

**TEXAS AGRICULTURAL FINANCE AUTHORITY
AGRICULTURAL LOAN GUARANTEE PROGRAM
LOAN AUTHORIZATION AND INTEREST REBATE AGREEMENT**

("Lender")

Your request dated _____ for the Texas Agricultural Finance Authority ("Authority") to guarantee _____ percent (_____%) of a loan (the "Loan") in the amount of _____ to be made by Lender to _____ ("Borrower") whose address is:

(address)

is hereby approved this ____ day of _____, pursuant to Chapter 58 of the Texas Agriculture Code (the "Act") and the Texas Agricultural Finance Authority Agricultural Loan Guarantee Program Rules, Texas Administrative Code, Title 4, Part 1, Chapter 28 ("ALG Rules"), subject to the terms and conditions set forth below. Additionally, Borrower is/is not afforded an interest rebate as provided by the Act and ALG rules, as set forth in sections seven (7) through twelve (12) below.

Loan Authorization

1. **Enclosed Documents.** The following forms are herewith enclosed, a copy of each of which should be given to Borrower:
 - (a) An additional copy of this Loan Authorization and Interest Rebate Agreement (the "Authorization") signed by Authority, which shall be executed by Lender and Borrower to evidence their acceptance of the terms and conditions of this Authorization and returned to Authority.
 - (b) Copy of Authority's Quarterly Status Report, which is to be completed and executed by Lender to reflect each disbursement to, and payment by, Borrower in regard to the Loan during the relevant calendar quarter. Prompt reporting is necessary after the Loan closing.
2. **Master Loan Guarantee Agreement.** This Authorization and Authority's guarantee of the Loan are being given and are subject to the provisions of the Master Loan Guarantee Agreement between Lender and Authority, dated _____, 20__ (the "Master Loan Guarantee Agreement"). In the event of any direct conflict between the terms of this Authorization and terms of the Master Loan Guarantee Agreement, the terms of this Authorization shall control.
3. **Conditional Approval.** This Loan is subject to timely satisfaction of the following conditions, and Authority's approval and guarantee of the Loan shall at all times remain conditioned upon the same:
 - (a) All conditions set forth in Lender's written commitment to lend have been satisfied, unless such conditions have been waived by Lender.

- (b) Lender' representations and statements made to Authority in connection with its application for guarantee are true and correct, and the documentation submitted in support of its application is true, accurate, and complete.
- (c) Borrower must timely satisfy the requirements or conditions identified in the Loan application to Authority or this Authorization, and any additional conditions imposed upon Borrower by Lender.
- (d) Authority must review and approve all documents to be executed by Borrower or Lender at the closing of the Loan.
- (e) There has been no unremedied adverse change in Borrower's financial or other condition since the date of Lender's application for this Authorization.
- (f) Lender must make its first disbursement of Loan proceeds not later than **three (3) months** from the date of this Authorization, unless such time is extended in writing by Authority.
- (g) Lender must pay Authority an origination fee of \$_____, which may be collected by Lender from Borrower, within ten (10) days of the date funds are first advanced under the Loan.
- (h) Lender must comply with the Loan terms and requirements set forth in paragraph 4 below.
- (i) Lender must comply with the following special conditions and provisions required by Authority:_____
- _____
- _____
- _____

4. **Terms of Loan.**

- (a) Amount, interest rate, repayment terms and maturity:
- (b) Permitted uses of loan funds:
- (c) Required collateral:

5. **Additional Conditions Upon Borrower.** To further induce Authority to guarantee the Loan, Lender must impose the following conditions upon the Borrower, which conditions shall continue to be binding upon Borrower until the Loan has been repaid in full:

- (a) Reimbursable Expenses. Borrower will, on demand, reimburse Authority for any and all reasonable attorneys' fees and expenses incurred by Authority in connection with this Authorization, the administration of Authority's guarantee, or the servicing of the Loan by Authority.
- (b) Borrower's Representations and Promises. Borrower represents and promises as follows:

- (i) Borrower is using the Loan to establish or enhance: (1) a farming or ranching operation in the State of Texas; or (2) an agriculture-related business in the State of Texas.
- (ii) Borrower will use all funds received from the Loan only for the specific purposes and amount(s) described in section 4(b) above. Loan proceeds may not be used for Borrower's personal or household purposes.
- (iii) Borrower's statements and disclosures made to Lender or Authority in connection with the Loan, including all supporting documents provided Borrower or by someone else on Borrower's behalf, are true and complete.

