

**UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
Bismarck, North Dakota**

SUBJECT: Memorandum of Understanding (Memorandum) between Rural Utilities Service (USDA Rural Development) and the North Dakota Municipal Bond (Bond Bank)

- I** **ORGANIZATION:** The water system loan and/or grant program is administered by the Business and Community Program Staff of Rural Utilities Service an Agency of the USDA, Rural Development mission area..
- II** **GENERAL:** USDA Rural Development lending policies as related to water system loans and/or grants provide for combined funding of projects to provide the needed credit to the applicant at the most equitable terms and also to make more total credit available. This Memorandum is entered into for guidance and instructions for processing combined loans between the North Dakota Municipal Bond Bank and USDA Rural Development.
- III** **POLICIES:**
- A** All applicants for combined funding must comply with the legal and program lending requirements of both USDA Rural Development and the Bond Bank.
- B** The Bond Bank and USDA Rural Development will have a pro rata lien on loans made under this Memorandum. This will cover all collateral unless otherwise agreed to in writing.
- C** The applicant will make an annual payment as set out in the debt instrument to the Bond Bank. The applicant will provide for a debt service reserve or such other debt service coverage which may be required.
- D** All information received from an applicant for combined funding will be shared between the Bond Bank and USDA Rural Development.

IV ELIGIBILITY:

- A Applicants will be reviewed and analyzed by the Bond Bank and USDA Rural Development jointly and separately to determine which ones would benefit from combined funding. Applicants will be notified if their applications will be processed on a combined basis.
- B All applicants must meet all legal and regulatory requirements of the Bond Bank and USDA Rural Development.

V LOAN PROCESSING:

- A The Bond Bank and USDA Rural Development will confirm the amount, terms and conditions of the loans in writing.
- B Draft copies of all loan closing documents will be shared between the Bond Bank and USDA Rural Development.

VI LOAN CLOSING:

- A The Bond Bank and USDA Rural Development will provide loan closing instructions for its loan in addition to those provided by the Office of the General Counsel for USDA Rural Development. These instructions will be provided USDA Rural Development and the Applicant's Attorney.
- B The Bond Bank and USDA Rural Development will agree as to place and time of closing. Representatives of the Bond Bank and USDA Rural Development will attend the closing.
- C The loans will be closed simultaneously. The USDA Rural Development initial advance will be minimal. The Bond Bank's funds will be used first with USDA Rural Development loan funds used next and USDA Rural Development grant funds used last, if any are involved. Other funds, if available, will be used as established by the conditions of the funding Agency.
- D The security instruments required by the Bond Bank and USDA Rural Development will have clauses providing for pro rata liens.


VII SERVICING:

- A The loans will be serviced in accordance with USDA Rural Development policy. USDA Rural Development will furnish the Bond Bank a report on any special problems as soon as known.

VIII AMENDMENT AND TERMINATION:

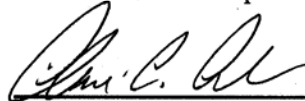
- A This Memorandum can be amended or revised at any time in writing by mutual consent and will continue in effect until terminated by either party upon notice in writing to the other party.

DATED 4-26-05



Tim Porter
Executive Director
North Dakota Municipal Bond Bank

DATED 4/26/05



Clare A. Carlson State Director
USDA Rural Development
North Dakota