



Award Documents

USDA RUS ReConnect Program



Rural Development

The Various Types of Award Agreements

1. Grant Agreement (3 subtypes)
 - a. “Grant and Security Agreement”
 - b. “Grant and Security Agreement” (with no matching funds)
 - i. Tribal entities
 - ii. Socially Vulnerable Communities
 - c. “Grant Agreement with Letter of Credit as Security”

The Various Types of Award Agreements (cont'd.)

2. Loan/Grant Combination Agreement (2 subtypes)
 - a. “Loan/Grant and Security Agreement”
 - b. “Loan and Grant Agreement” (paired with Mortgage)

3. 100% Loan Agreement (3 subtypes)
 - a. “Loan Agreement” (paired with Mortgage)
 - b. “Loan and Security Agreement”
 - c. “Loan Agreement” (with Substitution Collateral)

Security Documentation

1. Grants

a) For “Grant and Security Agreement” – UCC Financing Statement filing and DACA (deposit account control agreement)

+ “Subordination of Mortgage Lien” or “Subordination of Lien” needed IF Awardee has **existing** outside lender

b) “Grant Agreement with Letter of Credit as Security” – Irrevocable Letter of Credit and DACA

2. Loan/Grant Combinations

a) For “Loan/Grant and Security Agreement”– UCC Financing Statement filing and DACA

+ “Intercreditor Agreement” needed IF Awardee has **existing** outside lender

+ Mortgage filing needed IF Awardee subsequently acquires real property

b) For “Loan and Grant Agreement” (paired with Mortgage) - Mortgage filing, UCC Financing Statement filing, and DACA

Security Documentation (cont'd.)

3. 100% Loans
 - a) For “Loan Agreement” (with Mortgage) – Mortgage filing, UCC Financing Statement filing, and DACA
 - b) For “Loan and Security Agreement” – UCC filing and DACA
 - + “Intercreditor Agreement” needed IF Awardee has **existing** outside lender
 - c) For “Loan Agreement” (with Substitution Collateral) – DACA or other document providing collateral as defined in Schedule 1

Additional Agreement Conditions – Completion of Environmental Procedures (NEPA)

The following condition will be included in **all** award agreements (in Schedule 1), **unless** RUS has provided written notice to the Awardee of satisfactory completion of the required environmental review:

Pursuant to 7 CFR 1970.11(b), the Agency has determined that assurance of funding for this Project is necessary for economic rural development. As a result, this Agreement is subject to the completion of all necessary environmental procedures required by Federal law, and funds may not be disbursed until successful completion of such procedures. The Awardee acknowledges that it may not engage in any work on the Project until Awardee has received written notice from the Agency, except for work required to finalize the environmental reviews. Such environmental work, however, shall be done at the Awardee's own risk and may not be reimbursed if the environmental reviews cannot be completed as required by 7 CFR 1970.11(b). Awardee understands and acknowledges that unauthorized work will result in the termination of this Agreement. Awardee also acknowledges that any findings in the environmental reviews requiring significant changes to the Project will constitute an immediate deobligation of funding and termination of this Agreement, and will not result in an amended agreement until revised terms are agreed upon and funding is determined to be still available.

Important Provisions Specific to Type of Award and Agreement – Service Obligation

Grants

- ARTICLE I – DEFINITIONS

“Service Obligation” shall mean the period in which grant assets must be placed into service to carry out the purposes of the ReConnect Program, and the time period in which grant assets must be secured as an exclusive, first lien on behalf of the government

- Section 5.7 Service Obligation

The Awardee shall provide the level of broadband service described in the RUS approved Application commencing from the date of Project Completion until the end of the Composite Economic Life of the facilities financed by the Award as specified on Schedule 1. Awardee acknowledges that given the significant amount of government contribution to the Project in the form of a grant, the Service Obligation is a significant portion of the public benefit of the Award, and that a material breach of the Service Obligation shall be an Event of Default. Awardee also acknowledges that grant assets must be secured as an exclusive, first lien on behalf of the government, as required by the ReConnect Program

Important Provisions Specific to Type of Award and Agreement – Service Obligation (cont'd.)

