

**UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION**

LENDER'S AGREEMENT

Participating Lender:	Tax Identification Number:
Address:	Telephone Number:

I. General Provisions

A. Purpose

The participating lender (Lender) is designated as a Lender for the purpose of processing and requesting Loan Note Guarantee Agreements authorized under 43 CFR part 403, and servicing those loans as authorized herein and under 43 CFR part 403. The Lender enters into this agreement as a condition for obtaining the guarantees.

The United States of America, acting through the Bureau of Reclamation, agrees to enter into Loan Note Guarantee Agreements with the Lender issued pursuant to the regulations, and to participate in the specified percentage of any loss on any such loans as established in the Loan Note Guarantee Agreements. The terms of any Loan Note Guarantee Agreements are controlling.

B. Full Faith and Credit

The guarantee is supported by the full faith and credit of the United States and is incontestable except under the circumstances of fraud or misrepresentation of which the Lender has actual knowledge at the execution of the guarantee or of which the Lender participates in or condones.

The Loan Note Guarantee Agreement will be unenforceable by the Lender to the extent any loss is occasioned by 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 will be unenforceable by the Lender 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 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.

II. Loan Origination

A. The Lender agrees loan funds will be used for the purposes authorized in 43 CFR part 403 in accordance with the terms of Form 7-2581, Conditional Commitment for Guarantee.

B. The Lender certifies that none of its officers or directors, stockholders, or other owners (except stockholders in a Farm Credit Bank or other Farm Credit System (FCS) Institution with direct lending authority that have normal stock or share requirements for participation) has a substantial financial interest in the Borrower. The Lender certifies that neither the Borrower nor its officers or directors, stockholders or other owners has a substantial financial interest in the Lender. If the Borrower is a member of the board of directors or an officer of a Farm Credit Bank or other FCS Institution with direct lending authority, the Lender certifies that an FCS institution on the next highest level will independently process the loan request and will act as the Lender's agent in servicing the account.

C. The Lender will certify to Reclamation, prior to issuance of the Loan Note Guarantee Agreement for each loan, that there has been neither any material adverse change in the borrower's financial condition, nor any other material adverse change in the borrower, for any reason, during the period of time from the Agency's issuance of the Conditional Commitment for Guarantee to issuance of the Loan Note Guarantee Agreement regardless of the cause or causes of the change and whether the change or causes of the change were within the Lender's or Borrower's control. The Lender's Certification must address all adverse changes of the Borrower, any parent, affiliate, or subsidiary of the Borrower, and guarantors.

D. Lender certifies that a loan agreement or loan instruments concurred in by Reclamation has been or will be signed with the Borrower.

E. Lender will submit the required guarantee fee at the time a Loan Note Guarantee Agreement is issued by Reclamation.

Paperwork Reduction Act: This information is needed by Reclamation to document the lender's agreement to the terms and conditions contained in this form. Response to this request is voluntary; however, without this information Reclamation may not issue a Conditional Commitment for Guarantee. In accordance with the Act, the reporting burden to the public for this form is estimated to average 5 hours per response including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed and completing and reviewing the collection of information. In accordance with the Act, 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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III. Lender's Sale or Transfer of Guaranteed Loan or Portions Thereof

- A. The Lender may sell or transfer the guaranteed loan to another lender subject to written consent from Reclamation and pursuant to the provisions in 43 CFR part 403. The subsequent lender will execute the appropriate Assumption of Agreement section of the Loan Note Guarantee Agreement, and will then bear all rights and responsibilities of the original Lender, as set forth in this Lender's Agreement. The loan to be sold or transferred must not be in default as set forth in the terms of the notes. Such sale or transfer may proceed under the conditions set forth in 43 CFR part 403.
- B. When an interest in a guaranteed portion of a loan is sold by the Lender to a Participant as allowed in 43 CFR part 403, the Participant shall thereupon succeed to all rights of the Lender under the Loan Note Guarantee Agreement to the extent of the portion of the loan purchased. Lender will remain bound to all the servicing and other obligations under the Loan Note Guarantee Agreement, and this agreement, and the Reclamation program regulations found in 43 CFR part 403 and to future Reclamation program regulations not inconsistent with the express provisions hereof.
- C. The Participant upon written notice to the Lender may resell the unpaid guaranteed portion of the loan sold under section III(B).
- D. The Lender is not permitted to sell, transfer, or allow participation in any amount of the guaranteed or non-guaranteed portions of the loan(s) to the applicant or Borrower or members of their immediate families, their officers, directors, stockholders, other owners, or any parent, subsidiary, or affiliate.

