



4031 Hwy. 37 Bypass NW
PO Box 399
Garrison, ND 58540-0399

Fund Objectives

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

Eligibility Requirements

- The RLF is targeted to primary sector business job creation or retention. 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 but does not include production agriculture.
- The business or community facility must be located in a rural area without restriction to service area.
- 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 education facilities and tourism projects.
- Eligible entities include corporations, partnerships, sole proprietorships, limited liability companies, cooperatives, governmental entities, and nonprofit entities.
- The RLF may be used to provide interim or permanent financing for building construction or renovation, real estate, machinery and equipment, and working capital.
- The RLF cannot be used to refinance existing debt.
- The Total investment by the RLF in any one project cannot exceed 80 percent of the total capital requirements of the business. The remainder is to be derived from owner equity and public or private financing.
- 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.

-A minimum of ten percent equity must be provided by the project owner(s). This equity can be in the form of cash or other tangible balance sheet equity.

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

-Adequate collateral will be required to protect the interest of the RLF. The collateral must be of such a nature that repayment of a loan is reasonably assured. Examples of acceptable collateral may include:

1. Accounts receivable and inventory for short term loan.
2. Machinery and equipment which have a developed market.
3. Securities issued by the Federal Government or its agencies.
4. Letters of credit from acceptable financial institutions.
5. Real Estate

The RLF may consider subordinating its security position.

-The borrowers 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 payee.

-The rate of interest may range from zero percent and no higher than the prevailing prime rate published in the Wall Street Journal and will be set taking into consideration such factors as risk, liquidity of collateral, and equity position.

-Repayment terms will vary depending on the use of proceeds as well as the overall nature of the business. The following maturities will be used as a general guideline:

Real Estate	10 Years
Equipment	5 to 7 Years
Working Capital	1 to 3 years

The RLF will consider deferment of principal repayment for up to two years, with the balanced amortized over the remaining life of the loan provided the project can demonstrate that the deferral is merited and will enhance the project's ability to succeed.

Project Evaluation Criteria

The following criteria will be analyzed in any loan request review.

-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.

-The quality of the jobs to be created or retrained including wage rates, benefit package offered, potential for longevity in employment, ability to advance in the organization, and the working environment.

- Impact on area economy and environment.
- Leveraging of other funds, both private and public.
- Financial strength
- Likelihood of Success.
- Likelihood of repayment.
- Need and appropriateness for funds and terms.
- Management strength, expertise, and past performance.
- Evidence of a market and marketing plans.



4031 Hwy. 37 Bypass NW
PO Box 399
Garrison, ND 58540-0399

BUSINESS PLAN OVERVIEW

The McLean Electric Cooperative Revolving Loan Fund requires a completed business plan as part of the application process.

This is a general outline of a business plan that will include the information applicable for most funding sources, so several different styles of plans do not need to be prepared. New businesses are generally required to provide more detail than an established business with an operating history.

The outline represents a generalized approach. You need to tailor the plan to the specific circumstances of your business, emphasizing the strengths of the venture and address any potential problems or challenges to be faced. The more complete the plan, the more quickly funding decisions can be made.

The other benefit of a complete business plan is a detailed blueprint for you to follow and gauge your success. It is an adaptable document that can be updated to reflect changes in your business.

If you already have a plan prepared that covers the information here but in a different format, you do not need to re-do the business plan according to this outline – submit the one you have completed. However, the financial information requested in the final section must be submitted for the application to be accepted.

McLean Electric Cooperative, Inc.

REVOLVING LOAN FUND APPLICATION

4031 Hwy. 37 Bypass NW, Garrison, North Dakota 58540 701-463-2291

1. Business/Project Name Contact Person Full Address of Business Phone Tax I.D. Number	2. Name of Financial Institution Contact Person Mailing Address of Financial Institution Phone
---	--

3. Purpose of Request

Amount of Request:			
4. Uses of All Funds	Amount	5. Sources of Funds	Amount
A. Building Construction		A. Owner Equity	
B. Land Acquisition		B.	
C. Machinery & Equipment		C.	
D. Inventory Purchase		D.	
E. Working Capital		E.	
F. All Other (specify)		F	
Total Required		Total other Sources	

6. Present Banking References (if different that listed in 2. above)	
Financial Institution and Address	Contact Person

7. Trade References attach additional sheet if necessary	
Trade Supplier	Address

8. Management attach additional sheet if necessary	
Officers, Directors, Owners, Other Key Personnel	Address

9. Key Advisors	Name	Firm or Company	Address
Attorney			
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.

By: _____

Date: _____

Title: _____

**Please attach this application to a detailed business plan for the project.
(A suggested outline for the business plan is included)**

RECOMMENDED BUSINESS PLAN FORMAT

Executive Summary

The Executive Summary should concisely describe any key elements of the business plan and briefly cover at least the following items.

Name of Business

Business location and plant description

Discussion of product, market and competition

Expertise of management team

Summary of financial projections

Amount of financial assistance requested

Form of purpose of financial assistance

Business goals and objectives

The Executive Summary will set the tone for the rest of the document and may be the only part of the plan read by some of the decision-makers. This is the point where you have to grab their attention, introduce the company and explain your future plans, all in three or four pages.

