

Date: _____

Amount: _____

RURAL ECONOMIC DEVELOPMENT LOAN AGREEMENT

This Agreement dated as of the date first written above between _____, a corporation duly organized and existing under the laws of the State of _____ ("Intermediary"), and Rural Development, acting through the Rural Business-Cooperative Service sets forth the terms and understandings between the Intermediary and Rural Development regarding a loan ("Loan") Rural Development is making to the Intermediary pursuant to the Rural Economic Development Loan and Grant Program (§ 313 of the Rural Electrification Act of 1936, as amended ("Act") and 7 CFR part 4280, Subpart A, ("Regulations").

The Intermediary has filed an application and supporting material (collectively, the "Application Materials") on [date] ("Application Date") with Rural Development requesting the Loan for promoting rural economic development.

Rural Development wishes to make the Loan to finance Approved Purposes for the rural development project ("Project") as described and defined in the Letter of Conditions between Rural Development and the Intermediary dated _____

NOW, THEREFORE, in consideration of the mutual agreements herein contained, Rural Development and the Intermediary agree as follows:

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0035. The time required to complete this information collection is estimated to average one hour 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.

A. Loan Terms

1. Rural Development shall lend _____ to the Intermediary and the Intermediary shall lend the proceeds of the Loan to _____ ("Ultimate Recipient") to be used solely to promote rural economic development as more particularly described in the Application Materials, as those materials may have been subsequently and approved by Rural Development.
2. Rural Development shall advance the proceeds of the Loan to the Intermediary in one disbursement at the time and in the manner specified in the Letter of Conditions.
3. The Intermediary shall repay the Loan in accordance with the note to be executed by the Intermediary ("Note"). The Intermediary shall begin to repay the Loan on the date set forth in the Note and shall continue paying without interruption until all indebtedness associated with the Loan has been repaid in full on or before the final maturity date of the Note.
4. The Loan will not bear interest although indebtedness not paid when due will be subject to interest, penalties, administrative costs and late fees, as provided in the Note.

B. Affirmative Covenants

1. The Intermediary will abide by the terms of this Agreement, and Note. The Intermediary shall pay all indebtedness as provided in the Note.
2. The Intermediary shall promptly use the proceeds of the Loan in the manner and for the purposes set forth in the Application Materials previously approved by Rural Development and in accordance with this Agreement and the Regulations. Proceeds from the Loan must be invested in the Project within 12 months of the loan to the Ultimate Recipient. Until disbursed by the Intermediary for authorized Loan purposes, the Intermediary shall deposit the Loan proceeds in bank accounts that are fully insured by the Federal Deposit Insurance Corporation.
3. The Intermediary shall return to Rural Development, as a prepayment on the Note, all proceeds of the Loan which have not been disbursed by the Intermediary for authorized Loan purposes within 12 months following the advance of the Loan proceeds to the Intermediary. The Intermediary shall also return to Rural Development all interest earned on the undisbursed Loan proceeds.
4. The Intermediary shall make all payments on the Note by using an automated clearing house (ACH) system or, if notified by Rural Development in writing to do

so, any other reasonable method of payment specified by Rural Development. Specific instructions for using ACH will be provided by Rural Development prior to the first scheduled payment.

5. If the Application Materials describe a Project that will be funded, developed, owned, leased, managed or operated by other participants, the Intermediary shall ensure that those participants abide by the Application Materials and this Agreement.

6. The Intermediary shall maintain a certified list of expenditures and attachments as described in this section at its premises for review by Government representatives, auditors or others conducting a review or audit of the Intermediary and the expenditure of the Loan proceeds.

The Intermediary shall require the Ultimate Recipient to provide an itemized list of Project expenditures for Approved Purposes from Loan proceeds and include a certification to the effect "I certify that the proceeds of the rural economic development loan from _____ were expended on Approved Purposes as shown on this list per the attached invoices, receipts, bills of sale, and other evidence." The Intermediary shall require in its agreement with the Ultimate Recipient that the invoices, receipts, bills of sale, and other evidence must at least total the amount of funds that have been provided to the Ultimate Recipient from Loan proceeds. The certified list must be provided upon completion of the Project or by the first anniversary of the date of the advance of funds to the Ultimate Recipient, whichever occurs first. If all funds have not been expended by the first anniversary, the Ultimate Recipient must also provide to the Intermediary a statement of its intended expenditure schedule. Upon completion of the Project, the Ultimate Recipient must provide to the Intermediary a final certified list of the expenditures including the attachments.

