

**DATE:** \_\_\_\_\_

**AMOUNT:** \_\_\_\_\_

### **RURAL ECONOMIC DEVELOPMENT GRANT AGREEMENT**

This Rural Economic Development Grant Agreement ("Agreement") dated as of the date above between \_\_\_\_\_, a corporation duly organized and existing under the laws of the State of \_\_\_\_\_ ("Grantee"), and Rural Development, through the Rural Business-Cooperative Service, Rural Development sets forth the terms and understandings between the Grantee and the Government regarding a grant in the amount of \_\_\_\_\_ ("Grant") Rural Development is making to the Grantee pursuant to Section 313 of the Rural Electrification Act of 1936, as amended ("Act") and 7 CFR part 4280, Subpart A - Rural Economic Development Loan and Grant Program ("Regulations").

Rural Development makes this Grant to the Grantee and the Grantee accepts this Grant to establish and operate a Revolving Loan Fund ("Fund") as more particularly described in the Rural Economic Development Grant Letter of Conditions ("Letter of Conditions"), between Rural Development and the Grantee dated \_\_\_\_\_.

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

#### **GRANT TERMS**

Rural Development grants a sum not to exceed \_\_\_\_\_ to the Grantee to be used solely for the establishment and operation of a Revolving Loan Fund ("Fund") to finance approved rural economic development projects as more particularly described in the Application Materials as those materials may have been modified by the Letter of Conditions ("Approved Purpose"). In the event that it is determined that any portion of the Grant is used for other than an Approved Purpose, the Grantee will reimburse Rural Development the amount used for unapproved purposes plus accrued interest at the rate established in 31 CFR 901.9.

*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.*

Rural Development shall advance the proceeds of the Grant in the manner specified in the Letter of Conditions and the Regulations. Unless otherwise authorized by Rural Development, any portion of the Grant not disbursed to the Grantee by the first anniversary of this Agreement will be terminated.

## **AFFIRMATIVE COVENANTS**

The Grantee covenants that:

- a. the proceeds of the Grant shall be used solely for the purpose of establishing and operating a Revolving Loan Fund to finance approved rural economic development project(s) to borrowers ("Ultimate Recipients") in accordance with the Grantee's Revolving Loan Fund Plan dated \_\_\_\_\_, as approved by Rural Business and Cooperative Service ("Plan");
- b. the original loan that will be financed by Grant funds will be made to the \_\_\_\_\_ to finance \_\_\_\_\_, ("Project"), and that such loan will carry no interest. The Project is more fully set forth in the Grantee's application dated \_\_\_\_\_ as modified by the approved Plan;
- c. the original loan to be financed by Grant funds shall not be used to finance any costs or retire any indebtedness incurred on the Project prior to \_\_\_\_\_ which is the date the application was received by Rural Development;
- d. the original loan(s) made from the Fund that will be established with the Grant will carry an interest rate of zero percent and will be made in accordance with the Grantee's Plan, as approved by Rural Development;
- e. any original loan(s) made from the Fund with the proceeds of the Grantee's contribution, and all subsequent loans made from the Fund using the proceeds from repayment of the original loan(s), will be made in accordance with the Grantee's approved Plan;
- f. the Grantee: (1) will not condition the receipt of a loan from the Fund with the requirement that the Ultimate Recipient take electric or telecommunications service from the Grantee or any other specific electric or telecommunications utility, and (2) will accept and consider applications, without restriction to service area, from prospective Ultimate Recipients for projects that will significantly benefit rural areas;
- g. the proceeds from repayment of the original loan(s) will be used to finance rural economic development projects and will be made available in the time and manner set forth in the Grantee's approved Plan;
- h. loan servicing fees will be reasonable and appropriate for each project but not in excess of one (1) percent per year on the outstanding principal on the first day of each year on each loan to the project;