Loan/Grant Combinations

- ARTICLE I – DEFINITIONS

“Service Obligation” shall mean the period in which grant assets must be placed into service to carry out the purposes of the ReConnect Program, and the time period in which grant assets must be secured as an exclusive, first lien on behalf of the government

- Section 5.10 Service Obligation:

The Awardee shall provide the level of broadband service described in the RUS approved Application commencing from the date of Project Completion until the longer of (i) the Composite Economic Life of the facilities financed by the Award as specified on Schedule 1 or (ii) as long as the Note(s) is outstanding. The Awardee acknowledges that given the significant amount of government contribution to the Project in the form of a federal grant, the Service Obligation is a significant portion of the public benefit of the Award, and that a material breach of the Service Obligation shall be an Event of Default. The Awardee acknowledges and agrees that failure to provide the full Service Obligation shall give rise to the government’s claim for the return of all or part of the federal Grant, proportionate to number of years the grant assets were in service, as determined by RUS. Awardee also acknowledges that grant assets must be secured as an exclusive, first lien on behalf of the government, as required by the ReConnect Program.

Important Provisions Specific to Type of Award and Agreement – Service Obligation (cont'd.)

100% Loans: “Loan and Security Agreement”

- ARTICLE I – DEFINITIONS

“Service Obligation” shall mean the period in which assets purchased with federal assistance and subsidized by a federal grant to lower the interest rate, must be placed into service to carry out the purposes of the ReConnect Program

- Section 5.10 Service Obligation:

The Awardee shall provide the level of broadband service described in the RUS approved Application commencing from the date of Project Completion until the longer of (i) the Composite Economic Life of the facilities financed by the Award as specified on Schedule 1 or (ii) as long as the Note(s) is outstanding. Awardee acknowledges that given the significant amount of government contribution to the Project in the form of a federal grant, the Service Obligation is a significant portion of the public benefit of the Award, and that a material breach of the Service Obligation shall be an Event of Default.

Important Provisions Specific to Type of Award and Agreement – Service Obligations (cont'd.)

100% Loans: “Loan Agreement” (with Mortgage)

- ARTICLE I – DEFINITIONS

“Service Obligation” shall mean the period in which assets purchased with federal assistance and subsidized by a federal grant to lower the interest rate, must be placed into service to carry out the purposes of the ReConnect Program

- Section 5.10 Service Obligation:

The Awardee shall provide the level of broadband service described in the RUS approved Application commencing from the date of Project Completion until the longer of: (i) the Composite Economic Life of the facilities financed by the Award as specified on Schedule 1; or (ii) as long as the Note(s) is outstanding. Awardee acknowledges that given the significant amount of government contribution to the Project in the form of a subsidized interest rate through a federal grant, the Service Obligation is a significant portion of the public benefit of the Award, and that a material breach of the Service Obligation shall be an Event of Default

Important Provisions Specific to Type of Award and Agreement – Financial Requirements

Grants

- Section 5.16 Financial Requirements

The Awardee shall maintain a positive ending cash balance as reflected on the cash flow statement for each year in which grant funds are expended.

Important Provisions Specific to Type of Award and Agreement – Financial Requirements (cont'd.)

Loan/Grant Combinations

- Section 5.8 Financial Requirements
 - a) At least two of the three requirements on the Financial Requirements Commencement Date, as specified in Schedule 1 hereto, until the Loan is repaid in full:
 - (i) a minimum TIER requirement of 1.2;
 - (ii) a minimum DSCR requirement of 1.2; and
 - (iii) a minimum Current Ratio of 1.2
 - b) Positive cash flow from operations at the end of the fifth year of the award; and
 - c) Positive ending cash balance as reflected on the cash flow statement for each year of the forecast period

Important Provisions Specific to Type of Award and Agreement – Financial Requirements (cont'd.)

