

**UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
LOAN NOTE GUARANTEE AGREEMENT**

State	County	Date
Borrower		Reclamation Loan Identification Number
Borrower's Address		
Lender		Lender IRS Tax Number
Lender's Address		Principal Amount of Loan \$

The guaranteed portion of the loan is \$ _____ which is _____ percent (____ %) of loan principal. The principal amount of the loan is evidenced by _____ notes (includes bonds as appropriate) described below. The guaranteed portion of each note is indicated below. This instrument is attached to note

_____ in the face amount of \$ _____ and is number _____ of _____

<i>Lender's Identifying Number</i>	<i>Face Amount \$</i>	<i>Percent of Total Face Amount %</i>	<i>Amount Guaranteed \$</i>
TOTAL	\$ _____	100%	\$ _____

In consideration of the making of the subject loan by the above named Lender, the United States of America, acting through the Bureau of Reclamation (Reclamation), pursuant to the 21st Century Water Works Act, Public Law 109-451 does hereby agree that In accordance with and subject to the conditions and requirements herein, it will pay to:

- A. Any Participant 100 percent of any loss sustained by such participant on the guaranteed portion and on interest due on such portion.
- B. The Lender the lesser of paragraph 1 or 2 below:
 - 1. Any loss sustained by such Lender on the guaranteed portion including:
 - a. Principal and interest indebtedness as evidenced by said notes or by assumption agreements, and
 - b. Principal and interest indebtedness on secured protective advances for protection and preservation of collateral made with Reclamation's authorization, including but not limited to, advances for taxes, annual assessments, any ground rents, and hazard or flood insurance premiums affecting the collateral, or
 - 2. The guaranteed principal advanced to or assumed by the Borrower under said notes or assumption agreements and any interest due thereon.

Accruing interest shall be covered by this Loan Note Guarantee Agreement up to 90 days after the loan payment is past due or to the date when the loan is declared to be in default, whichever is earlier.

Definition of Participant

The Participant is the person or organization ("investor") other than the Lender who owns all or part of the guaranteed portion of the loan with no servicing responsibilities. Participants are prohibited from obtaining any parts of the guaranteed portion of the loan with proceeds from any obligation, the interest on which is excludable from income, under section 103 of the Internal Revenue Code of 1954 as amended (IRC). When the single note is used and the Lender assigns a part of the guaranteed loan to an assignee, the assignee becomes a participant only when Reclamation receives notice and the transaction is completed through use of this form.

Definition of Lender

The Lender is the person or organization making and servicing the loan which is guaranteed under the provisions of 43 C.F.R. Part 403, as applicable. The Lender is also the party requesting a loan guarantee.

Paperwork Reduction Act: This information is needed by Reclamation to evaluate the creditworthiness of the applicant for a loan guarantee and the extent to which the project proposed for financing meets criteria established in 43 CFR 403. Response to this request is voluntary; however, without this information Reclamation may not accept your application. In accordance with the Act, the reporting burden to the public for this form is estimated to average 1 hour per response. Reclamation may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid Office of Management and Budget control number. Direct comments regarding the burden estimate or any other aspect of this form to the Bureau of Reclamation, Policy and Program Services, P.O. Box 25007, Denver, CO 80225, or call 303-445-2780.

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CONDITIONS OF GUARANTEE

1. Loan Servicing

Lender will be responsible for servicing the entire loan, and Lender will remain mortgagee and secured party of record notwithstanding the fact that another party may hold a portion of the loan. When multiple notes are used to evidence a loan, Lender will structure repayments as provided in the loan agreement.

2. Priorities

The entire loan will be secured by the same security with equal lien priority for the guaranteed and unguaranteed portions of the loan. The unguaranteed portion of the loan will not be paid first nor given any preference or priority over the guaranteed portion.