The Company

This section provides background information on the company and generally includes:

A general description of the business, including the product or service.

Historic development of the business, including such items as:

--Name, date and place of formation, legal structure (e.g., corporation, partnership).

--Significant changes (including dates) in ownership, structure, new products, acquisitions and the like.

--Subsidiaries and degree of ownership, including minority interests.

--Principals and the role they played in the formation of the company.

The Product

Describe the present product(s):

Relative importance of each product, including sales projections, if possible.

Product evaluation (use, quantity, performance). Comparison to competitors' products of product lines, and competitive advantages over the producers.

Elasticity of demand for this product (does demand respond to factors other than price?).

General description of the project, the purpose for which it is undertaken, projected job creation and salary/wage rate for all employees.

Management

Organizational Chart.

Key individuals (including supervisory personnel) having special value to the organization:

--Responsibilities

--Personal resumes (describing skills and experience as they relate to the activities of the business.

--Present Salaries (including other compensation such as stock options, bonuses).

Other employees:

--Number of employees at year end, total payroll expenses for each of the previous three years (breakdown by wages, benefits, etc.).

--Method of compensation.

--Departmental/divisional breakdown of work force.

Planned staff additions.

Ownership

Names, addresses, business affiliation of principal holders of common stock and other types of equity securities (include details of holdings).

Degree to which principal holders are involved in management.

Principal non-management holders.

Names of board of directors, areas of expertise, and the role of board when business is operational.

Amount of stock currently authorized and issued.

Marketing Strategy/Market Analysis

Description of the industry:

--Describe the industry and the industry outlook. Identify the principal markets (commercial/industrial, consumer, and government, international) Include industry size currently as well as its anticipated size in the next two years. Explain the sources of your projections.

Describe the major characteristics of the industry.

Describe the effects of major social, economic, technological or regulatory trends on the industry.

Descriptions of major customers, including:

--Names

--Products sold

--Percent of annual sales volume for each customer over previous three years

--Duration and condition of contacts in place

Describe the market and its major segments. Describe principal market participants and the performance. Identify the firm's target market. For each customer, include the requirements of each and the current way of filling these requirements. Also include information on the buying habits of the customers and the impact on the customer using the product.

Competition. Describe the companies with which the business competes and how business compares with these competitive companies. This is a more detailed narrative than contained in the description of the product, above.

Prospective customers. Describe prospective customers and their reaction to the firm.

Marketing activities. Describe the firm's marketing strategy, including overall strategy; pricing policy; method of selling, distributing and servicing the product; geographic penetration; field/product support; advertising; public relations and promotion; and priorities among these activities.

Selling activities. Describe the sales effort you have and estimated sales and market share.

Technology

List of patents, copyrights, licenses or statements of propriety interest in the product or product line.

Describe new technologies that may become practical in the next two years which may affect the product.

Describe research and development efforts.

Production/Operating plan

Explain how the firm will perform production

Describe capacity and status in terms of:

--Physical facilities, current and planned; owned or leased, size and Location

Capital equipment (types and quantities)

Facilities plan, description of planned capital improvements and a timetable for construction and equipment installation.

--Suppliers; name/location of principal suppliers; length of lead time required; usual terms of purchase.

--Labor supply; number of employees planned for expansion; unionization; stability (seasonal or cyclical); and fringe benefits (insurance, profit-sharing, pension, etc.)

--Technologies/skills required to develop and manufacture the products (provide listing/description).

--Cost breakdown for material, labor and manufacturing overhead for each product, plus cost vs. volume curves for each product.

--Manufacturing process – block and workflow diagram if helpful.

Describe production or operating advantages of the firm. Discuss whether they are expected to continue.

Specify standard costs at different volume levels.

Present a schedule of work for the next one to two years.

Financial

Sample forms for preparing financial statements follow. The forms are provided for informational purposes and do not need to be used if you have prepared the information in a different format. However, the starred (*) financial information **must** be complete for the application to be reviewed.

Accountant – name and address

Legal Counsel – name and address

Banker – name, location, contract officer familiar with account. *

A funding request indicating the desired financing, capitalization, use of funds, and future financing. *

Controls: cost system used, and budget used.

Amount to be raised from debt and amount from equity.

* FOR EXISTING BUSINESSES ONLY:

T Tax returns for the previous three years or for the number of years the business has been in existence if less than three years. *

T Financial statements for the past three years or for the number of years the business has been in existence if less than three years. *

T Current financial statements. *

T An aging of accounts receivable.

* T An aging of accounts payable. *

Financial statement and projections for the next three years:

--Profit and loss or income statement by month until break even, then by quarter. *

--Balance sheets as of year-end for each year. *

--Monthly cash flow projections including the proposed financing for two years. *

--Capital budgets for equipment and other capital acquisitions.

--Manufacturing/shipping plan (units).

Include key assumptions you have made in your performance and how these assumptions reflect industry performance. *

Personal financial statements for all principals. *