

**TEXAS AGRICULTURAL FINANCE AUTHORITY
AGRICULTURAL LOAN GUARANTEE PROGRAM
MASTER LOAN GUARANTEE AGREEMENT**

This AGREEMENT is made the _____ day of _____,
_____ by and between _____, a
_____ (“Lender”), with banking headquarters at:

(Lender's mailing and physical address)

and the Texas Agricultural Finance Authority (“Authority”), a public authority within the Texas Department of Agriculture.

WHEREAS, the parties intend for Lender to make and Authority to guarantee loans as authorized under the Texas Agricultural Finance Authority Act, Texas Agricultural Code, Chapter 58, as amended (“Act”) in accordance with the rules and regulations promulgated from time to time by Authority (“Rules and Regulations”), including, without limitation, the Texas Agricultural Finance Authority Agricultural Loan Guarantee Program Rules (“ALG Rules”), Texas Administrative Code, Title 4, Chapter 28, as amended.

NOW, THEREFORE, the parties agree as follows:

1. **Application for Guarantee.** This agreement shall cover only loans duly approved by Lender and by Authority for guarantee by Authority and is subject to the Rules and Regulations as adopted by Authority. Any loan approved by Lender, contingent upon Authority's guarantee under this agreement, shall be referred to Authority for authorization upon the separate application (“Application”) of an eligible applicant (“Applicant”) submitted jointly by Lender and Applicant. In no event shall the Authority’s guaranteed percentage of any loan exceed: the lesser of the amount authorized, in writing, with respect to any particular borrower; program limits as specified in the ALG Rules; or \$750,000.00 (“Maximum Guaranteed Amount”). If the stated guaranteed percentage of any loan, when applied to the outstanding principal balance of such loan, would exceed the Maximum Guaranteed Amount, the stated guaranteed percentage of such loan shall be automatically adjusted downward to the extent required to eliminate such excess guarantee, without any change being made to any document. Lender shall not acquire any preferential security, surety or insurance to protect its unguaranteed interest in a loan. In connection with each loan submitted by Lender to Authority for approval of guarantee hereunder, Lender shall perform such credit investigations, analysis, inquiries, reviews and other underwriting functions as Lender would customarily perform if the subject loan were not guaranteed by Authority,

and Lender shall advise Authority of all matters with respect to such loan which do not meet or conform to Lender's underwriting standards.

Authority encourages Lender to periodically assess the adequacy of its underwriting standards, taking into account recent loan growth, acquisitions, and changes in Lender's appetite for risk. The maintenance of adequate underwriting standards is a prerequisite to Lender's participation in Authority's ALG Program.

2. **Approval of Guarantee.** Authority or its representative shall either approve the guarantee in a written Loan Authorization and Interest Rebate Agreement ("Authorization") or decline the guarantee by written notice to Lender. Notice of decline will be deemed to have been given to Lender if the Authorization has not been received by Lender within 45 days from the date of the completed Application. The Authorization shall set forth the guaranteed percentage of the loan and any specific terms and conditions pertaining to the loan being guaranteed (hereinafter referred to as the "Loan" with respect to any loan guaranteed by Authority hereunder). The Authorization shall state the maximum principal balance of the Loan that will be guaranteed by Authority ("Approved Loan Amount"). Any amount in excess of the Approved Loan Amount shall not be guaranteed by Authority. The Authorization must be executed by Applicant and Lender and delivered to Authority within 30 days of the date of the Authorization, or the Authorization and Authority's guarantee shall be null and void. Any change in, or variance from, the terms and conditions stated in the Authorization must be approved by prior written agreement between Authority and Lender.

3. **Closing and Disbursement of Loans.** As a condition to Authority's guarantee, Lender shall close and disburse each Loan in accordance with the terms and conditions of the Authorization. Lender shall require Applicant to execute a note, a security agreement (if applicable), a deed of trust (if applicable), and additional appropriate instruments. Further, Lender shall take such other actions, consistent with financial industry standards and Lender's customary lending and closing practices, which shall be required to fully protect or preserve the interests of Lender and Authority in the Loan. Immediately after the closing of each Loan, Lender shall furnish Authority with (i) fully executed copies of all notes, deeds of trust, mortgages, security agreements, instruments of hypothecation, and any other agreements or documents relating to the Loan (herein collectively called the "Loan Instruments"), (ii) the guarantee origination fee described in Paragraph 5 hereof, and (iii) such other items as required by the Authorization. Authority shall be entitled at any time after written notice, to examine: (i) Lender's complete file, documents, correspondence, and records pertaining to any Loan(s), including any electronic data, electronic file(s), electronic record(s), or e-mail(s); and (ii) copies of all Loan Instruments, closing files or binders, underwriting files or records, due diligence records, payment histories, funding and disbursement records, and repayment records held by Lender which relate to any Loan(s).