The Intermediary shall require the Ultimate Recipient to expend the Intermediary's loan funds from the proceeds of the Loan by the second anniversary of the initial advance of funds to the Ultimate Recipient, or such later date as Rural Development approves in writing. The Intermediary shall require the Ultimate Recipient to return all funds provided to the Ultimate Recipient from Loan proceeds that have not been spent by the second anniversary of the initial advance of funds to the Ultimate Recipient, or such later date as Rural Development approves in writing. The Intermediary shall return as a prepayment on the Note all unexpended funds that the Ultimate Recipient returns to the Intermediary.

7. The Intermediary shall permit Government officials to inspect and copy its records about the Project during regular business hours. If the Project is under the control of the Intermediary due to a servicing action, representatives of Rural Development may inspect the Project itself during regular business hours. If the

Project is developed, owned, leased, managed or operated by others, the Intermediary shall obtain permission for Government representatives to inspect the Project and related records during regular business hours.

8. Unless otherwise approved in writing by Rural Development, the Intermediary shall promptly remit to Rural Development any principal payments made by the Ultimate Recipient on its note to the Intermediary in excess of the Ultimate Recipient's regularly scheduled payment, including any lump sum amount the Intermediary receives as partial or full prepayment of principal. In the event of partial prepayment, the Intermediary is obligated to continue making regular and uninterrupted monthly payments for the amount and on the date specified in the Note.

9. The Intermediary shall diligently monitor performance of the Ultimate Recipient to ensure that objectives proposed in the Application Materials are being achieved. The Intermediary shall submit a Project performance report to Rural Development on an annual basis, beginning one year from the advance of loan proceeds to the Ultimate Recipient (Advance) and concluding three years from the date of Advance or completion of the Project, whichever occurs later. The Project performance report shall describe: (i) the actual accomplishments of the Project, the number and types of jobs created and retained; (ii) the impact of the Project on the economy and quality of life of the rural community; (iii) reasons why any projections or objectives proposed in the Application Materials were not met, and (iv) any problems, delays, or adverse conditions which have occurred, or are anticipated, which may affect the attainment of overall objectives of the Project. This disclosure shall be accompanied by a statement of the action taken or planned to resolve the delays, problems or adverse conditions. The Intermediary shall provide a final written performance report, accompanied by color photographs, including negatives, slides, or electric media, documenting the overall accomplishments of the Project, upon completion of the Project or three years from the Advance whichever occurs later.

10. The Intermediary shall immediately notify Rural Development in writing whenever the Ultimate Recipient is delinquent, closes operations, transfers operations from the original Project site, or files bankruptcy.

11. The Intermediary shall comply with the Regulations, as amended, including, without limitation, any Federal regulations or Federal statutes applicable to Project activities.

12. The Intermediary agrees that when it pays all of its loans to the Rural Utility Service or Rural Telephone Bank then it will notify Rural Development and provide replacement security, subject to Government approval, for this loan. If the parties cannot negotiate an agreement within a reasonable time, including any additional Rural Development reporting, servicing, and monitoring requirements, then

Intermediary shall pay the Note in full within 30 days of Rural Development's request.

13. The Intermediary will not require the Ultimate Recipient to obtain electric or telecommunications service from any specific utility.

14. The Intermediary covenants that the proceeds of the Loan shall be used solely for the purpose of providing funds for a loan from the Intermediary to the Ultimate Recipient. The loan shall be used solely for the purpose in the Intermediary's Application Materials, as subsequently approved by Rural Development. for the Project.

15. The Intermediary further covenants that the proceeds of the Loan shall not be used to finance any costs or retire any debt incurred prior to the Application Date. The Intermediary also covenants that no material changes will be made in the Approved Purpose or the Project without prior written approval of Rural Development. Any material changes in the Approved Purpose or the Project will be set forth in a revised Project description to be prepared by the Intermediary and approved by Rural Development.

16. The Intermediary covenants that after loan closing between the Intermediary and the Ultimate Recipient, the Intermediary will deliver to Rural Development a copy of the executed Rural Development Loan Agreement, including lower tier debarment certification, the promissory note, and any security agreement entered into between the Intermediary and the Ultimate Recipient, together with a copy of the legal opinion rendered by Ultimate Recipient's counsel. The Intermediary further covenants that it will obtain Rural Development's written approval prior to revising or amending any agreement that has been reviewed and approved by Rural Development in connection with the advance of Loan funds, or executing, revising, or amending any other agreement between the Intermediary and the Ultimate Recipient.

