

RURAL ELECTRIC COMMUNITY ASSISTANCE FUND (RECA FUND)

For additional information, contact:

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I. RECA FUND MISSION STATEMENT

The Rural Electric Community Assistance Fund (RECA Fund) continues the 80-plus-year commitment of Pennsylvania and New Jersey electric cooperatives to improve the quality of life in rural communities they serve. Low-interest loans provided by the RECA Fund help stimulate additional investment by private lenders, public bodies, and non-profit economic development agencies into much-needed physical and human infrastructure projects in rural communities. The primary goals of the RECA Fund are threefold:

- First, to make adequate and affordable credit available to public and non-profit entities involved in creating or improving the quality of life of their local communities.
- Second, to encourage and maximize the participation of local commercial financial institutions and state or local governmental assistance programs in these projects.
- Third, to manage the loan portfolio prudently and professionally so that the capital of the portfolio grows over time and is available to future borrowers.

II. GENERAL LOAN POLICIES:

APPLICATION PERIOD:	Open, based upon availability as determined by the Membership Activities Committee.
LOAN REVIEW:	Membership Activities Committee will meet annually and will conduct reviews based on application submissions and availability of funds.
AMOUNT OF FINANCING:	For project financing: Up to 80 percent of total project costs not to exceed \$100,000. The minimum loan is \$5,000. For technical assistance: Up to 75 percent of cost not to exceed loan of \$10,000.
ELIGIBLE BORROWER:	Public and non-profit organizations located in the indicated Pennsylvania, New Jersey and Maryland counties served in part by electric cooperatives involved in community development, educational, or water and sewer infrastructure activities. Borrowers and projects are not required to be served by an electric cooperative.
ELIGIBLE PROJECTS:	Projects creating or improving community facilities that develop the education, health, economic conditions or public safety services of the area. This includes, but is not limited to: water or sewer improvements; distance learning/medical link projects; other educational or job training projects; business incubators; and technical assistance related to planning, environmental review or grant preparation.
ELIGIBLE USE OF LOANS:	Fixed assets whose useful life is five years or more including: acquisition, improvements, or rehabilitation of real property; acquisition of machinery and equipment (including set-up costs) and interim financing. Required technical assistance associated with eligible projects is also eligible.
INELIGIBLE USES OF PROCEEDS:	For-profit business activities, refinancing of existing debt, incorporation expenses, and administrative costs.

AMOUNT OF OUTSIDE PARTICIPATION:

For project financing: At least 20 percent of the project cost must be funded from outside sources, such as applicant participation, private lender, or other economic development assistance program.

Documentation of such participation shall be required prior to the closing of the loan.

TERM OF LOAN:

Determined by the needs of the project and the economic life of the asset being financed.

Maximum loan term will be 10 years for project financing and four years for technical assistance. Exceptions will be reviewed and approved by Membership Activities Committee.

RATE OF INTEREST:

The note shall be no greater than the prime lending rate and no lower than 2.5%. The rate will be set periodically at the meeting of the Membership Activities Committee as necessary.

COLLATERAL/GUARANTEES:

A subordinated position on relevant building or machinery based upon project financing structure or a subordinated position on other real property, machinery or other items, if required to adequately collateralize the loan. Guarantees based on tax receipts, or receipts will be considered.

INSURANCE:

Fire and flood insurance may be required for items relevant to project.

MISCELLANEOUS:

Applicant responsible for costs associated with loan closing, outside of services explicitly provided by PREA and member electric cooperatives. Local cooperatives will provide all loan documents.

OTHER CRITERIA:

In addition to ensuring that the project meets requirements listed above, the Membership Activities Committee will judge a project on the following criteria:

1. Demonstrated ability to repay loan
2. Demonstrated need for loan
3. Impact of project on the local community
4. Relationship between project costs and capital available in the fund.

STRUCTURE OF LOANS:

The loans will be structured as level debt, monthly payment loans at the fixed rate of interest, as offered by the Membership Activities Committee.

DEMONSTRATION PROJECTS:

As part of the loan closing, the applicant shall agree to provide the Pennsylvania Rural Electric Association and participating electric cooperative and the Rural Federal Business-Cooperative Service with information on the steps needed to organize and operate the project, and permit representatives of these organizations to make reasonable visits to the project and honor any other reasonable request to disseminate information on the project. At the same time, these entities agree not to require the disclosure of any proprietary trade secrets.

PROJECT AUDITS:

As part of loan closing, the applicant shall agree to supply the Membership Activities Committee with the following information for the life of the loan: quarterly financial statements, proof of annual renewal of insurance and any other information that confirms the requirements of the loan covenants. The applicant agrees to permit representatives of the Pennsylvania Rural Electric Association and participating electric cooperative to visit the project, as needed, to confirm the requirements of the loan covenants.

TECHNICAL ASSISTANCE:

Staff from PREA and participating electric cooperative will also periodically visit the site to review the project and utilize their technical expertise to identify sources of assistance to address any issues or concerns.

LOAN COMMITMENTS:

Upon approval of the Membership Activities Committee, each applicant shall be notified in writing listing the terms and conditions of the approval.

FEES:

No fees.