

PANHANDLE RURAL ELECTRIC MEMBERSHIP ASSOCIATION

RURAL DEVELOPMENT PLAN

INTRODUCTION AND OBJECTIVE

Panhandle Rural Electric Membership Association (PREMA) actively participates in the development of the rural communities in its area. Through leadership roles and financial commitments PREMA has contributed to economic development and business expansion within its service territory. By establishing a Revolving Loan Fund (RLF), PREMA 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

PREMA 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 the PREMA service territory in western Nebraska. The approval of any loan, however, will not be conditioned upon a requirement that the prospective loan recipient purchase electric service from PREMA.

To avoid potential conflicts of interest, loans will not be made to any board member, officer, general manager, or employee of PREMA, or close relative thereof. Likewise, projects involving PREMA 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 ELEGIBILITY CTITERIA

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 and 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 PREMA's board of directors would adversely affect the RLF interests.

LOAN FUND GUIDELINES

PREMA'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 \$20,000 and the maximum RLF loan will be \$150,000, based upon the available balance in the revolving loan fund account.

The initial RLF loan will be made at zero percent interest, although PREMA may charge a loan servicing fee of 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 PREMA'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 live 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 PREMA's board of directors. An irrevocable letter of credit or equivalent guarantee that continues throughout the term of the loan may be accepted as collateral. Based on individual circumstances of the loan, other terms and conditions may be required by PREMA's board of directors to secure the loan.

5. The applicant will be notified of the decision made on the loan application by PREMA's board of directors.
6. For approved loans, a loan agreement that addresses all of the terms and conditions of the loan will be prepared and a time for the Closing will be arranged.

Method of Disposition

RLF funds will be disbursed to successful applicants after all terms and conditions of the loan agreement have been met. This includes execution of all loan and security agreements, proof that supplemental financing has been received or committed, and submission of all other documents required by the RLF.

LOAN MONITORING PROCEDURE

All RLF loan funds will be monitored to confirm that projects are complying with the terms and conditions of the RLF loan requirements, and that loan proceeds are being used as was identified in the TLF application. On an annual basis, or more often if deemed necessary based on conditions of the loan and status of the project, a financial statement from the borrower will be requested which may include audited annual financial reports.

Annual progress reports will be submitted for review to the PREMA board of directors.

AMENDMENTS TO RURAL DEVELOPMENT PLAN

Amendments to the Rural Development Plan will require approval of PREMA's board of directors. However, no action will be taken to amend this plan without the prior written approval of the USDA Rural Business Cooperative Service (RBS).

SCOPE OF WORK

NEED FOR GRAND FUNDS

A \$300,000 grant from the Rural Economic Development Loan and Grand Program through the USDA Rural Business-Cooperative Service (RBS) is needed to establish the PREMA Revolving Loan Fund, for the purpose of promoting sustainable rural economic development and job creation projects in the area.

The initial recipient that is in need of an RLF loan is the Box Butte General Hospital, Alliance, NE, for construction of a new medical office building. PREMA will make a \$300,000 zero interest loan to Box Butte General Hospital. The total cost of the

construction project is 4.8 million dollars. PREMA will also make a \$750,000 zero interest loan thru the Rural Economic Development Loan and Grant program. BBGH will also procure funding from local lending institutions or the bond market for a portion of the construction and use cash reserves for the balance of the construction cost.

AUTHORITY AND ABILITY TO ADMINISTER AN RLF

PREMA personnel will administer the RLF, in addition to their other responsibilities. Through their education, training and experience in finance and economic development, the personnel are well qualified to administer the revolving loan fund. The individuals who will be responsible for administering the RLF are:

1. Ryan J. Reiber, General Manager
2. Jerry Mathistad, Office Manager

ABILITY TO COMMIT FINANCIAL RESOURCES

PREMA's board of directors adopted a resolution on July 5, 2006, committing \$60,000 to the Revolving Loan Fund.