IV. Servicing

- A. The Lender will service the entire loan and will remain mortgagee and secured party of record, notwithstanding the fact that another may participate in a portion of the loan. The entire loan will be secured by the same security with equal lien priority for the guaranteed and non-guaranteed portions of the loan. Lender may charge participants a servicing fee. The non-guaranteed portion of a loan will not be paid first nor given any preference or priority over the guaranteed portion of the loan.
- B. For projects for which Reclamation does not hold title, it is the Lender's responsibility to see that all construction is properly planned before any work proceeds; that any required permits, licenses or authorizations are obtained from the appropriate regulatory agencies; that the Borrower has obtained contracts through acceptable procurement procedures; and that periodic inspections during construction are made.
- C. Lender's servicing responsibilities include, but are not limited to:
 - 1. Obtaining compliance with the covenants and provisions in the note, loan agreement, security instruments, and any supplemental agreements and notifying Reclamation and the Borrower in writing of any violations. None of the aforesaid instruments will be altered without Reclamation's prior written concurrence. The Lender must service the loan in a reasonable and prudent manner.
 - 2. Receiving all payments on principal and interest on the loan as they fall due and promptly remitting and accounting to any participants their *pro rata* share thereof determined according to their respective interests in the loan, less only Lender's servicing fee. The loan may be re-amortized, renewed or rescheduled only with agreement of the Lender, Borrower and any Participants of the guaranteed portion of the loan, and only with Reclamation's written concurrence.
 - 3. Inspecting the collateral as often as necessary to properly service the loan.
 - 4. Assuring that, for projects for which Reclamation does not hold title, adequate insurance is maintained. This includes hazard insurance obtained and maintained with a loss payable clause in favor of the Lender as the mortgagee or secured party.
 - 5. Assuring that: taxes, assessment or ground rents against or affecting collateral are paid; the loan and collateral are protected in foreclosure, bankruptcy, receivership, insolvency, condemnation, or other litigation, insurance loss payments, condemnation awards, or similar proceeds are applied on debts in accordance with lien priorities on which the guarantee was based; proceeds from the sale or other disposition of collateral are applied in accordance with the lien priorities on which the guarantee is based, except that proceeds from the disposition of collateral, such as machinery, equipment, furniture or fixtures, may be used to acquire property of similar nature and at least equal value for which the lender will obtain a lien position equal or superior to the position previously held and obtain the written approval of Reclamation when the cumulative value is in excess of 20 percent of the original loan; the Borrower complies with all laws and ordinances applicable to the loan, the collateral, and the Borrower's operation.
 - 6. Assuring that if personal or corporate guarantees are part of the collateral, current financial statements from such loan guarantors will be obtained and copies provided to Reclamation at such time and frequency as required by the loan agreement or Conditional Commitment for Guarantee. In the case of guarantees secured by collateral, assuring the security is properly maintained.

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7. Obtaining the lien coverage and lien priorities specified by the Lender and agreed to by Reclamation, properly recording or filing lien or notice instruments to obtain or maintain such lien priorities during the existence of the guarantee by Reclamation.
8. Assuring that the Borrower obtains marketable title to collateral.
9. Assuring that any party liable is not released from liability for all or any part of the loan, except in accordance with Reclamation regulations.
10. Providing Reclamation with loan status reports semiannually as of June 30 and December 31.
11. Obtaining from the Borrower periodic financial statements as required in the loan agreement with the borrower. At a minimum, annual financial statements must be forwarded by the lender, with a credit analysis, to the Reclamation servicing office within 120 days of Borrowers fiscal year end.
12. Ensuring that for projects to which Reclamation does not hold title, the borrower complies with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.