(c) Other Provisions. If applicable, see attached exhibit A.

6. **Duration of Guarantee.** Authority's guarantee shall remain valid, subject to any limitation, modification or termination provisions in the Act, the ALG rules, the Master Loan Guarantee Agreement or this Authorization, until _____, _____, but in no event shall the guarantee extend beyond the lesser of ten (10) years from the date of closing of the Loan or the useful life of the asset(s) being financed with proceeds of the Loan.

Interest Rebate

7. **Applicability of Interest Rebate.** Authority will/will not provide an interest rebate for the Loan. If Authority will provide an interest rebate for the Loan, sections seven (7) through twelve (12) of this Authorization apply. If Authority will not provide an interest rebate for the Loan, sections seven (7) through twelve (12) do not apply.

8. **Interest Rebate on a Variable Interest Rate Loan.** In the event the Loan has a variable interest rate and matures in a period of one year or less, Authority will make an interest rebate payment to Borrower after maturity of the Loan. In order to calculate the interest rebate payment, Lender shall provide to Authority, at Loan maturity, a list of all the various interest rates charged to the borrower during the loan period and the amount of interest actually paid by Borrower to Lender over the period of the Loan. The amount of such interest rebate shall be:

9. **Interest Rebate on a Fixed Interest Rate Loan.** If the Loan matures after a period of one year or more, the Loan must have a fixed interest rate in order to qualify for an interest rebate under the Act and ALG rules. In the event the Loan has a fixed interest rate, Authority shall make _____ (quarterly, semi-annual, or annual) interest rebate payments to Borrower as follows:

10. **Verification of Interest Paid.** In order for Authority to properly calculate and make an interest rebate payment, Lender will provide all necessary information to Borrower and Authority to verify the interest paid on the Loan. Such information may include one or more of the following:

- a. A payment remittance advice from Lender that identifies the amount of interest paid by Borrower on the Loan for the applicable period.
- b. A copy of Lender's transaction history identifying the application of payments by Borrower on the Loan for the applicable period.

c. Any other documentation required by Authority that verifies the calculation of the total interest paid by Borrower on Loan for the applicable period.
In the event the information provided by Lender is deemed insufficient by Authority, Authority will notify Borrower and Lender of such in writing.

11. **Time of Payment.** Within sixty (60) days of receipt of proper verification of interest paid for the applicable period, Authority will prepare and forward documentation to the Texas Comptroller of Public Accounts for payment of the interest rebate payment to Borrower from the Texas Agricultural Fund.
12. **Maximum Amount of Rebate.** Notwithstanding any other provision or section of this Authorization, the Authority shall not pay an interest rebate that results in an annual percentage rate of interest for the loan of less than five percent. Further, the interest rebate paid by Authority to Borrower, if any, shall not exceed, in any one (1) year period, the lesser of (i) a three percentage point reduction or (ii) \$5,000.00.

General Provisions

13. **Parties Bound.** This Authorization shall be binding upon Authority, Lender, Borrower and their legal representatives, heirs, executors, guardians, representatives, successors and assigns. No provision herein shall be waived without the prior written consent of Authority. The Loan shall be made and administered as provided in this Authorization and in the Master Loan Guarantee Agreement.
14. **No Agreement to Lend.** Borrower understands that this Authorization constitutes authorization to Lender to make the Loan under the terms of the Authorization and the Master Loan Guarantee Agreement between Lender and Authority. This Authorization DOES NOT constitute an agreement by Authority to make the Loan to Borrower. In no event shall Authority be obligated to make any loan to Borrower. Authority shall not incur any obligation or liability to Borrower whatsoever for any action or inaction by Lender, including without limitation: (i) Lender's failure to fund the Loan or any part thereof; (ii) Lender's origination, closing, administration, servicing, collection, or enforcement of the Loan; or (iii) any other action or inaction by Lender with respect to the Loan.
15. **Acceptance by Lender and Borrower.** This Authorization must be accepted by Lender and Borrower by proper signature within **30** days of Lender's receipt of this Authorization or this Authorization and Authority's commitment to guarantee the Loan will be deemed null and void, unless an extension of time is agreed to by Authority in writing and sent to Lender prior to the expiration of such period. Upon acceptance of the terms and conditions of this Authorization, Lender and Borrower must execute the necessary documents to close the Loan within 90 days of receipt of this Authorization or such commitment will be deemed null and void unless previously agreed to by Authority in writing.
16. **Tax Information.** Interest rebate payments may result in tax consequences for Borrower. Authority will file appropriate statements each year as required by the Texas Comptroller of Public Accounts and/or the Internal Revenue Service, or their successor agencies. Authority will provide appropriate tax information or statements concerning interest rebate payments to Borrower in the time and manner required by State or Federal law.
17. **Applicable Law.** This Authorization shall be governed by, and construed in accordance with, the laws of the State of Texas.
18. **Severability.** In the event any provision of this Authorization shall be held invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability will not