- i. no more than ten (10) percent of Grant funds received will be applied toward operating expenses, including the costs of administering the Fund and the provision of technical assistance to project owners by independent providers ;
- j and the contribution deposited in the Fund by the Grantee will remain part of the Fund and be used, along with repayments of original loans and any interest earnings, to finance rural economic development projects in accordance with the Grantee's approved Plan; and the contribution deposited in the Account will not be removed from the Fund for any purpose except for loan making;
- k. the Grantee will coordinate rural development activities with local economic development organizations to the maximum extent practicable;
- l. the Grantee will coordinate lending activities with local financial institutions to the maximum extent practicable, and will not compete with, but supplement other sources of legal financing;
- m. the Grantee may charge an interest rate on all subsequent loans made from the Fund using the proceeds from repayment of the original loans, that is no higher than, the prevailing prime rate as published in the Wall Street Journal. The intent is to minimize the project's interest expense consistent with sound business practices, all in accordance with the Grantee's approved Plan;
- n. the Grantee shall manage, operate and maintain the Fund in an efficient and economic manner, consistent with sound business practices. If the Fund will be managed, or operated by participants other than the Grantee, the Grantee will obtain Rural Development's approval and shall maintain decision making control and authority over all proceeds derived directly from this Grant and all future earnings and repayments of loans therefrom;
- o. the Grantee will avoid conflicts of interest or the appearance of conflicts of interest in its lending practices;
- p. the Grantee will maintain at its premises, for review by Rural Development or others conducting an audit of the Grantee's records for the benefit of Rural Development such records as necessary to identify the purposes for which, and the manner in which, Grant and other funds were expended, including all receipts for expenditures. The Grantee further covenants that it will maintain such records of expenditure, as well as copies of all reports submitted by the Grantee to Rural Development with respect to the Application Materials, in accordance with 7 CFR parts 3015 and 3019. The Grantee agrees to permit a designated representative of Rural Development to periodically inspect and copy records, during regular business hours, of Grantee's operations as related to the administration of the Fund. If the Fund is administered by others, the Grantee shall require the administrators to provide all necessary financial, accounting, and budget information and other records deemed necessary to facilitate audits to Rural Development

or its representatives, including inspecting the activities and records of the Fund from time to time as necessary, during regular business hours;

q. the Grantee will provide Rural Development, a "Survey of Recipients of Rural Economic Development Loan and Grant Program," reporting on the accomplishments of the project financed with Grant proceeds. This form shall be submitted to Rural Development, on an annual basis, no later than 90 days after December 31 of each year, until the Fund is terminated;

r. the Grantee will provide to Rural Development a report regarding the loan activity of the Fund. The report must provide an aggregate list of projects funded, the amount financed for each project, the project repayment terms, a brief description of each project, the project objectives, whether or not the project has been completed, the number and types of jobs created or saved by each project, and the payments status of each loan. The cash balance of the Fund as of the latest calendar year end must also be reported. This report shall be submitted no later than 90 days after December 31 of the reporting year;

s. the Grantee will provide fidelity bond coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and officials. Fidelity bond coverage shall be in an amount sufficient to cover the amount in the Fund, including the Grantee's contribution;

t. the Grantee will promptly use the proceeds of the Grant only in the manner and exclusively for the purposes set forth in the Letter of Conditions, this Agreement, and the Regulations (as they may be amended from time to time), and 7 CFR parts 3015 and 3019, and that no material changes will be made in the purposes previously approved in the Letter of Conditions, this Agreement, and the Regulations without the prior written approval of Rural Development;

U. the Grantee will comply with the Regulations, as they may be amended from time to time, including, without limitation, any Federal regulations or Federal statutes which the Regulations identify as being applicable to activities contemplated by the Application Materials, the Letter of Conditions, or this Agreement including 7 CFR parts 3015, 3019, and 3052;

V. after each loan closing between the Grantee and an Ultimate Recipient, the Grantee will deliver to Business Programs a copy of the executed loan agreement including lower tier debarment certification, the promissory note(s), and the security agreement entered into between the Grantee and the Ultimate Recipient, together with a copy of the legal opinion rendered by counsel for the Ultimate Recipient;

- w. the Grantee will obtain prior written approval from Rural Development before revising or amending any agreement that had been reviewed and approved by Rural Development in connection with the advance of Grant funds or executing, revising, or amending any other agreement between the Grantee and the Ultimate Recipient as required under the Regulations;
- x. the Grantee will make its request for Grant funds using Standard Form 270, "Request for Advance or Reimbursement," bearing the original signature of the officer, employee, or agency of the Grantee authorized to receive or disburse Grant funds;
- y. no material changes will be made in the Plan or the Project without prior written approval of Rural Development. Any material changes in the Plan or the Project will be set forth in a revised Project description to be prepared by the Grantee and approved by Rural Development.
- z. only funds provided to authorized project(s) after the date Rural Development received the Grantee's completed application may be used to satisfy Grantee's 20 percent contribution requirement.