V. Default

- A. The Lender will notify Reclamation when a Borrower is thirty (30) days past due on a payment or if the Borrower is otherwise in default. The Lender will notify Reclamation of the status of a Borrower's default on Form 7-2585 "Loan Guarantee Borrower Default Status." The Lender may, with written concurrence of Reclamation, take actions to cure defaults which may include, but are not limited to, the following or any combination thereof:
 1. Deferment of principal payments (subject to rights of any Participants).
 2. An additional temporary loan by the Lender to bring the account current.
 3. Re-amortization of or rescheduling the payments on the loan (subject to rights of any Participants).
 4. Transfer and assumption of the loan in accordance with the applicable subpart of 43 CFR part 403.
 5. Reorganization.
 6. Liquidation.
 7. Subsequent loan guarantees.
- B. The Lender has the option to repurchase the unpaid guaranteed portion of the loan from any participants within 30 days of written demand by the participant when: (a) the Borrower is in default not less than 60 days in payment of 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 the principal and accrued interest less the Lender's servicing fee.

The Loan Note Guarantee Agreement will not cover the note interest to any Participants on the guaranteed loans accruing after 90 days from the date of the demand letter to the Lender requesting the repurchase. Participant will concurrently send a copy of 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 accounting for funds, resolve the problem, and permit the borrower to cure the default, where reasonable. The Lender will notify the Participant and Reclamation of its decision.

- C. If Lender does not repurchase as provided by paragraph B, Reclamation will purchase from any Participant the unpaid principal balance of the guaranteed portion together with accrued interest to the date of repurchase, less Lender's servicing fee, within 30 days after written demand upon Reclamation from the 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 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.

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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 originals of the Loan Note Guarantee Agreement and note properly endorsed to without recourse including all rights, title, and interest in the loan. Reclamation will be subrogated to all rights of the 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 the demand.

The Reclamation office serving the Borrower will promptly notify the Lender of the Participant's demand for payment. The Lender will promptly provide the Reclamation office servicing the Borrower with the information necessary for Reclamation's determination of 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 a conflict will suspend running of the 30-day payment requirement. Upon receipt of the appropriate information, the Reclamation office servicing the Borrower will review the demand for verification.

- D. Lender consents to the repurchase by Reclamation of a Participant's interest in a guaranteed loan 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 the Borrower on the loan and the amount due the Participant. Lender agrees that any repurchase by Reclamation does not change, alter or modify any of the Lender's obligations to Reclamation arising from said loan or guarantee, nor does such purchase waive any of Reclamation's rights against Lender, and Reclamation will have the right to set-off against Lender all rights inuring to Reclamation from the Participant against Reclamation's obligation to Lender under the Loan Note Guarantee, to the extent Reclamation holds a portion of the loan.
- E. Servicing fees assessed by the Lender to a Participant are collectible only from payment installments received by the Lender from the Borrower. When Reclamation repurchases from a Participant, Reclamation will pay the Participant only the amounts due the Participant, Reclamation will not reimburse the Lender for servicing fees assessed to a Participant and not collected from payments received from the Borrower. No servicing fee shall be charged Reclamation and no such fee is collectible from Reclamation.