4. **Status Report.** Lender shall complete and forward to Authority a written quarterly status report of each Loan in the form furnished by Authority. This report shall be due within 15 days after the end of each quarter in the calendar year (i.e., on or before

April 15, July 15, October 15, and January 15). As part of its quarterly report, Lender shall: (i) provide the current loan balance, repayment status, and any credit changes or reclassifications made by Lender with respect to the Loan, and (ii) notify Authority of the payment of all personal or real property taxes. Lender shall immediately notify Authority if: (i) the Loan is adversely classified; (ii) Lender places a reserve amount to cover any potential loss due to the Loan; (iii) borrower is thirty (30) days past due on any payment(s) due under any Loan(s); or (iv) borrower is in breach of or default under any Loan Instrument, loan agreement, note, or other agreement relating to any Loan(s).

5. **Guarantee Origination Fee.** Lender shall forward to Authority a guarantee origination fee of not less than one percent (1%) of the initial Maximum Guaranteed Amount of the Approved Loan Amount, or such other greater percentage or sum as specified in the Authorization. The guarantee origination fee shall be paid within 10 days of the date funds are first advanced under such Loan. If this fee is not paid within such time period, Authority will send Lender a written notice which states that the guarantee of Authority for such Loan will be terminated if Authority does not receive the fee within the time specified in the written notice. Authority, in its sole discretion, may reinstate its guarantee for the Loan by giving written notice to Lender. Upon request of Lender, Authority may refund the guarantee origination fee if: (i) Lender has not made any disbursement on the Loan; (ii) Authority has incurred no risk with respect to the Loan; and (iii) Lender requests a return of the fee and cancellation of the Authorization along with Authority's guarantee. Authority's acceptance of the guarantee origination fee shall not constitute a waiver by Authority of any negligence or other misfeasance on the part of Lender. Authority reserves the right to decline or revoke a loan guarantee if a lender fails to present sufficient evidence that it has the capacity or interest to appropriately make and service the loan.

6. **Administration of Loans.** Except as otherwise provided herein, Lender shall hold the Loan Instruments and service the Loan, including processing all payments. Lender, however, shall not, without prior written consent of Authority: (a) make or consent to any substantial alteration in the terms of any Loan Instrument ("substantial" includes, but is not limited to, increases or decreases in the principal amount due under the Loan or in the interest rate for the Loan); (b) take any action that benefits or confers a preference on Lender or any other holder of the note; (c) make or consent to any release of collateral, except collateral that is routinely purchased and sold in the normal operation of the Applicant's business; (d) accelerate the maturity of any note; (e) sue or foreclose upon any Loan Instrument, except that partial or complete drawings upon any letter of credit pledged as security for any note or for the obligations of Applicant or any other party under any other Loan Instrument shall be permitted without the prior written consent of Authority if such letter of credit drafts are necessary to prevent the letter of credit from expiring without having been renewed or replaced; (f) waive any claim against any borrower, guarantor, obligor or standby creditor arising out of any Loan Instrument; or (g) resell or otherwise dispose of any collateral acquired at a foreclosure sale. Lender may make remedial adjustments in the terms and conditions of a Loan as may be authorized by the Authority. Lender represents and warrants to Authority that it has and will continue to have the ability to evaluate and service each Loan and to perform

its obligations under the Loan Instruments, to make all required reports to Authority concerning the status of a Loan or the Applicant, and to undertake efforts to collect each Loan upon default.

7. **Payment of Guarantee by Authority.** (a) Authority is under no obligation to purchase the guaranteed percentage of the outstanding principal balance of the Loan until Lender has exhausted all possible collection activities concerning the Loan, including, but not limited to, foreclosure of collateral, obtaining a monetary or other judgment against borrower enforcing the terms of the Loan, and taking commercially reasonable steps to enforce and collect such judgment. Once Lender has completed all possible collection activities concerning the Loan, and all repayment proceeds, including proceeds from the sale or liquidation of collateral, have been applied to the Loan, Lender may demand in writing that Authority purchase the guaranteed percentage of the outstanding principal balance of the Loan unless such amount is zero dollars or less. Lender must include in its demand its calculation of the outstanding principal balance of the Loan (showing a positive amount due by Authority), a transcript of the Loan account, and any other Loan records requested by Authority. Within 60 days after receipt of Lender's demand for purchase, Authority will send Lender written notice of its determination of whether or not Lender is entitled to demand such purchase and, if Lender is so entitled, the date for closing of such purchase, which shall not be more than 30 days after the date of Authority's determination notice. If Authority fails to send such determination notice within the required time period, Authority shall be deemed to have elected to purchase the guaranteed percentage of the Loan as represented by Lender. At closing of such purchase, Lender shall execute any and all instruments necessary to transfer and perfect Authority's ownership interest in the Loan. Further, at closing, Lender shall deliver to Authority: (i) confirmed copies of the Loan Instruments along with any other documents not previously furnished to Authority, and (ii) a Certificate of Interest, in a form approved by Authority, evidencing Authority's total ownership percentage in the Loan after such purchase. Authority shall pay Lender an amount equal to the stated guaranteed percentage of the outstanding principal balance of the Loan as of the closing date of such purchase, less all repayment proceeds collected by Lender, which amount will be certified by Lender in writing prior to payment of Authority's guarantee. Lender shall no longer be required to continue administration or servicing of the Loan after Authority pays the prescribed amount of its Loan guarantee under this Paragraph 7, and Authority, at its sole expense, may pursue any remaining collection activities concerning the Loan that are available to any owner or holder of the Loan.

