

Perennial Public Power District

RURAL ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

INTRODUCTION AND OBJECTIVE

Perennial Public Power District (Perennial Power) actively participates in the development of the rural communities in its area. Through leadership roles and financial commitments Perennial Power has contributed to economic development and business expansion within its service territory. By establishing a Revolving Loan Fund (RLF), Perennial Power plans to further enhance the economic climate of the area by helping finance projects that lead to the creation of jobs and long-term employment for rural residents, and sustained economic growth in the area.

TYPES OF PROJECTS TO BE FUNDED

Perennial Power will consider applications for loans from the RLF for projects that will significantly benefit rural areas by creating and retaining employment opportunities, or provide necessary community facilities and services. Projects to be considered for loans will include medical or other emergency facilities; training and educational facilities; community infrastructure; small business startup projects; small business expansion projects; business incubators; and commercial or industrial development.

Applications for loans from the RLF will be accepted for projects located within York and Fillmore Counties in Nebraska. The approval of any loan, however, will not be conditioned upon a requirement that the prospective loan recipient purchase electric service from Perennial Power.

To avoid potential conflicts of interest, loans will not be made to any board member, officer, general manager, or employee of Perennial Power, or close relative thereof. Likewise, projects involving Perennial Power such as the payment of outstanding debt, financing of electric system improvements, acquisition of property, or any other project where there may be an appearance of a conflict of interest, will not be eligible for a loan from the Revolving Loan Fund.

LOAN ELIGIBILITY CRITERIA

The initial loan from the RLF will be made to a not-for-profit entity or public body for projects that meet the USDA Rural Economic Development Loan & Grant Program guidelines. Subsequent loans made from the repayment of the initial loan may be used for any project that promotes job creation and economic growth in accordance with this Rural Development Plan, including loans to both not-for-profit and for-profit businesses. The proceeds from subsequent loans may fund the purchase of real estate or equipment, speculative buildings, industrial park development, working capital, community-based projects, other projects that assist with the expansion of existing businesses and industry, or the attraction of new businesses.

Loans from the RLF shall not be used to pay for project costs that have incurred prior to approval of the loan; for projects that primarily involve the purchase of an established business; general improvements, including normal replacements for an existing business, whereby the projects do not create new economic

development and job opportunities in rural areas; for projects that would adversely affect the environment; illegal activities; or other projects that in the opinion of Perennial Power's board of directors would adversely affect the RLF interests.

LOAN FUND GUIDELINES

Perennial Power's Revolving Loan Fund will not be used to compete with local lending agencies, but rather the RLF will work in partnership with other public and private lenders to compile the financial package necessary for projects that create jobs and wealth in rural areas.

The minimum RLF loan will be \$5,000 and the maximum RLF loan will be \$240,000, based upon the available balance in the revolving loan fund account.

The initial RLF loan will be made at zero percent interest, although Perennial Power may charge a loan servicing fee in an amount up to 1 percent per year on the outstanding loan principal. Interest rates on subsequent loans will be determined based upon an evaluation of the project and the ability of the loan recipient to repay the loan, as well as the need to have below marketing financing to make the project happen. However, the interest rate on subsequent loans will not exceed the published Wall Street Journal prime rate. Interest earnings on all loans shall stay in the Revolving Loan Fund to be available for future RLF loans.

The term of an RLF loan shall not exceed 10 years. With the recommendation from a Loan Review Committee, and approval by Perennial Power's board of directors, the term of the loan may be less than 10 years, depending upon the project, the applicant's ability to repay, and the anticipated life of the security. Additionally, the term of the loan will not exceed the expected life of the asset.

Collateral shall be received on loans made from the RLF, as determined by Perennial Power's board of directors. An irrevocable letter of credit or equivalent guarantee that continues throughout the term of loan may be accepted as collateral. Based on individual circumstances of the loan, other terms and conditions may be required by Perennial Power's board of directors to secure the loan.