VI. Liquidation

If the Lender concludes pursuant to Reclamation regulations in 43 CFR part 403 that liquidation of a guaranteed loan account is necessary because of one or more defaults or third party actions that the Borrower cannot or will not cure or eliminate within a reasonable period of time, liquidation may be considered. If the Lender concludes that liquidation is necessary, it must request Reclamation's concurrence. When Reclamation concurs with the Lender's conclusion or at any time concludes independently that liquidation is necessary, it will notify the Lender and the matter will be handled as follows:

- 1. The Lender will liquidate the loan unless Reclamation, at its discretion, decides to carry out liquidation.
 - 2. When the decision to liquidate is made, the Lender may proceed to purchase from any Participants the guaranteed portion of the loan. The Participant(s) will be paid according to the provisions in the Loan Note Guarantee Agreement.
 - 3. If the Lender does not repurchase the guaranteed portion of the loan, Reclamation will be notified immediately in writing. Reclamation will then purchase the guaranteed portion of the loan from the Participant. If Reclamation holds any of the guaranteed portion of the loan, Reclamation will first be paid its pro rata share of the proceeds from liquidation of the collateral.
- A. Lender's proposed method of liquidation. Within 30 days after the decision to liquidate, the Lender will advise Reclamation in writing of its proposed detailed method of liquidation ("liquidation plan") and will provide Reclamation with:
- 1. Such proof as Reclamation requires to establish the Lender's ownership of the guaranteed loan promissory notes and related security instruments.
 - 2. Information lists concerning the Borrower's assets including real and personal property, fixtures, claims, contracts, inventory (including perishables), accounts receivable, personal and corporate guarantees, and other existing and contingent assets, and advice as to whether or not each item is serving as collateral for the guaranteed loan.
 - 3. A proposed method of making the maximum collection possible on the indebtedness.

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4. If the outstanding principal loan balance including accrued interest is less than \$200,000, the Lender will obtain an estimate of the market and potential liquidated value of the collateral. On loan balances in excess of \$200,000, the Lender will obtain an independent appraisal report on all collateral securing the loan, which will reflect the current market value and potential liquidation value. All real property appraisals will meet the requirements set forth by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and appropriate guidelines set forth in Standards 1 and 2 of the Uniform Standards of Professional Appraisal Practices ("USPAP"). Chattels will be evaluated in accordance with normal banking practices and generally accepted methods of determining value. The appraisal report is for the purpose of permitting the Lender and Reclamation to determine the appropriate liquidation actions. Any independent appraiser's fee will be shared equally by Reclamation and the Lender.

B. Reclamation will inform the Lender in writing whether it concurs in the Lender's liquidation plan within 30 days after receipt of such notification from the Lender. If Reclamation needs additional time to respond to the liquidation plan, it will advise the Lender of a definite time for such response. Should Reclamation and the Lender not agree on the Lender's liquidation plan, negotiations will take place between Reclamation and the Lender to resolve the disagreement. The Lender will ordinarily conduct the liquidation; however, should Reclamation determine that Reclamation will conduct the liquidation, the parties will proceed as follows:

1. The Lender will transfer to Reclamation all rights and interest necessary to allow Reclamation to liquidate the loan. In this event, the Lender will not be paid for any loss until after the collateral is liquidated and the final loss is determined by Reclamation.
2. Reclamation will attempt to obtain the maximum amount of proceeds from liquidation.
3. Options available to Reclamation include any one or combination of the usual commercial methods of liquidation.

C. Acceleration. The Lender or Reclamation, if it liquidates, will proceed as expeditiously as possible when acceleration of the indebtedness is necessary including giving any notices and taking any other legal actions required by the security instruments. A copy of the acceleration notice or other acceleration document will be sent to Reclamation or the Lender, as the case may be.

D. Liquidation: Accounting and Reports. When the Lender conducts the liquidation, it will account for funds during the period of liquidation and will provide Reclamation with periodic reports on the progress of liquidation, disposition of collateral, resulting costs and additional procedures necessary for successful completion of liquidation. The Lender will transmit to Reclamation the *pro rata* share of any payments received from the Borrower, and of liquidation or other proceeds, etc. if Reclamation holds a portion of the guaranteed loan. If Reclamation liquidates, the Lender will be provided with similar reports on request.

E. Determination of Loss and Payment. In all liquidation cases, final settlement will be made with the Lender after the collateral is liquidated. Reclamation will have the right to recover losses paid under the guarantee from any party liable.