PROPOSED FEES AND CHARGES

An annual loan servicing fee of 1% of the unpaid balance on loans may be charged to help cover administrative costs of the RLF. Additionally, borrowers may be charged the fee of an irrevocable letter of credit and the actual costs of appraisal fees, attorney's fees, filing fees, cost of environmental studies, loan closing costs, and other fees the RLF may be assessed. All loan fees will be addressed in the Loan Agreement between the RLF and the loan recipient.

POLICY FOR NON-FEDERAL FUNDS

Following repayment of the initial zero interest loan, PREMA will maintain a revolving loan account to promote rural economic development in accordance with the Rural Development Plan. PREMA is committed to maintaining additional funding in the revolving loan fund in an amount no less than 20 percent of the grant.



FOR A BRIGHTER FUTURE

251 Brayton Road
P.O. Box 677
Alliance, NE 69301-0677

Phone: 308-762-1311
Fax: 308-762-5750
Email: prema@prema.coop

APPLICATION FOR LOAN FROM
PANHANDLE RURAL ELECTRIC MEMBERSHIP ASSOCIATION
REVOLVING LOAN FUND

Application Date: _____

Company Name: _____

Type of Organization: [] Sole Proprietorship; [] LLC; [] LLP; [] Corporation;
[] Partnership; [] Other _____

Tax ID #: _____ Phone #: _____ Fax #: _____

Address: _____
Street City State Zip Code

Executive

Contact Person: _____ SSN: _____

Loan Amount Requested: _____ Max. 70% of project up to \$150,000; Min. \$20,000

Length of Loan Requested: _____ Length of loans are limited to: 3 yrs.-for working capital; 7 yrs.
or depreciable life for equipment; or 10 yrs.-for building or real estate.

Other Funding Pursued: _____ RLF funds are intended as seed money to be leveraged with
other sources to maximize the economic benefit of the RLF program. Please state the name of the
other funding source; its contact person and his/her phone number.

Describe how the funds will be used: _____

	\$150k/70% Max - \$20k Min-\$20k PREMA RLF	Other Sources	10% Min Equity
Use of Funds:	\$ _____	\$ _____	\$ _____
Building	\$ _____	\$ _____	\$ _____
Land	\$ _____	\$ _____	\$ _____
Equipment	\$ _____	\$ _____	\$ _____
Inventory	\$ _____	\$ _____	\$ _____
Working Capital	\$ _____	\$ _____	\$ _____
Training	\$ _____	\$ _____	\$ _____
Engineering	\$ _____	\$ _____	\$ _____
Other*	\$ _____	\$ _____	\$ _____
TOTAL	\$ _____	\$ _____	\$ _____

*Explain "Other" use of funds: _____

Will proof of fire and flood insurance be available on items included in RLF? [] Yes [] No
 Is complete feasibility study or business plan included? [] Yes [] No

What other attempts have been made to secure private financing?

Describe any pending or final disciplinary or legal action against proposed borrower or key personnel of borrower such as officers, directors, partners or guarantors:

Has the proposed borrower or any officer, director or partner of the proposed borrower, affiliates or any other concern with which such person has been connected ever been in receivership or adjudicated bankruptcy? [] Yes [] No If yes, provide details on a separate sheet.

Describe collateral in detail, show whether now owned or to be acquired. If pledging real estate, attach appraisal reports and indicate any prior liens that may exist on the collateral:

Full Legal Name	Town and State of Residence	Social Security #
_____	_____	_____
_____	_____	_____

I/we authorize PREMA to make inquiries as necessary to verify the accuracy of the statements made to determine my/our creditworthiness by requesting credit reports and any other information deemed necessary in relation to the individual(s) or firm(s) associated with the loan application.

_____	_____	_____
Print Name	Signature	Date
_____	_____	_____
Print Name	Signature	Date
_____	_____	_____
Print Name	Signature	Date
_____	_____	_____
Print Name	Signature	Date