

PIONEER ELECTRIC COOPERATIVE, INC.
REVOLVING LOAN FUND PROGRAM
USDA Intermediary Relending Program

CRITERIA:

USDA IRP Loans will be made to for-profit manufacturing, commercial, retail or service related businesses, located within Pioneer Electric Cooperative's service area, but not within the corporate limits of the City of Greenville, or Towns of Georgiana or McKenzie. A business is defined as any person, partnership, cooperative or corporation engaged in manufacturing or servicing a product for profit.

1. The following businesses are ineligible under the USDA IRP Program:
 - A. For agricultural production, not including aquaculture, commercial nurseries, forestry, livestock and poultry processing, and the growing of mushrooms or hydroponics.
 - B. For the transfer of ownership, unless the loan will keep the business from closing, or prevent the loss of employment opportunities in the area, or provide expanded job opportunities.
 - C. For community antenna television services or facilities.
 - D. For any legitimate business activity when more than ten percent (10%) of the annual gross revenue is derived from legalized gambling activity.
 - E. For any illegal activity.
 - F. For any otherwise eligible project that is in violation of either a Federal, State or local environmental protection law or regulation or enforceable land use restriction unless the financial assistance required will result in curing or removing the violation.
 - G. For any hotels, motels, tourist homes or convention centers.
 - H. For any tourist, recreation or amusement centers.
2. USDA IRP Loans can be made for up to thirty-three percent (33%) of the total project cost, or \$150,000, whichever is less. The total amount of funds requested plus the total outstanding balance on any existing USDA financial assistance consisting of loans and guarantees cannot exceed \$150,000.
3. Loans may be used for the purchase of buildings and associated land, building renovations, purchase of machinery and equipment, pollution control and abatement, feasibility studies, working capital, aquaculture and transportation services.
4. Terms of loans will depend upon the proposed use of loan funds and the needs of the borrower and other participants in the loan package. Generally, loans for working capital, feasibility studies, etc., will be for up to 5 years; 5-7 years for machinery and equipment; and 7-10 years for associated land and building costs.
5. Interest rates from USDA IRP Loans will be set by Pioneer Electric Cooperative, Inc. and are subject to the approval of USDA.

6. Loan funds will not be used to assist a firm that is relocating from one labor market to another.
7. Loans will not be made for the purpose of refinancing existing debt.
8. Loan applications must demonstrate sufficient equity participation in the project and the business.
9. All loans will be secured by lien positions in collateral at the highest level of priority which can accommodate the borrower's ability to raise sufficient debt and equity capital. All borrowers will be required to sign a promissory note as well as provide personal and corporate guaranties.
10. The borrower will be responsible for all closing costs and fees associated with servicing the loan, including legal fees.
11. Prepayment without penalty will be allowed and encouraged.
12. Loans may be assumable if the new purchaser applies and qualifies under the policy guidelines and loan conditions of the USDA IRP. However, should the purchaser be declared ineligible, the IRP loan will immediately become due and payable in full.
13. All projects must adhere to all local, state, and federal environmental control standards, and no loans will be disbursed until all state and federal sign-offs are secured. Form FmHA 1940-20, "Request for Environmental Information" will be utilized for all Class I & II Projects.

STATEMENT OF PROPOSED USE OF FUNDS

The USDA Intermediary Relending Program Loan Funds will be used to assist financing businesses in the retention, expansion, and/or creation of jobs. This is consistent with one of the primary goals of Pioneer Electric Cooperative, Inc. in fostering economic development and job creation.

In each case, the Intermediary Relending Program will attempt to utilize labor of low-moderate income persons, unemployed persons, farm families, and displaced farm families. Some of the economic development activities that will be eligible are outlined in the following:

1. Provide loan funds for business construction, expansion repair and modernization.
2. Aid in business acquisition.
3. Provide loans for the purchase or lease of equipment, machinery or inventory goods.
4. Provide loans for the purchase of land and its development.
5. Provide loans that will include working capital to ensure the stability of a company.
6. Provide loans for transportation services.
7. Provide loans for pollution control and resource conservation.
8. Aid in financing agriculture and agricultural projects.

The ultimate recipient will be required to certify in writing that a least thirty percent (30%) or more of the workers employed will be from families with incomes below the poverty lines. In general, to provide gap financing that will generate job opportunities or save existing jobs.

LIST OF FEES

Pioneer Electric Cooperative, Inc. will assess the following fees to the ultimate recipient of the Intermediary Relending Program Funds:

1. All closing fees will be the greater of one-half (1/2) of one percent (1%) of the loan amount or \$400.00.
2. All fees for title examination, insurance, recording fees, appraisal fees or any other fees as would be required by Pioneer Electric Cooperative, Inc.
3. There will be no prepayment fee assessed on any loan.