1. Form 7-2586, "Loan Guarantee Report of Loss," will be used for calculations of all estimated and final loss determinations. Estimated loss payments may be approved by Reclamation at its discretion after the Lender has submitted and received Reclamation approval of a liquidation plan.
2. When the Lender is conducting the liquidation, and owns any of the guaranteed portion of the loan, it may request a tentative loss estimate by submitting to Reclamation an estimate of loss that will occur in connection with liquidation of the loan. Reclamation will agree to pay an estimated loss settlement to the Lender provided the Lender applies such amount due to the outstanding principal balance owed on the guaranteed debt. Such estimate will be prepared and submitted by the Lender on Form 7-2586, using the basic formula as provided on the report except that the appraisal value will be used in lieu of the amount received from the sale of collateral. The Lender will discontinue interest accrual on the defaulted loan and the loss claim will be promptly processed in accordance with the applicable Reclamation regulations.

After the Report of Loss estimate has been approved by Reclamation, and within 30 days thereafter, Reclamation will institute procedures to cause the issuance of payment of the estimated amount due the Lender.

After liquidation has been completed, a final loss report will be submitted on Form 7-2586 by the Lender to Reclamation.

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3. Within 30 days after liquidation of the collateral is completed, a final report of loss on Form 7-2586 must be prepared and submitted by the Lender to Reclamation. Reclamation will not guarantee interest beyond this 30-day period other than for the period of time it takes Reclamation to process the loss claim. Before approval by Reclamation of any final loss report, the Lender must account for all funds during the period of liquidation, disposition of collateral, all costs incurred and any other information necessary for the successful completion of liquidation. Upon receipt of the final accounting and report of loss, Reclamation may audit the account and will determine the final loss. The Lender will make its records available to and otherwise assist Reclamation in making any audit. The documentation accompanying the report of loss must support the figures shown on 7-2586.
 4. When the Lender has conducted liquidation and after the final report of loss has been tentatively approved:
 - a. If the loss is greater than the estimated loss payment, Reclamation will cause a Treasury check to be issued in payment of the additional amount owed by Reclamation to be issued to the Lender.
 - b. If the loss is less than the estimated loss, the Lender will reimburse Reclamation for the overpayment plus interest at the note rate from date of payment.
 5. If Reclamation has conducted liquidation, it will provide an accounting and report of loss to the Lender and will pay the Lender in accordance with the Loan Note Guarantee Agreement.
 6. In those instances where the Lender has made authorized protective advances, it may claim recovery for the guaranteed portion of any loss of monies advanced as protective advances and interest resulting from such protective advances as provided above. Payment will be made by Reclamation when the final Report of Loss is approved.
- F. Maximum amount of interest loss payment. Notwithstanding any other provisions of this agreement, the amount payable by Reclamation to the Lender cannot exceed the limits set forth in the Loan Note Guarantee Agreement. If Reclamation conducts the liquidation, any loss occasioned by accruing interest will be covered to the extent of the guarantee to the date Reclamation accepts this responsibility. Loss occasioned by accruing interest will be covered to the extent of the guarantee to the date of final settlement when the liquidation is conducted by the Lender provided it proceeds expeditiously with the liquidation plan approved by Reclamation.
- G. Application of Reclamation loss payment. The estimated loss payment shall be applied as of the date of such payment. The total amount of the loss payment remitted by Reclamation will be applied by the Lender on the guaranteed portion of the loan debt. However, such application does not release the Borrower from liability. At time of final loss settlement the Lender will notify the Borrower that the loss payment has been so applied. In all cases a final Form 7-2586 prepared and submitted by the Lender must be processed by Reclamation.
- H. Income from collateral. Any net rental or other income that has been received by the Lender from the collateral will be applied on the guaranteed loan debt.
- I. Liquidation costs. Certain reasonable liquidation costs will be allowed during the liquidation process. A schedule of the liquidation costs will be submitted as a part of the liquidation plan. Such costs will be deducted from gross proceeds from the disposition of collateral unless the costs have been previously determined by the Lender (with Reclamation written concurrence) to be protective advances. If changed circumstances after submission of the liquidation plan require a revision of liquidation costs, the Lender will obtain Reclamation's written concurrence prior to proceeding with the proposed changes.
- J. Foreclosure. The Lender is responsible for determining who the necessary parties are to any foreclosure action or who should be named on a deed of conveyance taken in lieu of foreclosure. When the conveyance is received and the property is liquidated, the net proceeds will be applied to the guaranteed loan debt. If Reclamation has repurchased the guaranteed portion of the loan from the Participant(s), the Lender must obtain Reclamation's concurrence to any foreclosure action to be taken by the Lender; however, Reclamation will not be considered to be a necessary party to the action or otherwise required to join in.
- K. Payment. Such loss will be paid by Reclamation within 60 days after the review of the accounting of the collateral.

