

The National Carousel Association PRESERVATION LOAN PROGRAM

The National Carousel Association loan program is created to make interest bearing loans to non-profit organizations to enable them to save a local community carousel from sale and destruction.

The National Carousel Association will capitalize a loan fund by means of grants and loans from its members, grants from foundations and non-members, and from members who pay a \$6,000 life membership in the NCA. The life membership can be paid over a three year period.

- 1) The loan will be for up to one third of the cost of the carousel and the term of the loan will not exceed five years.
- 2) In extenuating circumstances, upon the recommendation of the Loan Committee, and the approval of the NCA Board, the loan may be extended for a further two years, with the NCA retaining all rights, plus an additional 5% equity in the carousel for any year, or part thereof, of extension. Application for extension shall be made at least 6 calendar months prior to due date.
- 3) Interest will be paid annually for the first year, thereafter quarterly, at the Internal Revenue Service AFR rate for the term of the loan for loans up to three years, and AFR plus one-half percent per annum for loans over three years. (The AFR rate is the lowest rate the IRS will accept on loans. There are three separate rates, based upon the length of the loan. The rates are set each month and are published monthly by the IRS).
- 4) The loan will be granted in exchange for granting the NCA the right, in perpetuity, to veto any sale of the carousel. The carousel can only be sold to non-profit or government entities. Should the carousel be sold, with the NCA's approval, this right will be acknowledged by the buyer and will remain. Should the sale of the carousel not be approved by the NCA and the owner still wish to sell, it will be sold to the NCA at the original sale price (or appraised value, if lower). The NCA will pay the seller the price, less any loan principal and interest unpaid. The NCA will have three years to pay the amount, without the imposition of any interest.
- 5) Until the loan and all interest are paid, the NCA will have an equity interest in the carousel of that percentage of the original cost price represented by the original loan, whether there have been any payments on the loan or not, plus an additional percentage represented by any unpaid interest.
- 6) Should any principal or interest not be timely paid, the NCA shall have the right to enforce sale of the carousel to another non-profit or government entity. This right shall remain until the loan and any interest have been paid in full.
- 7) Loan applications will include a business plan and projected budget for the period of the loan showing projected sources of revenue sufficient to pay off the loan over the requested period, plus any additional information requested by the NCA.
- 8) Annually until the loan has been repaid, the borrower will submit financial statements, and copies of annual tax returns to the NCA, as soon as they are available, but not later than five months after the entity's year end. Non-compliance will grant the NCA the right to enforce sale of the carousel to another non-profit or government entity. This right to enforce sale shall remain until the loan and interest have been paid in full.
- 9) Loan Committee: the loan committee will be comprised of 5 persons: the NCA president and vice president and three members appointed by the president. The three members will be selected based upon their knowledge of carousels and financing. The three members will serve for three -year terms, with one retiring at the end of June each year, in rotation. The retiring member will be eligible for reappointment . The initial three members will be appointed for two, three and four years respectively. The president has the right to remove a member at the request of the other two members.
- 10) The basis for granting the loan will include (but not be limited to) the degree to which the carousel is threatened, the feasibility of the project, the commitment of the community, investment in the carousel by the non-profit or government entity and realistic plans to pay off the loan in the loan period.