3. When Guarantee Terminates

This Loan Note Guarantee Agreement will terminate automatically (a) upon full payment of the guaranteed loan; or (b) upon full payment of any loss obligation hereunder, or (c) upon written notice from the Lender to Reclamation that the guarantee will terminate 30 days after the date of notice, provided the Lender holds all of the guaranteed portion and the Loan Note Guarantee Agreement is returned to be cancelled by Reclamation.

4. Settlement

The amount due under this instrument will be determined and paid as provided in the applicable Reclamation regulations in effect on the date of settlement unless such regulations are in direct conflict with this agreement.

5. Certification of Borrower's Condition

The Lender certifies that there has been no adverse change in the Borrower's financial condition, nor any other adverse change in the borrower's condition, for any reason, during the period of time from Reclamation's issuance of the Conditional Commitment for Guarantee to issuance of this Loan Note Guarantee Agreement, regardless of the cause or causes of the change and whether the cause or causes were within the Lender's or Borrower's control. Any and all adverse changes are addressed as an attachment to this form and supported by financial statements of the Borrower and its guarantors executed not more than 60 days before the date shown on this Loan Note Guarantee Agreement. As used in this paragraph only, the term "Borrower" includes any parent, affiliate, or subsidiary of the Borrower.

6. Full Faith and Credit

The Loan Note Guarantee Agreement constitutes an obligation supported by the full faith and credit of the United States and is incontestable except for fraud or misrepresentation of which Lender or any Participant has actual knowledge or which Lender or any Participant participates in or condones. The guarantee will be unenforceable to the extent any loss is by a provision for interest. In addition, the Loan Note Guarantee Agreement will be unenforceable by Lender to the extent any loss is occasioned by the violation of usury laws, negligent servicing, or failure to obtain the required security regardless of the time at which Reclamation acquires knowledge of the foregoing. Any losses occasioned will be unenforceable to the extent that loan funds are used for purposes other than those specifically approved by Reclamation in its Conditional Commitment for Guarantee. Negligent servicing is defined as the failure to perform those services which a reasonably prudent lender would perform in servicing (including liquidation of) its own portfolio of loans that are not guaranteed. The term includes not only the concept of a failure to act but also not acting in a timely manner or acting in a manner contrary to the manner in which a reasonably prudent lender would act up to the time of loan maturity or until a final loss is paid;

7. Rights and Liabilities

The guarantee and right to require purchase will be directly enforceable by Participant notwithstanding any fraud or misrepresentation by Lender or any unenforceability of this Loan Note Guarantee Agreement by Lender except for fraud or misrepresentation of which the Participant had actual knowledge or in which the Participant participates or condones. Nothing contained herein will constitute any waiver by Reclamation of any rights it possesses against the Lender. Lender will be liable for and will promptly pay Reclamation any payment made by Reclamation to Participant which, if such Lender had held the guaranteed portion of the loan, Reclamation would not be required to make.

8. Payments

Lender will receive all payments of principal or interest, on account of the entire loan and will promptly remit to Participant its pro rata share thereof determined according to its respective interest in the loan, less only Lender's servicing fee.

9. Protective Advances

Protective advances made by Lender pursuant to the regulations will be guaranteed against a percentage of loss to the same extent as provided to this Loan Note Guarantee Agreement notwithstanding the guaranteed portion of the loan that is held by another.

10. Repurchase by Lender

The Lender has the option to repurchase the unpaid guaranteed portion from the Participant within 30 days of written demand by the Participant when: (a) the borrower is in default not less than 60 days on principal or interest due on the loan or (b) the Lender has failed to remit to the Participant its pro rata share of any payment made by the Borrower within 30 days of its receipt thereof. The repurchase by the Lender will be for an amount equal to the unpaid guaranteed portion of principal and accrued interest less the Lender's servicing fee. The Loan Note Guarantee Agreement will not cover the note interest to the Participant on the guaranteed loan accruing after 90 days from the date of the demand to Reclamation. The Lender will accept an assignment without recourse from the Participant upon repurchase. The Lender is encouraged to repurchase the loan to facilitate the accounting for funds, resolve the problem, and to permit the borrower to cure the default, where reasonable. The Lender will notify the Participant and Reclamation of its decision.