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- L. Protective Advances. Protective advances must constitute an indebtedness of the Borrower to the Lender and be secured by the security instruments. Reclamation's written authorization is required for all protective advances in excess of \$5,000. Protective advances include but are not limited to advances made for property taxes, annual assessments, ground rent, hazard or flood insurance premiums affecting the collateral, and other expenses necessary to preserve or protect the security. Attorney fees are not a protective advance.
- M. Future Recovery. After a loan has been liquidated and a final loss has been paid by Reclamation, any future funds which may be recovered by the Lender will be prorated between Reclamation and the Lender. Reclamation will be paid such amount recovered in proportion to the percentage it guaranteed for the loan and the Lender will retain such amounts in proportion to the percentage of the non-guaranteed portion of the loan.
- N. Pursuant to the Debt Collection Improvement Act of 1996 (DCIA), Reclamation is required to refer debt owed to the Government to the Department of the Treasury for collection. Reclamation will use all remedies available under DCIA to collect the debt from the borrower, guarantors, and any other liable third party and, any proceeds received from such efforts will not be shared with the Lender. Reclamation will notify the Lender when this referral occurs, at which time the lender will cease collection efforts.
- O. Transfer and Assumption Cases. If a loss should occur upon consummation of a complete transfer and assumption for less than the full amount of the debt and the transferor-debtor (including personal guarantees) is released from personal liability, the Lender, if it holds the non-guaranteed portion, may file an estimated report of loss on Form 7-2586 to recover its *pro rata* share of the actual loss at that time. In completing Form 7-2586, the amount of the debt assumed will be entered on line 24 as Net Collateral (Recovery). Approved protective advances and accrued interest thereon made during the arrangement of a transfer and assumption, if not assumed by the Transferee, will be entered on Form 7-2586, line 13 and 14.

VII. Bankruptcy

- A. The Lender is responsible for protecting the guaranteed loan and all collateral securing the loan in bankruptcy proceedings. When a bankruptcy proceeding results in ultimate liquidation of the Borrower, legal expenses incurred by the Lender during the bankruptcy proceedings will be considered eligible liquidation costs. When a bankruptcy results in a reorganization of the Borrower, including a reorganization that results in a write down of the debt, legal expenses during the bankruptcy will be shared equally by Reclamation and the Lender. When the loan is involved in reorganization bankruptcy proceedings, payment of loss claims may be made as provided in this section. For a liquidation proceeding, only paragraphs 3 and 5 of this section are applicable.
- B. Loss Payments.
 - 1. Estimated Loss Payments.
 - a. If a borrower has filed for reorganization and protection under Title 11 of the United States Code and the debt has been reduced, the Lender will request a tentative estimated loss payment of accrued interest and principal written off under the order of the court. This request can only be made after the bankruptcy plan is confirmed. Only one estimated loss payment is allowed during the bankruptcy process. All subsequent claims during reorganization will be considered revisions to the initial estimated loss. A revised estimated loss payment may be processed by Reclamation, at its option, in accordance with any court approved changes in the reorganization plan. At the time the performance under the confirmed reorganization plan has been completed, the Lender is responsible for providing Reclamation with the documentation necessary to review and adjust the estimated loss claim to (a) reflect the actual principal and interest reduction on any part of the guaranteed debt determined to be unsecured and (b) to reimburse the Lender for any court ordered interest rate reduction during the term of the reorganization.
 - b. The Lender will use Form 7-2586 to request an estimated loss payment and to review estimated loss payments during the course of the reorganization plan. The estimated loss claim as well as any revisions to this claim will be accompanied by applicable legal documentation to support the claim.
 - c. Upon completion of the reorganization plan, the Lender will complete Form 7-2586 and forward this form to Reclamation to indicate that the bankruptcy has been dismissed.
 - 2. Interest Loss Payments.
 - a. Interest loss payments sustained during the period of the reorganization plan will be processed in accordance with section VII B1.

