the fund will be relatively small, leveraging of other financial resources will be the key to successfully funding projects that will have any impact on the area economy.

Polar Communications staff working in the area of rural development already coordinates activities and funding with many other technical service providers and financing programs at the local, regional, state and federal level. Through involvement in the Traill, Nelson, Walsh, Pembina, and Grand Forks Counties loan pools, the cooperative has provided support to several rural development projects in the area, such as Stein Seeds, Northern Valley Potato Cooperative, Q & R Processing, and Dakota Starch. The loan pools have a maximum of \$50,000 available to projects. The cooperative also participates in an economic development grant program which provides up to \$10,000 per year per project for a maximum of five years.

The major qualification is jobs creation or retention in rural communities. Local projects assisted through this program include Shea Technologies and the Good Samaritan Center, both in Park River, North Dakota.

Experience such as this and familiarity with programs and the personnel who administer them will enhance the Polar Communications RLF's ability to participate jointly in a variety of successful projects with limited dollars.

Other

The RLF may not assist any project where Polar Communications or any official or supervisory employee, subsidiary or affiliated organization, has a financial interest in the project.

Amendments to this RLF plan will not be made without prior written consent of USDA-Rural Development.

Loan servicing fees will be reasonable and appropriate for each project but not in excess of one (1) percent per year on the outstanding principal on the first day of each year on each loan to the project. No more than ten (10) percent of Grant funds received will be applied toward operating expenses, including the costs of administering the Fund, legal fees, and the provision of technical assistance to project owners.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all of a part of an individual's income is derived from any public assistance program. (Not all prohibited basis apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact Polar Communications at 701-284-7221.

To file a complaint of discrimination write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider, employer, and lender.



Revolving Loan Fund Pre-Application

1. Name of Business or Project: _____
Mailing Address: _____
Project Address: _____
Name of Contact Person: _____
Address: _____
Phone #: _____

2. Type of Business Project (manufacturing, processing, service, retail, community, etc.):

3. Project Principals (enter name, address, home phone and ownership %):

4. Phase of Development: Start-Up Expansion

5. Proposed Project Start Date: _____

6. Project Summary: _____

7. How many employees do you have now? _____ Full-time _____ Part-time

8. How many employees will you have upon completion of this project? _____ Full-time _____ Part-time



Revolving Loan Fund Application

1. Business Project Name: _____
 Contact Person: _____
 Full Address of Business: _____
 Phone: _____
 Tax ID #: _____

2. Lead Financial Institution/Development Agency: _____
 Contact Person: _____
 Mailing Address of Financial Institution: _____
 Phone: _____

3. Purpose of Request: _____

 Number of Jobs to be Created: _____
 Amount of Request: _____

4. Uses of All Funds:

A) Building Construction or Renovation	\$ _____
B) Land Acquisition	\$ _____
C) Machinery & Equipment	\$ _____
D) Inventory Purchase	\$ _____
E) Working Capital	\$ _____
F) All Other (specify):	\$ _____

Total Required:	\$ _____

5. Other Sources of Funds:

A) Owner Equity \$ _____
 B) _____ \$ _____
 C) _____ \$ _____
 D) _____ \$ _____
 E) _____ \$ _____
 F) _____ \$ _____
 Total Other Sources:..... \$ _____

6. Present Banking References:

Financial Institution and Address	Contact Person

7. Trade References (attach additional sheet if necessary):

Trade Supplier and Address	Material/Products Supplied

8. Management (attach additional sheet if necessary):

Officers, Directors, Owners, Other Key Personnel	Address	% Ownership

9.

Key Advisors	Name	Firm or Company	Address
Attorneys			
Accountant			
Insurance Agent			

10. Signature of Applicant

The undersigned says she/he is duly authorized to verify the foregoing application, that she/he has read the same and is familiar with the statements contained herein and that the same are true in substance and in fact.

Signature, Title _____

Date _____