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11. Reclamation Purchase

If Lender does not repurchase as provided by paragraph 7, Reclamation will purchase from Participant the unpaid principal balance of the guaranteed portion together with accrued interest to date of repurchase less Lender's servicing fee, within thirty (30) days after written demand to Reclamation from Participant. The Loan Note Guarantee Agreement will not cover the note interest to the Participant on the guaranteed loan accruing after 90 days from the date of the original demand letter of the Participant to the Lender requesting the repurchase. Such demand will include a copy of the written demand made upon the Lender. The Participant or its duly authorized agent will also include evidence of its right to require payment from Reclamation. Such evidence will consist of either the original of the Loan Note Guarantee Agreement properly endorsed to Reclamation or the original of the Assignment Guarantee Agreement properly assigned to Reclamation without recourse including all rights, title, and interest in the loan Reclamation will be subrogated to all rights of Participant. The Participant will include in its demand the amount due including unpaid principal, unpaid interest to date of demand and interest subsequently accruing from date of demand to proposed payment date. Unless otherwise agreed to by Reclamation, such proposed payment will not be later than 30 days from the date of demand.

Reclamation will promptly notify the Lender of its receipt of the Participant's demand for payment. The Lender will promptly provide Reclamation with the information necessary for Reclamation to determine the appropriate amount due the Participant. Any discrepancy between the amount claimed by the Participant and the information submitted by the Lender must be resolved before payment will be approved. Reclamation will notify both parties who must resolve the conflict before payment by Reclamation will be approved. Such conflict will suspend the running of the 30 day payment requirement. Upon receipt of the appropriate information, Reclamation will review the demand for verification. After receiving the demand, Reclamation will review the demand and remit the appropriate payment to the Participant.

12. Lender's Obligations

Lender consents to the purchase by Reclamation and agrees to furnish on request by Reclamation, a current statement certified by an appropriate authorized officer of the Lender of the unpaid principal and interest then owed by Borrowers on the loan and the amount then owed to any Participant. Lender agrees that any purchase by Reclamation does not change, alter, or modify any of the Lender's obligations to Reclamation arising from said loan or guarantee nor does it waive any of Reclamation's rights against Lender, and that Reclamation will have the right to set-off against Lender all rights accruing to Reclamation as the Participant of this instrument against Reclamation's obligation to Lender under the Loan Note Guarantee Agreement.

13. Repurchase by Lender for Servicing.

If, in the opinion of the Lender, repurchase of the guaranteed portion of the loan is necessary to adequately service the loan, the Participant will sell the portion of the loan to the Lender for an amount equal to the unpaid principal and interest on such portion less Lender's servicing fee. The Loan Note Guarantee Agreement will not cover the note interest to the Participant on the guaranteed loan accruing after 90 days from the date of the demand letter of the Lender or Reclamation to the Participant requesting the Participant to tender its guaranteed portion.

- a. The Lender will not repurchase from the Participant for arbitrage purposes or other purposes to further its own financial gain.
- b. Any repurchase will only be made after the Lender obtains Reclamation written approval.
- c. If the Lender does not repurchase the portion from the Participant, Reclamation at its option may purchase such guaranteed portions for servicing purposes.

14. Custody of Unguaranteed Portion

The Lender may retain, or sell the unguaranteed portion of the loan through participation. Participation, as used in this instrument, means the sale of an interest in the loan wherein the Lender retains the note, collateral securing the note, and all responsibility for loan servicing and liquidation.

15. Notices

All notices will be initiated through Reclamation _____
for _____ (State) with mailing address at the day of this instrument.

UNITED STATES OF AMERICA
Bureau of Reclamation

By: _____

Title _____

(Date) _____

Assumption
Of Agreement by _____

Dated _____

Assumption
Of Agreement by _____

Dated _____