

PLATTE-CLAY ELECTRIC COOPERATIVE
ECONOMIC DEVELOPMENT REVOLVING FUND

A. FUND OPERATION BACKGROUND INFORMATION

Platte-Clay Electric Cooperative (PCEC) has agreed to be the fund administer and provide the match requirement need to fulfill the Rural Business-Cooperative Service (RBS) guidelines for systems receiving grants and participating in the fund.

The PCEC's Board of Directors has the authority to approve or deny loans and is sole responsible for all actions of the PCECEDRF.

The final loan decisions will be made by the PCEC Board of Directors, however the PCEC board of directors will appoint a Loan Review Committee to review the applications and make recommendations for board action, consisting of the following six persons:

Chief Executive Officer or appointed representative, PCEC
Manager of Community & Industrial Development or appointed representative, PCEC
Manager of Finance & Accounting or appointed representative, PCEC
President, Board of Directors, PCEC
Vice President, Board of Directors, PCEC
Treasurer, Board of Directors, PCEC

The professional staff of PCEC will supervise packaging and due diligence and provide fiscal, reporting and administrative functions.

B. LENDING PARAMETERS

a. PURPOSE: To assist projects that will contribute to rural and community development, job retention and/or creation, or improving rural and community infrastructure.

b. MAXIMUM AND MINIMUM LOAN: Maximum \$200,000 or 50% of total project costs whichever is less. Minimum \$50,000

c. LOAN TYPES: Direct loan participation (with bank services loan)
Direct loans in conjunction with bank loans
Direct loans in conjunction with other loan funds

The RAF is not intended to compete with other public and private lenders.

d. INTEREST RATES: Not more than fifty percent (50%) of the prevailing prime lending rate as published in the current issue of **The Wall Street Journal** plus 1% (although up to an additional 1% annual interest may be charged for loan administration). Interest rate will be determined based on equity, job creation, the evaluation of ability to repay the loan and the necessity of below market financing to make the project feasible.

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e. FEES: There will be a one (1%) percent annual loan servicing fee on unpaid balance of all loans made. This will contribute to direct costs of due diligence or loan servicing such as credit checks, legal and/or accounting fees necessary to originate the loans and consultants as required by the loan committee. Title insurance, appraisals, collection fees, audits and similar charges will be the responsibility of the borrower.

f. SECURITY: Security/collateral will be shared by PCECEDRF and the commercial lender involved in the project. PCECEDRF will take the best secured position on all loans made. All recipients will be required to guarantee repayment of PCECEDRF.

g. APPLICATIONS: Loan applicants will be required to submit an application, business plan, financial history, and projections as part of the application process. Completion of standard loan agreements, promissory notes and security agreements will be part of each transaction. Standardized forms are available for these purposes as needed.

h. ELIGIBILITY: All businesses, non-profit entities and public bodies are eligible to participate as follows:

- * Loan application process initiated
- * Completed applications are analyzed and presented to Loan Review Committee
- * Board of Directors makes final approval/disapproval of loan

i. CONFLICT OF INTEREST: To avoid potential conflicts of interest, or the appearance of a conflict of interest, an RAF loan will not be made to any PCEC board member, Loan Review Committee member, or member of their immediate family.

j. COORDINATED EFFORTS: The PCECEDRF is not intended to compete with other public and private lenders. Prospective applicants should, to the extent possible, obtain funding from conventional or other funding sources before seeking PCECEDRF loan funds. The PCECEDRF will be used as a supplemental fund in conjunction with local conventional financing.