

SAMPLE OUTLINE OF REVOLVING LOAN FUND PLAN

(For reference purposes only)

REVOLVING LOAN FUND (RLF) PROGRAM OBJECTIVES

(Include statement on objectives of Intermediary for operating a Revolving Loan Fund program in its local communities)

RLF POLICY STATEMENTS

The Intermediary will accept and consider applications for loans from the RLF for projects that will significantly benefit rural areas, without restriction to the Intermediary's service area or any other area.

Intermediary will not condition the approval of a loan from the RLF with the requirement that the prospective recipient take electric service from the Intermediary or any other associated electric utility.

The Board of Directors of the Intermediary is the sole authority for approval or denial of loans from the RLF and is responsible for all decisions and actions of the RLF. The RLF will be operated and maintained solely by the Intermediary.

It is the intent of the Intermediary that funds from the RLF program serve as seed money to generate economic development. The Intermediary will work with local lenders and others to maximize the leverage of the RLF dollars so that the result is the maximum possible economic development. It is further intended that the Intermediary use the RLF program to supplement, but not compete with, capital that may already exist within the communities.

LENDING PARAMETERS

ELIGIBLE APPLICANTS:

Business Ventures, including:

Corporations, Partnerships, Sole Proprietorships, Cooperatives

Governmental Units, including:

Local Townships, Municipals or Boroughs, County Government, Regional Authorities

Nonprofit Entities

Tribal Authorities

TYPES OF PROJECTS ELIGIBLE FOR RLF FUNDING:

Projects must create or retain employment or provide needed community facilities and services such as:

- Industrial/Commercial Development
- Small Business Expansion or Startup
- Business Incubators
- Community Infrastructure
- Community Facilities
- Medical Facilities

- Training/Educational Facilities
- Tourism

TYPES OF PROJECTS/ACTIVITIES INELIGIBLE FOR RLF FUNDING:

- Refinancing of existing debt, or payment to business owners or partners;
- Projects without any supplemental financing;
- Activities determined to be for investment purposes;
- General improvement loans related to normal replacement needs of a business and unrelated to business expansion/job creation;
- Agricultural production costs (i.e., cultivation, production, harvesting);
- Vehicles used for general purposes or that may be considered for personal use;
- Projects that are primarily working capital with limited security;
- Construction projects of an individual residential nature;
- Illegal activities and legalized activities (e.g. gambling casinos) that in the opinion of the Board of Directors adversely affect RLF interests;
- Projects in which any director, officer, general manager, or supervisory employee of the Intermediary, or close relative thereof, has a financial interest; projects in which any subsidiary or affiliated organization of Intermediary has a financial interest; or projects which, based on the judgment of the Board, would create a conflict of interest, potential for conflict of interest, or any appearance of a conflict of interest.

TYPES OF FINANCING AVAILABLE:

Fixed Asset Financing including:

- Land, buildings, manufacturing equipment, office and work equipment.
- Infrastructure improvements.

Working Capital Financing:

- Available in a limited amount only in conjunction with other RLF financing.

LOAN TERMS AND CONDITIONS

Amount

The RLF will not lend more than _____% of the total amount that is needed for a project. The maximum amount of a single loan may not exceed \$_____. The minimum RLF loan amount is \$_____.

Interest Rates

The maximum interest rate for loans made from the RLF is the prime rate as published in the Wall Street Journal on the date of loan closing. A system that considers owner's equity and risk factors is used to determine the interest rate on each loan. The minimum interest rate will be _____ percent.

Servicing Fee

A servicing fee will be applicable for all loans. The fee will be no more than one percent (1%) per year of the outstanding principal loan balance on the first day of each year of the loan and will be used to cover the Intermediary's administration costs in connection with operation of the RLF. (At the Intermediary's option, the servicing fee may be retained by the Intermediary to cover its expenses, or deposited in the RLF account to enhance the fund. Administrative costs cannot be paid from interest earnings of the RLF.)

Annual budgets will be submitted to Rural Development Business Programs setting forth the costs of operating the RLF.

Legal Fees

The loan recipient will reimburse the Intermediary for all loan closing and legal fees incurred by the Intermediary in connection with the loan. Legal fees will be limited, however, to no more than \$_____.