C. Negative Covenant

The Intermediary shall not enter into or request Rural Development to approve any agreements which would permit third parties to fund, develop, manage, own, lease or operate the Project in a manner that would violate the Regulations or this Agreement.

D. Representations and Warranties

The Intermediary represents and warrants that on and as of the date first set forth above:

1. The Intermediary has been duly incorporated and validly exists as a corporation in good standing under the laws of the State of its incorporation with the corporate

power and authority to perform its obligations under this Agreement, the Note, and the Regulations.

2. This Agreement, the Letter of Conditions and the Note have been duly authorized, executed and delivered by the Intermediary and such documents constitute the legal and binding agreements of the Intermediary, enforceable against the Intermediary in accordance with their respective terms, subject to: (i) applicable bankruptcy, reorganization, insolvency, moratorium and other laws of general application relating to or affecting creditors' rights generally, and: (ii) the application of general principles of equity regardless of whether such enforceability is considered in a proceeding in equity or at law.

3. The execution or the delivery by the Intermediary of this Agreement, the Letter of Conditions, and the Note; the consummation of the transactions contemplated herein or therein; and the fulfillment by the Intermediary of the terms hereof or thereof, do not conflict with or violate, result in a breach of or constitute a default under any term or provision of the articles of incorporation or by-laws of the Intermediary or any law or regulation or any order now applicable to the Intermediary of any court, regulatory body having jurisdiction over the Intermediary, or the terms of any indenture, deed of trust, mortgage, note, note agreement or instrument to which the Intermediary or any of its properties is bound. The Intermediary has not received any notice from any other party to any of the foregoing that a default has occurred or that any event or condition exists that with the giving of notice or lapse of time or both would constitute such a default.

4. No approval, authorization, consent, order, registration, filing, qualification, license or permit of or with any state or Federal court or governmental agency or body having jurisdiction over the Intermediary is required by the Intermediary for the consummation by the Intermediary of the transactions contemplated by this Agreement, the Letter of Conditions, and the Note except such as have been obtained.

5. There is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator concerning the Intermediary, this Agreement, the Letter of Conditions, or the Note which, if adversely determined, would have a material adverse effect on the Intermediary's ability to perform its obligations under this Agreement, the Letter of Conditions, or the Note.

6. All information, reports and other papers and data furnished to Rural Development by the Intermediary concerning the application of the Intermediary for the Loan were, at the time the same were so furnished, complete and correct in all material respects to the extent necessary to give Rural Development a true and accurate knowledge of the subject matter and no document furnished or other written statement made to Rural Development in connection with the Loan contains any untrue statement of a

fact material to the financial condition of the Intermediary or the Project or omits to state such a material fact necessary in order to make the statements contained therein not misleading.

7. The Intermediary has reviewed the Regulations and understands and accepts the requirements which the Regulations impose upon it, which Regulations are expressly incorporated herein by reference.

8. The Intermediary does not expect or intend the Project to result primarily in the transfer of any existing employment or business activity from one area to another.

E. Miscellaneous

1. Every right or remedy herein conferred upon or reserved to the holder of the Note shall be cumulative and shall be in addition to every other right and remedy now or hereafter existing at law or in equity, or by statute or regulation.

2. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions of this Agreement shall not affect the remaining portions hereof.

3. This Loan Agreement is entered into between the parties concerning a zero interest loan which Rural Development is making to the Intermediary pursuant to §313 of the Rural Electrification Act of 1936, as amended, to promote rural economic development and job creation projects. Accordingly, so long as Rural Development shall, under the terms of this Agreement, be the holder of the Note, this Agreement, the Letter of Conditions and the Note shall each be governed by and construed in accordance with the laws of the United States and the regulations that govern §313 of the Rural Electrification Act of 1936, as amended.

4. No changes may be made in the foregoing without the prior written approval of Rural Development. Until disbursed by the Intermediary for authorized Loan purposes, the Intermediary shall deposit the Loan proceeds in bank accounts that are fully insured by the Federal Deposit Insurance Corporation.

IN WITNESS WHEREOF, _____, as Intermediary,
has caused this Loan Agreement to be signed in its name and its corporate seal to be
hereunto affixed and attested by its duly authorized officers there unto, and Rural
Development has caused this Loan Agreement to be duly executed in its behalf, all as of the
day and year first written above.

Intermediary

by: _____
[Intermediary President]
[Title]

(SEAL)

Attest _____
:
Secretary

United States of America

by: _____
[Name of State Director]
State Director
Rural Business-Cooperative Service