(b) Any demand by Lender under this Paragraph 7 requesting Authority to pay its guarantee of a Loan shall constitute Lender's certification and representation that (i) the Loan has been disbursed and serviced in substantial and material compliance with this agreement, the Loan Authorization and the Loan Instruments, (ii) Lender is not in default under the Loan Authorization or the Loan Instruments, (iii) the Loan represents the legal, valid and binding obligation of Applicant, enforceable in accordance with the terms of the Loan Authorization and the Loan Instruments and subject to no valid offsets, claims or defenses of Applicant or borrower other than the limitations imposed by bankruptcy, insolvency, reorganization, liquidation, probate, conservatorship and similar laws now or

hereafter in effect, and (iv) this agreement remains in full force and effect with respect to such Loan. The obligation of Authority to purchase the guaranteed portion of the Loan shall be contingent on the accuracy of such certification and representation. Any material inaccuracy in Lender's certifications or representations shall not be waived by Authority's purchase of the guaranteed portion of the Loan. Authority may, at any time after purchase of the guaranteed percentage of a Loan, require Lender to (i) execute and deliver to Authority for recording, as Authority may require, such instruments evidencing Authority's purchase of the guaranteed percentage of the Loan and (ii) use its best efforts to obtain an acknowledgment to such purchase signed by Applicant or borrower. Purchase by Authority of the guaranteed portion of a Loan shall not waive any right of Authority arising from Lender's negligence, misconduct, or violation of any provision of this agreement.

(c) Lender must exercise due diligence in the servicing, maintenance, review, and evaluation of performance of a Loan without regard to the existence of Authority's guarantee or any other limitation of risk. Authority reserves the right to limit, revoke, terminate or withdraw a loan guarantee if Lender does not present sufficient evidence that it has the capacity or interest to appropriately make and service the loan. Additionally, Authority may limit, revoke, terminate or withdraw a loan guarantee if Lender fails to substantially comply with financial industry standards pertaining to reasonably prudent administration, origination, servicing, or underwriting of loans, or if the lender fails to comply with all obligations required under any agreements with Authority, including, without limitation, the Authorization. Further, Authority may limit, revoke, terminate or withdraw its guarantee if Authority determines that Lender has failed to provide timely and accurate information as required by paragraph 4 of this agreement, and that such failure has caused substantial harm to Authority.

8. **Fees or Commissions.** Lender shall not require compensating balances and shall not directly or indirectly charge or receive any bonus, fee, commission, or other payment or benefit in connection with making or servicing any Loan, except (a) interest as provided for in the Loan Instruments, (b) reimbursements for charges or expenses incurred or compensation for actual services rendered, and (c) such other fees as are customarily charged by Lender to borrowers in the ordinary course of business for loans that are not guaranteed under the Act.

9. **Default or Insolvency of Lender.** In the event Lender shall default under any of its obligations under this agreement or any other agreement between Lender and Authority relating to any Loan, Authority shall give Lender written notice of the event of default. Lender shall have 30 calendar days from the date of such notice to cure such default. Unless and until such default is cured, Authority shall not be obligated to purchase the guaranteed percentage of any Loan. Notwithstanding any provision herein to the contrary, in no event shall Authority be required to purchase any interest in any Loan (or in any collateral thereof) at any time after the insolvency of Lender or after Lender's default under this agreement or any other agreement between Lender and Authority relating to any Loan. The rights and remedies of Authority set forth in this agreement are in addition to, and not exclusive of, any and all other rights and remedies

available to Authority by statute or applicable administrative rule(s), at law, in equity, or otherwise. Furthermore, in no event shall Authority be required to make or fund any Loan to any Applicant.

10. **Assignment of Interest in Loan.** Lender may assign, in whole or part, its rights or obligations under this agreement on any Loan with the prior written consent of Authority. Nothing in this agreement prohibits, upon written notice to Authority, assignment of any interest in a Loan by Lender (or holder of the note) to other banking or lending institutions, provided (i) Lender remains “at risk” as required by paragraph 14 of this agreement, (ii) Authority may continue to deal solely with Lender as to the entire Loan, and (iii) the assignee shall have no greater rights in the Loan than Lender. This agreement shall inure to the benefit of, and be binding upon the parties, their legal representatives, successors and assigns.