Repayment Terms

Repayment terms will not exceed ____ years. The following maturities will be used as a general guideline:

Building	10 years
Real Estate	10 years
Equipment	5 to 7 years or depreciable life
Working Capital	1 to 3 years

The loan committee will provide a recommendation on term options and loan repayment schedules (annual, quarterly, monthly) on a project-by-project basis.

Supplemental Financing

RLF loans are limited to financing ____% of a project. Supplemental financing of ____% will be required. Evidence of availability of supplemental financing will be required prior to advance of RLF funds.

Security

The Intermediary will work with the potential borrower to obtain security that is adequate for the term of the loan. The nature of the collateral pledged shall be determined by the loan committee on a project-by-project basis. Generally, security will consist of a first lien position on real property. If the same collateral is used in joint financing, the RLF will require a parity position with other lenders. Other types of security may include:

- Letters of credit from acceptable financial institutions;
- Machinery and equipment which have a developed market;
- Accounts receivable and inventory for short-term loans; and
- Securities issued by the Federal government or its agencies.

The loan recipient will be required to maintain fire insurance, and flood insurance if necessary, on secured assets. In some cases, credit life or key man insurance will be required with the RLF as loss payee.

Personal guarantees from partners or majority stockholders may be required for all corporate or partnership borrowings where the equity requirement is not met by cash.

APPLICATION PROCESS:

All applicants for RLF funding will be required to complete an application form, providing verifiable data which demonstrates that their proposed projects are economically feasible, sustainable, and will provide benefits to rural areas, either through job creation or infrastructure improvements.

APPLICATION SELECTION PROCESS:

(Discuss the process proposed by the Intermediary for reviewing and nominating applications for loan approval. Include written selection criteria. Note: Final loan approval authority must remain with the Board of Directors. It cannot be delegated to others.)

CLOSING AND DISBURSEMENT PROCESS:

(Discuss the process proposed by the Intermediary for loan closing; including loan agreement, promissory note, collateral/lien/UCC financing statement filing requirements, and disbursement of RLF funds to recipients, i.e., up-front advance, or periodic reimbursement basis, as well as documentation needed to support the advance of funds, etc.)

LOAN MONITORING:

Loan monitoring will require regular reporting by the loan recipient. This includes, at the option of the Intermediary, the following:

Annual income statements and balance sheets. Depending on the nature of the project and security arrangements, the Intermediary reserves the right to require the submission of annual financial reports as audited by a certified public accountant.

Periodic management information reports. Management reports will be required on a semi-annual basis beginning six months after the advance of RLF funds and continuing semi-annually thereafter for a period of 3 years or until completion of the project, whichever is the later period.

Management reports will include:

(A) information on the number of jobs created or retained during the reporting period;

(B) a comparison of accomplishments during the reporting period to the objectives established for the project, and

(C) a description of any problems, delays, or adverse conditions which will materially affect the attainment of planned project objectives and a statement of action taken or contemplated to resolve the situation.

The Intermediary reserves the right to require these reports on a more frequent basis if it is determined to be in the best interest of the RLF.

Telephone contact and site visits. At a minimum, semi-annually, a representative of the Intermediary will initiate a phone call to the loan recipient to review performance and issues. On-site visits will be conducted annually to verify and evaluate the use of RLF funds.

An annual review and report of the outstanding loans of the RLF, including job creation totals and community benefits, will be compiled by the loan committee for presentation to the entire Board of Directors.

FILE RETENTION:

All RLF files will be retained for a period of not less than 2 full years after the loan has been paid in full. After 2 years, the files will be destroyed by shredding or incineration. Files will be secured in a locked, safe place and access will be limited to Intermediary staff with RLF responsibilities only. Other security measures will be initiated as needed to protect confidentiality of loan documents.

AMENDMENTS:

Amendments to this rural development plan will require the approval of the Intermediary's Board of Directors. No action will be taken to amend this plan without the prior written approval of RBS, its successors or assigns.

(Add signature and date lines for authorized official of Board of Directors or attach certified copy of the Board of Directors resolution showing adoption of the RLF Plan)