



Minnesota Rural Water Association Loan Application Form v.5.7.2019

PROGRAM CRITERIA

	<u>Micro-Loan</u>	<u>Midi-Loan</u>	<u>Mega-Loan</u>
Loan Amount	up to \$250,000	up to \$1,000,000	up to \$3,000,000
Repayment Term	up to 7 years	up to 15 years	up to 20 years
Security	General Obligation	General Obligation	General Obligation
Borrower Population	200 persons	400 (200 if not declining)	600 Persons
Borrower Debt Levels	< \$5,000 per capita <10% debt/market value	< \$5,000 per capita <10% debt/market value	< \$5,000 per capita <10% debt/market value

Additional Terms for Mega-Loans:
 Maximum Average Life of 12 years
 General Fund unassigned balance at least 35% of current year expenditures

PROGRAM FEES *(all inclusive*)*

<u>Loan Amount</u>	<u>Micro-Loan</u>	<u>Midi-Loan</u>	<u>Mega-Loan</u>
Under \$50,000	\$3,350	-	-
\$50,001 to \$100,000	\$4,550	-	-
\$101,001 to \$250,000	\$5,050	\$9,290	-
\$250,001 - \$500,000	-	12,690	-
\$500,001 – 750,000	-	14,840	-
\$750,001 - \$1 million	-	16,590	-
\$500,000 - \$1 million	-	-	17,575
\$1 million - \$2 million	-	-	21,475
\$2 million - \$3 million	-	-	24,475

** Additional fees may apply if applicant elects to use non-program lenders / bond counsels or for special exemptions. Loans may be subject to annual pay agent fees. All loans may be subject to additional fees if special statutory authority process is required. Contact David Drown Associates for exact fees at 612-920-3320, ext. 102.*

APPLICATION INFORMATION

(or simply apply on-line at www.daviddrown.com or www.mrwa.com)

TYPE OF LOAN: Micro-Loan _____ Midi-Loan _____ Mega-Loan _____

PROJECT: Please provide a brief description of the project:

Project cost: _____ Requested Repayment term: _____ years

Loan Amount Request: _____ Date Funds are Needed: _____

BORROWER: _____ Primary Contact: _____

Phone Number: _____ Contact email: _____

Mailing Address: _____

Office Hours: _____ Federal Tax ID Number: _____

APPROVAL: When will Council/Board meet to approve **final** loan documents? (allow 1 week to process)

Date: _____ Time: _____

Documents for agenda packets are needed by: _____

Regular Council/Board meetings are held (day of the week/time): _____

OFFICIALS

<u>Name</u>	<u>Office</u>	<u>Year Term Began</u>	<u>Year Term Ends</u>
_____	Mayor/ Chair	_____	_____
_____	Member	_____	_____
_____	Member	_____	_____
_____	Member	_____	_____
_____	Member	_____	_____
_____	Clerk/Treasurer	_____	_____
_____	Administrator	_____	_____

REQUIRED ATTACHMENTS

- Electronic* copy of the borrower’s most recent audited financial statement (3 years for Mega.)
- Provide a payment schedule for any debt obligations not shown in last audit. (None: _____)
- Provide a list of any capital projects/debt to be issued during the next 12 months. (None: _____)
- Mega borrowers will be required to provide additional information – we will advise what is needed.

CLOSING: Transfer of funds is normally accomplished by cashier or certified check mailed to the borrower on the date of closing. Midi- and Mega-Loan borrowers (not Micro-Loan) have the *option* of receiving funds by wire if wiring instructions are provided below (or attached):

