

POLICY STATEMENT

Subject: Rural Development Plan
Issue Date: July 25, 2006
Revised: October 26, 2010, March 24, 2015
Reviewed: December 17, 2015

Policy Number 407.00

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Wiregrass Electric Cooperative (WEC) will accept and consider applications for loans from the RLF for projects that will significantly benefit rural* areas, without restrictions to WEC's service area. It is the intent of the funds from the RLF program to serve as seed money to generate economic development. WEC 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 the further intent of WEC to use the RLF program to supplement, but not compete with, capital that may already exist within the communities. WEC will not condition the approval of a loan from the RLF with the requirement that the prospective recipient take electric service from WEC or any other RUS borrower. The Wiregrass Electric Cooperative Board of Trustees will make all decisions regarding loan approvals and denials. The Wiregrass Electric Cooperative Board is also responsible for all actions and decisions regarding the RLF.

ADMINISTRATION

The Wiregrass Electric Cooperative will administer the Revolving Loan Fund "in house" utilizing existing staff. The RLF Loan Committee will be composed of WEC's Board Finance Committee, the Chief Executive Officer (CEO), and the Chief Financial Officer. This committee will review all loan applications made through the RLF Program. WEC's CEO will act as the RLF Administrator. The Loan Committee will present all applications to the WEC Board of Trustees with recommendations. The WEC Board of Trustees will make all decisions regarding loan approvals and denials and will be responsible for all actions and decisions regarding the RLF.

GOALS

The Revolving Loan Fund will target up to 30% of the total loan portfolio for working capital loans; up to 50% for fixed asset loans; up to 10% for business start-up loans; and up to 10% for community development loans.

The RLF Program will target a ratio of four (4) non-RLF dollars to one (1) RLF dollar for the total loan portfolio. Non-RLF dollars can include funds from private lenders and/or equity in the business. The 4:1 ratio is an average for the total RLF portfolio. Loans which have a less than 4:1 ratio and permanent job creation will be given full consideration, as long as the overall portfolio maintains the 4:1 ratio.

LOAN QUALIFICATIONS

1. Business Ventures
 - a. Corporations
 - b. Partnerships
 - c. Sole Proprietorships
 - d. Cooperatives

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2. Public Bodies
3. Non-profit Entities
4. Tribal Authorities

Applicants must demonstrate that the projects to be financed will result in private sector job creation or retention and contributes to economic development in rural areas.

TYPES OF PROJECTS/ACTIVITIES ELIGIBLE FOR RLF FUNDING

Projects include, but are not limited to:

- Industrial/Commercial Development
- Small Business Expansion
- Small Business Start-up
- Business Incubators
- Community Infrastructure/Facilities
- Medical Facilities
- Training/Educational Facilities

Activities include, but are not limited to:

- Acquisition or construction of commercial and industrial buildings and structures.
- Purchase of capitalized machinery and equipment with a useful life of at least five years.
- Acquisition of real property for economic development purposes only.
- Rehabilitation of deteriorated retail and commercial buildings occupied by the borrower.

TYPES OF PROJECTS/ACTIVITIES INELIGIBLE FOR RLF FUNDING

- Refinancing of existing debt, or payment to business owners or partners.
- 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 without any supplemental financing.
- Projects that are primarily working capital with limited security.

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- Construction projects of a residential nature.
- Illegal activities and legalized activities (e.g. gambling casinos) that in the opinion of the Wiregrass Board of Trustees adversely affect RLF interests.
- Projects in which any director, officer, CEO, supervisor, or employee of WEC, or close relative thereof, is an owner, stockholder, partner, or director, or which would, in the judgement of the Administrator of RBCDS, create a conflict of interest, potential of conflict of interest, or any appearance of a conflict of interest.
- Projects in which the recipient of a loan, would as a condition of loan approval, purchase or lease any real property, materials equipment or services from WEC, its subsidiaries, or affiliates.
- Projects or activities that pay the salaries of any employee of WEC, its subsidiaries, or affiliates.