## **REPRESENTATIONS AND WARRANTIES**

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

1. The Grantee has been duly incorporated and is in good standing under the laws of the State of its charter with the corporate power and authority to perform its obligations under this Agreement, the Letter of Conditions, and the Regulations.
2. This Agreement and the Letter of Conditions have been duly authorized, executed, and delivered by the Grantee and such documents constitute the legal and binding agreements of the Grantee, enforceable against the Grantee in accordance with their respective terms, subject to: (i) applicable bankruptcy, reorganization, insolvency, moratorium and other laws of general application relating to or affecting creditor's 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 Grantee of this Agreement and the Letter of Conditions; the consummation of the transactions contemplated herein or therein; and the fulfillment by the Grantee 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 Grantee or any law or regulation or any court or regulatory body having jurisdiction over the Grantee, or the terms of any indenture, deed of trust, mortgage, note, note agreement or instrument to which the Grantee or any of its properties is bound. The Grantee 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 Grantee is required by the Grantee for the consummation by the Grantee of the transactions contemplated by this Agreement or the Letter of Conditions 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 Grantee, this Agreement or the Letter of Conditions which, if adversely determined, would have a material adverse effect on the Grantee's ability to perform its obligations under this Agreement and the Letter of Conditions.

6. All information, reports, and other papers and data furnished to Rural Development by the Grantee concerning the application of the Grantee for the Grant 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 Grant contains any untrue statement of a fact material to the financial condition of the Grantee or the Project or omits to state such a material fact necessary in order to make the statements contained therein not misleading.

7. That no adverse actions have occurred since the application was approved. No material changes will be made in the Plan or the Project without prior approval of Rural Development.

## **TERMINATION**

The Grantee shall not terminate the Fund without prior written approval from Rural Development.

The Grant may be terminated when both parties agree that the continuation of the Grant and the Fund would not produce beneficial results commensurate with the further expenditure of funds.

Rural Development may terminate the Grant and the Fund at any time, whenever Rural Development has determined that the Grantee has failed to comply with the conditions of the Grant. Rural Development shall promptly notify the Grantee in writing of the determination and reasons for the termination, together with the effective date. The Grant and the Fund may be terminated for cause such as:

1. failure, inability, or unwillingness of the Grantee to carry out or comply with, or cause to be carried out or complied with, the specific undertakings described in the Application Materials as approved by Rural Development in the Letter of Conditions or this agreement.

2. any representation or warranty made by the Grantee herein, in the Application Materials, in response to the Letter of Conditions, or in any certificate or report furnished by or on behalf of the Grantee about any of the foregoing that proves to be false, incomplete or incorrect in any material respect;
3. failure to observe or perform any of the covenants, conditions or agreements of the Grantee, which continues for thirty (30) days after written notice has been given to the Grantee specifying such default and requiring the same to be remedied;
4. violation of the Regulations by officers, directors, employees or agents of the Grantee, that continues for a period of thirty (30) days without being rectified to the satisfaction of Rural Development after written notice has been given by Rural Development to the Grantee specifying such default and requiring the same to be rectified.

Within 30 days of notification of termination, the Grantee will provide, for approval by Rural Development, a Termination Plan describing the current status of the Fund, specifically setting forth the amount of cash on hand including the amount derived from interest, loans and accounts receivable, the amount of loan losses, an explanation of why the losses occurred and actions taken to recover those losses, the proposed methodology for collecting and returning to Rural Development any future receipts applicable to the Fund, a tabulation of administrative expenditures and any other information pertinent to the termination of the Fund.

The Grantee will not incur new commitments for the terminated portion of the Grant after notification of termination, and will cancel as many outstanding obligations as practicable.

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

IN WITNESS WHEREOF, the Grantee has caused this Agreement to be signed in its name and its corporate seal to be hereunto affixed and attested by its duly authorized officers thereunto, and the United States of America, has caused this Agreement to be duly executed in its behalf, as of the day and year first written above.

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**Intermediary**

By: \_\_\_\_\_  
Grantee (Signature)

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**President's Title**

(SEAL)  
Attested to for the Grantee:

By: \_\_\_\_\_  
(Signature)

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**Secretary**

United States of America

By: \_\_\_\_\_  
**State Director**  
Rural Business-Cooperative Service