

**ORCAS POWER & LIGHT COOPERATIVE
POLICY 27
USDA RURAL ECONOMIC DEVELOPMENT LOAN/GRANT
(RED-LG) PROGRAM**

27.1 PURPOSE

The purpose of the program is to foster economic development and to improve public and emergency services by providing zero interest loans to public taxing districts within San Juan County. Funding is provided through the USDA Rural Economic Development Loan/Grant Program. Loans are to fund facilities and equipment for emergency services, education, training, advanced telecommunications services, and computer networks that facilitate economic development, job creation, and the enhancement of public and emergency services within San Juan County.

27.2 POLICY

This policy establishes the lending parameters for a project-specific or revolving loan program financed through the USDA Rural Economic Development Program. Orcas Power & Light Cooperative (OPALCO) will act as intermediary of a loan fund up to \$250,000.

27.3 ELIGIBILITY

Public taxing districts within San Juan County are eligible to apply for loans under this loan fund program.

27.4 PROCEDURE

The OPALCO Board will have sole authority to approve loans under this program.

OPALCO staff shall be responsible for providing completed applications and analysis of qualifying applications based on the following criteria:

- 27.4.1 Evaluate compatibility with loan fund program's objectives, and is in accordance with all state and federal regulations and laws that apply to loans under the USDA Rural Economic Development Loan Program;
- 27.4.2 Project's impact on the community;
- 27.4.3 Evaluation of borrower's ability to repay debt, including credit worthiness of applicant and adequate collateral coverage;
- 27.4.4 Leveraging of other funding sources;
- 27.4.5 Job creation and/or retention;
- 27.4.6 Viability of marketing and/or operating plan;
- 27.4.7 Evaluation of project's probability of success;
- 27.3.8 Project's readiness.

27.5 REPAYMENT

The source of funding for the total loan will be 80% USDA RED-LG and 20% OPALCO. The maximum amount of a single loan may not exceed \$250,000;

No interest will be charged on loans.

A servicing fee will be charged for all loans. The amount of the servicing 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 OPALCO's administrative costs in connection with operation of the revolving loan fund program;

Repayment terms will not exceed ten (10) years in accordance with the USDA RED-LG program guidelines;

The term options and loan repayment schedule will be determined on a project-by-project basis and follow the guidelines listed below;


The general guidelines for maturities will be:

- Building projects: ten years;
- Real estate: ten years;
- Equipment: five-to-seven years or the depreciable life; and
- Working capital: one-to-three years.

27.6 RESPONSIBILITY

OPALCO staff shall administer the loan fund program in accordance with all state and federal regulations and laws that apply to loans under the USDA RED-LG program.

The General Manager shall ensure implementation of this policy. It is the responsibility of all employees and the Board of Directors to comply with this policy and report concerns in accordance with this policy. The General Manager shall periodically review this policy.

 Randy J. Cornelius, General Manager	Effective Date	<u>9/26/13</u>
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