Wiring Instructions: _____

CERTIFICATIONS

- The Borrower is applying for a Micro-, Midi- or Mega-Loan. The final loan terms will be outlined in a resolution to be approved by the governing board at a future date.
- The Program Fees (outlined above) will be added to the requested loan amount and paid automatically at closing. Payment of the program fee is contingent upon Loan closing. Payment of the rating fee, if required, is the Borrower’s responsibility if Loan is not closed.
- For all Loans, David Drown Associates, Inc. will be retained as your financial advisor. MSRB rules require municipal advisors to act in the Borrower’s best interest. The Borrower does hereby certify it has read and accepted the terms outlined in the attached Standard Agreement and Engagement Letter.
- Fryberger, Buchanan, Smith & Frederick, P.A serves as the Program’s standard bond counsel.
 - ___ We wish to use the Program’s bond counsel and hereby certify we have read and accepted the terms outlined in the Standard Bond Counsel Services Agreement. (document on file at www.MRWA.com).
 - ___ We wish to use another bond counsel firm or lender (additional fees will apply).
Name of firm and/or lender: _____.
- When required, Northland Trust Services will be retained as the paying agent, registrar, transfer and fiscal agent for the Loan. The Borrower hereby certifies it has read and accept the terms outlined in the Standard Trust Services Agreement (document on file at www.MRWA.com).
- The Borrower does hereby certify that the project financed by the Loan will be owned, occupied, used and operated entirely/exclusively by the Borrower. No part of the project will be leased to, occupied by, or provide a special benefit to a non-governmental entity (*attach a note describing any exceptions*).
- The Borrower further certifies that there is no litigation threatened or pending that would question the Borrower’s right to issue debt or impair the Borrower’s ability to make payments on debt outstanding or contemplated (*attach a note describing any exceptions*).
- The Borrower has never defaulted in the payment of any indebtedness (*attach a note if exceptions*).

By our signatures below, the Borrower certifies that all the above information is true and accurate.

Authorized Official

Date

Please submit complete application to either of the following addresses. Allow at least one week for processing.

Lori Blair
Minnesota Rural Water Association
217 12th Avenue SE
Elbow Lake, MN 56531
Phone (218) 685-5197 | Fax (218) 685-5272
mrwa@mrwa.com

David Drown, President
David Drown Associates, Inc.
5029 Upton Avenue South
Minneapolis, MN 55410
Phone (612) 920-3320 | Fax (612)-605-2375
david@daviddrown.com

STANDARD AGREEMENT & ENGAGEMENT LETTER FOR MUNICIPAL ADVISORY SERVICES

David Drown Associates, Inc. ("Municipal Advisor") has been selected to serve as the Municipal Advisor for Issuers participating in the Micro, Midi and Mega Loan programs (the "Program"). By submitting a signed Minnesota Rural Water Association Loan Application Form (the "Application") for a Program Loan and by approving a Resolution providing for the sale of Bonds through the Program, you are designating David Drown Associates, Inc. to serve as the Municipal Advisor for the loan. This document is our written arrangement on the role the Municipal Advisor will serve and responsibilities the Municipal Advisor will assume in connection with the issuance of general obligation bonds by the Issuer (the "Loan") as described in the Application completed by the Issuer and also the fees the Municipal Advisor will charge.

Section 1: Municipal Advisor Role. The Municipal Advisor is engaged as a recognized independent expert whose primary responsibility is to give objective fiscal advice on the structure and issuance of the Loan under state and federal securities law. We will provide some, or all, of the following services to determine suitability of the Loan for the applicant:

- a. Evaluate legal options/alternatives for issuance of debt taking into account borrower's objectives, revenue availability and other factors.
- b. Prepare preliminary financing schedules and options for review and consideration by the Borrower.
- c. Evaluate the suitability of Program loans to meet borrower's objectives and advise the borrower of other suitable alternatives.
- d. Upon receipt of a completed Application, the Municipal Advisor will prepare final payment and cashflow schedules and related offering documents.
- e. For certain Mega loans, prepare application materials and assist the borrower in securing a bond rating.
- f. Secure a binding commitment for the sale/placement of the loan with pre-screened program lenders and/or other underwriters or lenders as necessary.
- g. Work with bond counsel to prepare a Resolution and other documents necessary to finalize and close the loan.
- h. Provide assistance in coordinating closing and transfer of funds.
- i. Draft a closing letter summarizing the transaction and providing guidance in accounting for loan proceeds and budgeting for future payments.