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- b. Interest loss payments sustained after the reorganization plan is confirmed will be processed annually when the Lender sustains a loss as a result of a permanent interest rate reduction.
 - c. Form 7-2586 will be completed to compensate the Lender for the difference in interest rates specified on the Loan Note Guarantee Agreement and the rate of interest ordered by and in accordance with final order of a court of competent jurisdiction.
3. Final Loss Payments. Payments will be processed when the loan is liquidated.
 4. Payment Application. The Lender must apply estimated loss payments first to the unsecured principal of the guaranteed portion of the debt and then to the unsecured interest of the guaranteed portion of the debt. In the event the court attempts to direct the payments to be applied in a different manner, the Lender will immediately notify the Reclamation servicing office.
 5. Overpayments. Upon completion of the reorganization plan, the Lender will provide Reclamation with the documentation necessary to determine whether the estimated loss paid equals the actual loss sustained. If the actual loss sustained as a result of the reorganization is greater than the estimated loss payment, the Lender will submit a revised estimated loss in order to obtain payment of the additional amount owed by Reclamation to the Lender. If the actual loss payment is less than the estimated loss, the Lender will reimburse Reclamation for the overpayment plus interest at the note rate from the date of the payment of the estimated loss.
 6. Protective Advances. If approved protective advances were made prior to the borrower having filed bankruptcy as a result of prior liquidation action, these protective advances and accrued interest will be entered on the Report of Loss form.
 7. Debt Write-down. The maximum amount of loss payment associated with a loan which has been written down will not exceed the percent of the guarantee times the difference between the outstanding principal and interest balance of the loan before the write-down and the outstanding balance of the loan after the write-down. The Lender will use 7-2586 to request an estimated loss payment to receive its pro-rata share of any loss sustained.

VIII. Other Requirements

This Agreement is subject to all the requirements of 43 CFR part 403, and any future amendments of those regulations not inconsistent with this Agreement.

IX. Execution of Agreements

If this Agreement is executed prior to the execution of a specific Loan Note Guarantee Agreement, this agreement does not impose any obligation upon Reclamation with respect to the execution of such a Loan Note Guarantee Agreement. Reclamation in no way warrants that such a Loan Note Guarantee Agreement has been or will be executed.

X. Notices

All notices required under or associated with this Lender's Agreement shall be delivered to:
For Reclamation: _____ For the Lender: _____

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XI. Endorsement

Lender: Complete this block of Section XI.

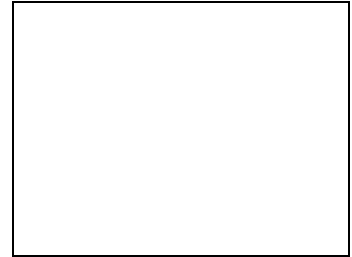
LENDER
(Name)

By: _____
(Signature)

(Name Typed or Printed)

Title: _____

Date: _____



Attest: _____

This block of Section XI will be completed by Reclamation

UNITED STATES OF AMERICA
Bureau of Reclamation

By: _____
(Signature)

Title: _____

(Name Typed or Printed)

Date: _____