100% Loans: “Loan and Security Agreement”

Section 5.8 Financial Requirements

- a) At least two of the three requirements on the Financial Requirements Commencement Date, as specified in Schedule 1 hereto, until the Loan is repaid in full:
 - (i) a minimum TIER requirement of 1.2;
 - (ii) a minimum DSCR requirement of 1.2; and
 - (iii) a minimum Current Ratio of 1.2;
- b) Positive cash flow from operations at the end of the fifth year of the award

Important Provisions Specific to Type of Award and Agreement – Financial Requirements (cont'd.)

100% Loans: “Loan Agreement” (with Mortgage)

- Section 5.8 Financial Requirements
 - a) At least two of the three requirements on the Financial Requirements Commencement Date, as specified in Schedule 1 hereto, until the Loan is repaid in full:
 - (i) a minimum TIER requirement of 1.2;
 - (ii) a minimum DSCR requirement of 1.2; and
 - (iii) a minimum Current Ratio of 1.2
 - b) Tangible equity to Total Assets must be at least 20 percent at the end of the calendar year starting in the third year and ending in the fifth year of the award
 - c) Positive cash flow from operations at the end of the fifth year of the award; and
 - d) Positive ending cash balance as reflected on the cash flow statement for each year of the forecast period

Important Provisions in All Award Agreements – RDOF

Section [5.15 / 5.18 / 5.19] RDOF Funding

If the Awardee is a recipient of Rural Digital Opportunity Fund (RDOF) funding, Awardee acknowledges and certifies that neither funds under this Award nor under the RDOF award will be used to reimburse the same expenditures. Such Awardees must also maintain separate accounts to track sources and uses of each funding source.

Important Provisions in All Award Agreements – Audit Requirements

Section 6.3 Annual Audit

- a) Non-Federal Entities, which include Awardees that are States, local governments, Indian tribes, institutions of higher education, or nonprofit organizations, shall provide RUS with an audit pursuant to 2 C.F.R. part 200, Subpart F (Audit Requirements). The Awardee must follow subsection 200.502 in determining federal awards expended. All RUS loans impose an ongoing compliance requirement for the purpose of determining federal awards expended during a fiscal year. In addition, the Awardee must include the value of new federal loans made along with any grant expenditures from all federal sources during the Awardee's fiscal year. Therefore, the audit submission requirement for this program begins in the Awardee's fiscal year that the loan is made and thereafter, based on the balance of federal loan(s) at the beginning of the audit period. All required audits must be submitted within the earlier of: (i) 30 calendar days after receipt of the auditor's report; or (ii) nine months after the end of the Awardee's audit period

Important Provisions in All Award Agreements – Audit Requirements (cont'd.)

Section 6.3 Annual Audit

- b) For all other entities, Awardees shall provide RUS with an audit within 120 days after the as of audit date in accordance with 7 C.F.R. part 1773, Policy on Audits of RUS Borrowers. Note that with respect to Advances that contain loan funds, the audit is required after an Advance has been made, and, thereafter, from the close of each subsequent fiscal year until the loan is repaid in full. With respect to Advances that only contain grant funds, the audit is required until all grant funds have been expended or rescinded. While an audit is required, Awardees must also submit a report on compliance and internal controls over financial reporting, as well as a report on compliance with aspects of contractual agreements and regulatory requirements

Promissory Note (Loans only)

- Must be executed by all Loan Awardees
- Interest rate is based on funding category as set forth in applicable FOA
- Three-year interest and principal deferral, after which accrued interest and principal is capitalized and amortized over the remaining term
- Default term to maturity is the composite economic life of all project assets (based on depreciation rates determined acceptable by RUS) plus 3 years, otherwise applicants must request shorter term

Switch from Loan/Grant Combination to Purely Grant Agreement

- Awardees that prepay loan must have the agreement substituted with a standard grant-only agreement





United States
Department of
Agriculture

Rural Development