effect the enforceability or interpretation of any other provision in this Authorization. In the event of such a ruling, this Authorization will be construed and enforced as if such invalid or unenforceable provision did not exist.

19. **Authority's Liability.** Authority's obligations under this Authorization do not constitute general obligations of Authority, the Texas Department of Agriculture, the State of Texas, or any political subdivision of the State of Texas. Authority has no taxing power, and neither the credit nor taxing power of the State of Texas or any political subdivision thereof is pledged as security for such obligation. Authority will utilize the Texas Agricultural Fund to support the guarantee and interest rebate payments, if any, under this Authorization. Authority's liability under this Authorization, if any, is limited to the lesser of: (a) the amount of Authority's guarantee under this Authorization, or (b) the available balance of the Texas Agricultural Fund.
20. **Headings.** The headings in this Authorization are provided for convenience only, and shall not be utilized in the construction, enforcement, or interpretation of this Authorization.
21. **Notice.** All notices to any party to this Authorization shall be in writing and shall be given by delivery in person, overnight air delivery with confirmed receipt, or by prepaid certified mail, return receipt requested, and shall be addressed, if to Lender or Borrower, at their respective addresses set forth above, or to Authority at: Texas Agricultural Finance Authority, c/o Texas Department of Agriculture, P.O. Box 1287, Austin, TX 78711, Attn: Assistant Commissioner for Rural Economic Development. A party may change its notice address by furnishing written notice of its new address to the other parties as provided herein. Any notice given under this Authorization shall be deemed given upon the earlier to occur of (i) actual receipt or (ii) deposit in the U.S. mail, postage prepaid, certified with return receipt requested, addressed to the proper address for notice as provided herein.
22. **Breach by Lender.** In the event Lender breaches any condition or covenant of this Authorization or the Master Loan Guarantee Agreement, or in the event Lender fails to comply with the Act or ALG Rules, Authority may limit, revoke, terminate or withdraw its guarantee or rebate for the Loan.
23. **Dispute Resolution.** The dispute resolution process provided for in Chapter 2260 of the Texas Government Code shall be used by Authority and Lender to resolve all disputes arising under this agreement.

THIS WRITTEN LOAN AUTHORIZATION AND INTEREST REBATE AGREEMENT, TOGETHER WITH THE MASTER LOAN GUARANTEE AGREEMENT AND THE PROMISSORY NOTE, SECURITY AGREEMENT AND OTHER WRITTEN DOCUMENTS EVIDENCING OR SECURING THE LOAN, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. THIS AUTHORIZATION MAY BE AMENDED, CHANGED, OR MODIFIED ONLY BY A WRITING EXECUTED BY ALL THE PARTIES TO THIS AGREEMENT.

TEXAS AGRICULTURAL FINANCE AUTHORITY

By: _____ Date: _____

Assistant Commissioner for Rural Economic Development,
Texas Department of Agriculture, acting as duly authorized
Agent of the Texas Commissioner of Agriculture, authorized
to administer the Texas Agricultural Finance Authority

Borrower hereby agrees to the terms and conditions imposed herein:

Lender hereby agrees to the terms and conditions imposed herein:

(Borrower's Full Legal Name)

(Lender's Full Legal Name)

(Signature)

(Signature)

By: _____

By: _____

(If Borrower is not an individual, complete)

Name: _____

Name: _____

Title: _____

Title: _____

Date executed: _____, 20__

Date executed: _____, 20__

Borrower hereby agrees to the terms and conditions imposed herein:

(Borrower's Full Legal Name)

(Signature)

By: _____

(If Borrower is not an individual, complete)

Name: _____

Title: _____

Date executed: _____, 19__

Exhibit A

(Additional Terms and Conditions Applicable to Authority's Guarantee of the Loan)