TYPES OF FINANCING AVAILABLE

Fixed Asset Financing:

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

In order to maintain the goal of providing "gap financing," the RLF will not participate in more than 50 percent of the total amount that is needed for a project. The maximum amount of a single loan may not exceed \$500,000 or 50 percent of the entire project costs, whichever is less, and the minimum amount is \$20,000. The maximum amount of a single loan for public bodies may not exceed \$500,000 or 90 percent of the entire project costs, whichever is less, and the minimum amount is \$20,000.

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. Generally, dependent of loan security, interest rates for loans made under the RLF can be as low as one percent at the board's discretion.

Repayment Terms

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Repayment terms will not exceed 10 years. The following maturates will be used as a general guideline:

Building	10 years
Real Estate	10 years
Equipment	5 to 7 years (or anticipated life of equipment)
Working Capital	1 to 3 years

The loan committee will provide a recommendation on term options on a project-by-project basis.

Fees

WEC will be responsible for the collection and payment of all fees and costs associated with the loan. All proposed fees and other charges associated with loans will be deposited to the appropriate account to be used to administer the program. A list of proposed fees as outlined:

- a. The applicant is responsible for all legal costs associated with the loan. Legal costs consist of loan closing fees to the RLF attorney which will be assessed at the normal and customary charge for this service, plus any required recording fees, and/or title insurance premiums. Legal fees will be paid directly to the provider.
- b. The applicant may be asked to pay a one-time loan processing fee of up to 1.5% of the loan amount due at the time of closing to the RLF, such fee is to be deposited to the RLF account to help pay for administrative costs.
- c. The applicant must pay for any required appraisal fees charged by an acceptable certified appraiser to the RLF Program.
- d. Loan servicing charges will not exceed an amount equal to the sum of one percent per year of the outstanding principal on the first day of each year on each loan.

Supplemental Financing

RLF loans are limited to gap financing and will finance up to 50 percent of a project. Supplemental financing of 50 percent or more will be required. Of the supplemental financing a minimum of 10 percent of new equity infusion must be provided by the project owner. RLF loans to public bodies are limited to 90 percent or less of a project. Written evidence of availability of supplemental financing will be required prior to advance of RLF funds.

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The RLF will make sound loans based on adequate collateral to secure the funds advanced at all times. All projects must provide for reasonable equity to be injected by the ultimate recipient(s). For business or industrial expansions, equity requirements will range from 10% to 20%. For start-ups, and working capital loans, the equity requirement range will be 10% to 25%. Every effort will be made to minimize losses to the RLF fund by obtaining the best collateral position available. Types of collateral required will include real estate mortgages; assignment of certificates of deposit or other securities; bank letter of credit; chattel mortgages on machinery/equipment; personal guarantees; corporate guarantees; and assignment of cash value of life insurance policies. RLF loans shall not exceed 75% of the collateral value. Loans without adequate collateral or signature loans will not be funded by the RLF.

Security

WEC will work with the potential borrower to determine security that is adequate for the term of the loan. The nature of the collateral pledge by the loan application 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 security is used in joint financing, the RLF will require a parity position with other lenders.

Other types of security include:

1. Letter of credit from acceptable financial institution.
2. Machinery and equipment which have a developed market.
3. 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 borrowing where the equity requirement is not met by cash.

Conflicts of Interest

The RLF shall not make loan funds available to a business entity or any owner of an interest in such entity if related by blood, marriage, law or business arrangements to any trustee, officer or employee of Wiregrass Electric Cooperative, Inc. or any WEC subsidiary or affiliated organization. No trustee, officer or employee of WEC or any person related by blood, marriage, law or business arrangement to any trustee, officer, or employee of WEC shall receive any benefits resulting from the use of loan or grant funds.

APPLICATION PROCESS:

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All applicants for RLF funding will be required to complete a pre-application to determine eligibility and then a full application form, providing data which demonstrates that their proposed projects are economically feasible and will provide benefits to rural areas, either through job creation or infrastructure improvements. Information required from each applicant is attached as Exhibit I.