Section 2: Engagement Letter & Disclosure of Conflicts of Interest. Rules established by the Municipal Securities Rulemaking Board ("MSRB") and the Securities Exchange Commission ("SEC") requires the registered Municipal Advisor tasked with administering the various low cost loan programs offered via MN Rural Water Association ("MRWA"), to provide a written description of its advisory relationship and to make certain other disclosures in regards to potential conflicts of interest. The applicant recognizes that by submitting the attached application that it has requested and approved David Drown Associates, Inc. ("DDA") to act as Municipal Advisor to the community on this particular engagement. This means that DDA is to be held to the very highest standard of loyalty and care with an **explicit fiduciary duty** to act in your community's best interests. This means several important things:

- DDA has a duty to exercise due care in performing municipal advisory activities.
- DDA has a duty of loyalty, requiring us to act in your best interest without regard to our own financial or other interests.
- DDA must have the knowledge and expertise needed to provide you with informed advice.
- DDA has a duty understand you and your specific situation and to follow your directions, so our advice is suitable for you.
- DDA is required to make reasonably inquiries and investigations as to the facts supporting our recommendations and work products.
- DDA has a duty to discuss with you material risks, benefits, and alternatives considered that might serve your interests better.

Disclosure of Conflicts of Interest: A municipal advisor may not undertake an engagement without disclosing in writing how *potential* conflicts of interest will be managed and mitigated. There are several potential conflicts of interest that may apply to our engagement with you:

Compensation Conflicts of Interest.

- Fixed Fees or "Lump Sum". This form of compensation represents a potential conflict of interest because if the transaction requires more work than originally contemplated, the financial advisor may suffer a loss. Thus, the advisor may recommend less time-consuming alternatives or fail to do a full analysis of alternatives.
- Fee Based upon Principal Amount. This form of compensation presents a conflict of interest because the advisor may have an incentive to advise the client to increase the size of the securities issue for the purpose of increasing the advisor's compensation.
- Contingent Fee. This form of compensation presents a potential conflict of interest because the advisor may have an incentive to recommend unnecessary financings or financings that are disadvantageous to the client. When facts or circumstances arise that could cause the financing to be delayed or fail to close, an advisor may have an incentive to discourage a full consideration of such facts and circumstances.

Our plan to mitigate conflicts of interest regarding compensation is to assure the program standard fee schedule reasonably reflects the expected costs of standard services.

MN Rural Water Association Conflicts of Interest. David Drown Associates, Inc. serves as the financial advisor for MRWA's MEGA, MIDI, MICRO and Interim Funding Programs. In that capacity, we process loan requests and serve as municipal advisor to borrowers seeking to utilize these funding programs. This relationship with MRWA represents a potential conflict of interest in that we have an incentive to recommend the use of these funding programs and to exclude due consideration of other options or alternatives. We have mitigated this conflict of interest by agreement with MRWA that we will not process loans where other financing mechanisms are clearly superior, and we maintain internal procedures that explicitly include a review of other funding options before acting upon a loan request.

Section 3: Term of Engagement. Upon closing and delivery of closing, our responsibilities as Municipal Advisor will be concluded with respect to this financing and we do not undertake (unless separately engaged) to provide continuing advice to you or any other party.

Section 4: Fees & Expenses. The Municipal Advisor's fees will be incorporated into and paid from the Program Fee shown on the Application Form. Our fee shall be contingent upon successful sale and closing of a Loan (see disclosure of conflicts of interest above). In the event we are asked to provide additional services outside the scope of Program activities, we will notify you of these services and costs in advance.

CERTIFICATION OF ENGAGEMENT

By submitting a signed application, the applicant hereby certifies that David Drown Associates, Inc. is hereby engaged to serve as our community's Municipal Advisor associated with the attached loan application. It is further certified that DDA has fully and completely disclosed all potential conflicts of interest and the plans to mitigate such conflicts. We understand that DDA will investigate our financial position to determine the suitability of the loan programs for our project. We understand and accept any findings that determine the loan programs may be unsuitable for our community or if more beneficial financing alternatives may be suggested.