

Example of a Line of Credit Agreement

(Back to Index)

LINE OF CREDIT AGREEMENT

THIS AGREEMENT, _____ into this _____ day of _____, _____ by and between _____ and _____ of _____ Montana, hereinafter referred to as the Bank.

1. Maximum line of credit.

The parties agree that the maximum Line of Credit extended hereunder shall not exceed the maximum principal sum of \$ _____.

2. Agreement to provide Operating Line of Credit in conjunction with the bank obtaining an FSA Contract of Guarantee (Line of Credit).

Bank agrees, subject to the terms and conditions contained herein, to provide to Borrower annual operating funds not to exceed in maximum principal balance or the maximum Line of Credit (LOC) provided herein. The term of this line of credit is for a period of five (5) years from the date of this agreement.

3. Annual Draws and Annual Promissory Notes

At the commencement of this loan agreement, Borrower may draw upon the LOC in an amount not to exceed the maximum LOC as defined herein. Such draw upon the LOC shall be evidenced by a promissory note executed by Borrower and delivered to the Bank, due and payable in full, with interest. Upon payment in full of such promissory note, borrower may again draw upon the LOC in an amount not to exceed the LOC as defined herein. Such draw upon the LOC shall be evidenced by a promissory note executed by Borrower and delivered to the Bank, due and payable in full, with interest, one (1) year from the date of its issuance. Upon payment in full of such second promissory note, Borrower may again draw upon the LOC in an amount not to exceed the maximum LOC as defined herein. Upon payment in full of such promissory note, borrower may again draw upon the LOC in an amount not to exceed the LOC as defined herein. Such draw upon the LOC shall be evidenced by a promissory note executed by Borrower and delivered to the Bank, due and payable in full, with interest, one (1) year from the date of its issuance. Upon payment in full of such third promissory note, Borrower may again draw upon the LOC in an amount not to exceed the maximum LOC as defined herein. Upon payment in full of such promissory note, borrower may again draw upon the LOC in an amount not to exceed the LOC as defined herein. Such draw upon the LOC shall be evidenced by a promissory note executed by Borrower and delivered to the Bank, due and payable in full, with interest, one (1) year from the date of its issuance. Upon payment in full of such fourth promissory note, Borrower may again draw upon the LOC in an amount not to exceed the maximum LOC as defined herein. Such draw upon the LOC shall be evidenced by a promissory note executed by Borrower and delivered to the Bank, due and payable, in full with interest, on or before the expiration date of this Line of Credit or one (1) year from the date of its issuance, whichever is earliest.

(The above language is minimally acceptable. Further description of the hand notes amount, etc., is strongly suggested.)

4. Conditions of Annual Draws

- a. Borrower shall not be entitled to further advances and no further advances shall be made upon the LOC until each annual note has been repaid in full, together with accumulated interest and costs of collection.
- b. Borrower shall not be entitled to further advances and no further advances shall be made, upon the LOC if any of the following conditions exist:
 - a) Borrower is in default in the payment of any annual note hereunder;
 - b) Borrower is in default of any provision of this agreement or of any security agreement taken to secure payments hereunder;
 - c) Borrower institutes any proceedings in bankruptcy or makes a general assignment for benefit of creditors;
 - d) Borrower is insolvent; or
 - e) Borrower ceases to qualify under federal law, regulation or rule for FSA guaranteed loans.

Example of a Line of Credit Agreement

c. Borrower, prior to his application for a draw upon the LOC, shall provide the Bank with a budget and financial statement and such other financial records, accountings and books as the Bank shall deem necessary to adequately determine the financial status of the Borrower.

d. Borrower during the term of this agreement shall conduct his operations in conformance with the annual budget approved by the bank.

e. Nothing herein shall be construed as obligating the Bank to make further advances to Borrower so long as any annual note herein remains due and owing by Borrower to the Bank.

5. Interest Rate on Annual Advances

The annual advances evidenced by the annual promissory notes shall carry a (fixed/variable) interest rate (variable rate tie, i.e., 2 % above Prime).

6. Form of Annual Notes

The annual notes to be executed by Borrower and delivered to Bank shall be in the form attached hereto as Exhibit "A" and made a part hereof by references and shall be fully enforceable as to their terms.

7. Time of the Essence

Time is of the essence of this agreement.

8. Attorneys Fees

If it should become necessary for any party to institute legal proceedings to enforce any of the terms of this agreement or to collect any sums advanced hereunder, then the prevailing party in such proceedings shall be entitled to recover all its costs and expenses of such proceedings, including reasonable attorney fees, from the non-prevailing party.

9. Entire Agreement and Modification

This agreement contains the entire agreement of the parties and supersedes and replaces all prior discussions, negotiations and representations of the parties. NO PARTY SHALL RELY UPON ANY ORAL REPRESENTATIONS IN ENTERING INTO THIS AGREEMENT, SUCH ORAL REPRESENTATIONS, IF ANY, BEING EXPRESSLY DENIED BY THE PARTY TO WHOM THEY ARE ATTRIBUTED AND IT BEING THE INTENTION OF THE PARTIES TO LIMIT THE TERMS OF THIS AGREEMENT TO THOSE MATTERS CONTAINED HEREIN IN WRITING.

This agreement may be modified only by a writing executed by all of the parties to this agreement.

10. Binding Effect

This agreement is binding upon and inures to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns.

[Insert HEL/WL clauses]

[Insert Signature Lines for all parties]
