

**Rural Development Revolving Loan Fund Plan
COVID-19 LOAN PROGRAM
Jackson Electric Cooperative
Black River Falls, Wisconsin**

COVID-19 Loan Disclaimer: Some funding guidelines were waived by the USDA in response to the COVID-19 pandemic. Thus, revisions were made to Jackson Electric Cooperative's RLF Plan to reflect these changes. Loan applications submitted under these revisions will be accepted until December 1, 2020.

PURPOSE:

The Board of Directors and employees of Jackson Electric Cooperative are concerned with the economic development and well being of the rural communities they serve. This revolving loan fund (RLF) is established by the cooperative to further the public purpose of economic development through joint public and private investments consistent with the objectives of this fund.

OBJECTIVES:

The Jackson Electric Cooperative Board of Directors and employees have the following objectives:

1. To create or save quality, permanent jobs
2. To diversify the rural economy
3. To encourage new capital investment
4. To improve rural infrastructure
5. To enhance the rural quality of life

REVOLVING LOAN FUND POLICY:

Jackson Electric Cooperative will accept and consider applications for loans from the RLF that will significantly benefit rural areas, without restriction to the cooperative's service area.

Jackson Electric Cooperative will not condition the approval of a loan from the RLF with the requirement that the prospective recipient take electric service from the cooperative.

The Board of Directors of Jackson Electric Cooperative 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 cooperative.

It is the intent of Jackson Electric Cooperative that funds from the RLF program may serve as either a gap source or an alternative source of financing for economic development projects. It is not the intent of Jackson Electric Cooperative to compete with other available public and/or private lenders. Jackson Electric Cooperative may choose to work with other public and private lenders to maximize the leverage of the RLF dollars on a project-by-project basis. Jackson Electric Cooperative may also choose to fund a project in its entirety on a project-by-project basis.

ELIGIBLE APPLICANTS:

Eligible applicants to the RLF shall include public authorities such as cities and counties and the for-profit and/or nonprofit economic development organizations of the same. Private business ventures such as for-profit and non-profit corporations, cooperatives, partnerships and sole proprietorships shall also be eligible.

ELIGIBLE PROJECTS:

1. Commercial and industrial site development;
2. Infrastructure construction to include, but not limited to, water and waste-treatment facilities, and hard-surface roads in support of commercial and industrial projects;
3. Speculative industrial building and incubator construction;
4. Direct loans to businesses in support of the purchase of real property, real property development, construction, expansion and/or renovation;
5. Direct loans to businesses for the purchase of machinery and equipment; and/or
6. Community projects and projects that provide education, training, and healthcare.

INELIGIBLE PROJECTS:

1. Activities that would adversely affect the environment.
2. Refinancing existing debt, or payment to business owners, or partners.
3. Activities determined to be for investment purposes.
4. General improvement loans related to normal replacement needs of a business and unrelated to real expansion and job creation.
5. Agricultural production costs (i.e. cultivation, production, and harvesting).
6. Vehicles used for general purposes or that may be considered for personal use.
7. Projects that are primarily working capital with limited security. **Exception: projects of this nature that can demonstrate the financial impact of COVID-19 on the business are eligible.**
8. Construction projects or to finance purchases of a residential nature.
9. Projects with an electric or telecommunications purpose, including community antenna or cable television systems or facilities.
10. Illegal activities and legalized activities (e.g. gambling casinos) that in the opinion of the Board of Directors adversely affect members' interests.
11. Projects in which any director, officer, general manager, or employee of Jackson Electric Cooperative, or a close relative thereof, is an owner, stockholder, partner or director, or which would, in the judgment of the Administrator of RB&CDS create a conflict of interest, potential conflict of interest, or any appearance of a conflict of interest.
12. Projects by Jackson Electric Cooperative to purchase or lease any real property, materials, equipment, or services from its subsidiary, an affiliate, or officers, managers, or directors of Jackson Electric Cooperative or close relatives thereof, where the purchase or lease has not been fully disclosed to the Administrator of the RBS and received the Administrator's prior written approval.
13. Projects that pay the salaries of any employee of Jackson Electric Cooperative, its subsidiaries, or affiliates.
14. For a project that would result in the transfer of existing employment or business activity more than 25 miles from its existing location.
15. Any project identified as ineligible by RD Instruction 4280-A.

USE OF FUNDS:

RLF funds are available for fixed asset financing to include land, buildings, land and infrastructure (sewer, water, streets and storm sewer) improvements and the purchase of machinery and equipment.

COVID-19 RLF LOAN TERMS AND CONDITIONS:

Amount:

The maximum amount of a single COVID-19 RLF loan may not exceed \$7,500.

Interest Rate:

The maximum interest rate for loans made from the RLF may bear an interest rate that is up to 2 points less than the prime lending rate as published in the *Wall Street Journal* on the date the loan is approved by Jackson Electric Cooperative. The interest rate for secured COVID-19 RLF loans is zero percent (0%). The interest rate for unsecured COVID-19 RLF loans is two percent (2%).

Terms:

Terms will not exceed beyond 48 months. There is no penalty for pre-payment.

Security:

Jackson Electric Cooperative staff will work with the potential borrower to obtain adequate security for loans. Security documents, promissory notes, and other agreements will be prepared by the Jackson Electric Cooperative general counsel to ensure that adequate security is available throughout the loan period. The nature of the collateral pledged by the potential applicant shall be determined by the loan committee on a project basis in order to properly secure the debt of the applicant to Jackson Electric Cooperative. **Exception: RLF loans made under the COVID-19 revisions.**

LOAN SCREENING AND EVALUATION:

1. JEC personnel will provide the prospective applicant with the COVID-19 RLF application.
2. Once submitted, the application will be reviewed by Bauman Associates.
3. If the application is approved, Bauman Associates will make a recommendation to Jackson Electric. If the application is denied, the applicant will be clearly told why the RLF is not inviting him/her to submit an application at this time and whether he/she might approach the RLF again after certain steps are taken.

LOAN SERVICING AND MONITORING:

Collections:

The collection of the loan will be the responsibility of Jackson Electric Cooperative staff. He/she will be in charge of providing a repayment schedule to the loan recipient and verifying that the payments are received on a timely basis. **The first COVID-19 RLF loan payment is due on January 4, 2021, regardless of the date the loan was accepted.**

Loan Monitoring:

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

- Annual income statements and balance sheets. Depending on the nature of the project and security arrangements, Jackson Electric Cooperative reserves the right to require the submission of annual financial reports as audited by a certified public accountant.
- Periodic management information reports. An update will be required beginning one year 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 on the number of jobs created or retained during the reporting period; (ii) a comparison of accomplishments during the reporting period to the objectives established for the project, and (iii) problems, delays, or adverse conditions which will materially affect the attainment of planned project objectives and statement of action taken or contemplated to resolve the situation. Jackson Electric Cooperative 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.

Telephone Contact and Site Visits:

On site visits will be conducted annually to verify and evaluate the use of loan 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 Jackson Electric Cooperative Board of Directors.

AMENDMENTS:

Amendments to this Revolving Loan Fund Plan will require the review of the Jackson Board of Directors. No action will be taken to amend this plan without the prior written approval of USDA – Rural Development. **Exception: Amendments and revisions made for loans during the COVID-19 pandemic.**

Jackson Electric Cooperative is an equal opportunity provider and employer.

05/2020