During the initial loan review, a determination will be sought as to whether or not the proposed project meets the goals and objectives of the RLF Program. If so, required information will be obtained and the process of credit analysis of the project will begin. Upon successful completion of the steps in the credit analysis of the project and upon subsequent approval by the RLF Loan Committee, the loan will be closed by the RLF attorney and all legal documents will be properly filed and recorded. RLF staff will maintain financial management systems and retain financial records in accordance with 7 CFR Part 3015, uniform Federal Assistance Regulations. The RLF records will include an accurate accounting and source documentation to support each transaction involving the RLF. In addition, annual performance reports will be prepared for each project comparing actual accomplishments during the reporting period to the objectives established for the project. The RLF Program commits to the establishment of other required reporting procedures in accordance with USDA regulations.

If real property or other fixed assets are pledged to the RLF by the borrower, professional appraisals will be required on all loans. A list of approved appraisers will be compiled in the service area and an approved appraisers list will be chosen by the RLF Loan Committee. We will be responsible for securing an appraisal from the borrower to establish the value of assets pledged.

Upon recommendation of a loan by the RLF Loan Committee and full Board approval, a loan commitment letter shall be mailed to the applicant. The applicant will have ten (10) working days from the date of the commitment letter to accept the terms and requirements of the loan. The RLF staff will have thirty (30) calendar days from the date of approval by the Loan Committee to work with the applicant to develop loan documents to meet the terms of the loan and execute the applicable closing documents. In the event the RLF staff cannot execute the loan closing within thirty (30) calendar days, the RLF Loan Committee shall have the discretion to authorize an additional thirty (30) calendar days. The decision will be based on the particular circumstances of the project. Prior to loan closing, the RLF staff shall ensure that the specific closing conditions have been met and all documents related to closing have been reviewed. In the event the RLF staff is unable to close the loan within sixty (60) calendar days, then the RLF commitment to fund the loan shall be withdrawn. The RLF loan closing shall be handled by the RLF attorney and the RLF administrator where all terms of the loan including repayment terms will be discussed in detail. An amortization schedule will be furnished to the applicant with scheduled principal and interest costs for the term of the loan. All closing costs will be the responsibility of the applicant. All applicable loan closing documents will be recorded in the appropriate place of filing by the RLF attorney. All original loan documents shall be housed in the RLF administrative offices in a safe and secure location.

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RLF loan proceeds will be disbursed from the RLF account with the presentation of acceptable documentation as required by the loan documents. The RLF administrator will be authorized to disburse RLF funds upon presentation of proper documentation. For security purposes, two (2) signatures will be required on any disbursement checks as authorized by the RLF Loan

LOAN MONITORING

Loan monitoring will require regular reporting by the loan recipient. This includes:

1. Annual income statements and balance sheets. Depending on the nature of the project and security arrangements, WEC reserves the right to require the submission of annual financial reports as audited by a certified public accountant.
2. Periodic management information reports. Management reports will be required on a annual basis beginning six months after the advance of RLF funds and continuing annually thereafter for a period of three years or until completion of the project, whichever is the later period. Management reports will include (i) information of the number of jobs created or retained during the reporting periods, (ii) a comparison of accomplishments during the reporting period to the objectives established for the project, and (iii) problems, delays, or adverse conditions and a statement of action taken or contemplated to resolve the situation. WEC reserves the right to require these reports on a more frequent basis if it is determined to be in the best interests of the RLF.
3. Telephone contact and site visits. A minimum of twice annually, an RLF representative will initiate a phone call 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 will be compiled by the loan committee for presentation to the entire WEC Board of Trustees.

*as defined by USDA Rural Development

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=RBSmenu&NavKey=property@13>

AMENDMENTS TO RLF PLAN

Amendments to this rural development plan will require the approval of the WEC Board of Trustees. No action will be taken to amend this plan without the prior written approval of the USDA Rural Development.

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Approved by Wiregrass Electric Cooperative, Inc. Board of Trustees July 25, 2006

Revised by Wiregrass Electric Cooperative, Inc. Board of Trustees October 26, 2010

Amended by Wiregrass Electric Cooperative, Inc., Board of Trustees March 24, 2015

USDA Written approval March 4, 2015 (Ronald W. Davis)

Reviewed by Wiregrass Electric Cooperative, Inc., Board of Trustees December 17, 2015

Secretary