11. **Termination.** Either party may terminate this agreement upon at least 10 days written notice by certified mail to the other party. Termination pursuant to this paragraph 11 shall not affect the guarantee of any Loan previously authorized by Authority or the terms of this agreement with respect thereto. Lender, upon written notice to Authority, may terminate the guarantee as to any unassigned Loan at any time prior to payment by Authority. Authority's guarantee of any Loan shall be terminated automatically if a demand for Authority to purchase the guaranteed percentage of such Loan is not received by Authority within 180 days after a monetary or payment default for such Loan if such monetary or payment default remains uncured.

12. **Notice.** All notices to any party hereto required or permitted hereunder shall be in writing and shall be given by delivery in person, by telecopy, telegram or overnight air delivery, or by certified mail, postage prepaid, return receipt requested, and shall be addressed, if to Lender at its address set forth above, and if to Authority to:

Texas Agricultural Finance Authority
c/o Texas Department of Agriculture
P. O. Box 12847
Austin, Texas 78711

Attention: Assistant Commissioner for Rural Economic Development

Either party may from time to time change its address for notice hereunder by furnishing written notice of such new address to the other party as provided herein. Any and all notices given to any party shall be deemed given upon the earlier to occur of (i) actual receipt or (ii) deposit into first class U. S. mail, postage prepaid, addressed to the proper address for notice as provided herein.

13. **Relationship of the Parties.** This agreement shall not constitute nor be construed to create a partnership or joint venture between Authority and Lender. This agreement is for the exclusive benefit of Authority and Lender and shall not be construed to confer any benefits on any third party, including Applicant and any other borrower, guarantor, obligor or stand-by party liable for repayment of any Loan.

14. **Lender to Remain at Risk.** Lender shall always remain at risk for the same percentage of the outstanding balance as the unguaranteed percentage of the original loan. Lender shall not acquire any collateral and/or guaranties from any individual or entity to secure solely the unguaranteed portion of the Loan and not the remainder of the Loan. Unless and until Lender obtains Authority's prior written consent, Lender will not take any action with respect to Applicant, borrower, or any guarantor or other obligor for the Loan that would improve Lender's position with regard to any other loan or obligation owed to Lender by Applicant, borrower, or any guarantor or other obligor for the Loan without equally improving the Loan. Notwithstanding any other terms in this agreement to the contrary, any violation of this paragraph will, at the election of Authority, nullify and void Authority's guaranty of the Loan.

15. **Authority's Liability.** Authority's obligations under this agreement 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. The Authority has no taxing power, and neither the credit nor the taxing power of the State of Texas or any political subdivision thereof is pledged as security for such obligation. To support the loan guaranties of Authority under this agreement, Authority covenants to maintain in cooperation with the Comptroller of Public Accounts of the State of Texas, the Texas Agricultural Fund, as set forth in ALG Rules.

16. **Complete Agreement.** This agreement, together with pertinent administrative rules, including the ALG Rules, and each Authorization issued under this agreement, represents the final and complete agreement between the parties with respect to the subject matter of this agreement. This agreement may not be contradicted by evidence of prior or contemporaneous oral or written agreements or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties. If there is any direct conflict between the terms of this agreement, the terms of any Authorization issued under this agreement, or the Rules and Regulations, the Rules and Regulations shall control. If there is any direct conflict between the terms of this agreement and the terms of any Authorization issued under this agreement, the terms of the Authorization shall control.

17. **Usury Savings Clause.** No provision herein, or in any other agreement or commitment between Authority and Lender, whether written or oral, expressed or implied, shall allow Authority to contract for, charge, receive, or collect, any interest that is greater than the maximum nonusurious interest rate allowed under applicable law. It is the intention of the parties that this agreement, and all other instruments between Authority and Lender, comply with applicable law. If Authority is deemed to have contracted for, charged, received, or collected anything which is deemed to be interest under applicable law, and if such event should cause such interest to exceed the maximum nonusurious interest rate allowed under applicable law, any such excess amount shall be applied to the reduction of any unpaid principal balance that may be due under this agreement or any other indebtedness owed to Authority by Lender, with any

remaining excess to be paid to Lender. In determining whether or not the interest hereon exceeds interest at the maximum nonusurious rate allowed under applicable law, the total amount of interest shall be spread throughout the entire term of the agreement until its payment in full in a manner which will cause the interest rate, if any, on this agreement not to exceed the maximum nonusurious interest rate.

18. **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.

IN WITNESS WHEREOF, Lender and Authority have caused this agreement to be duly executed as of the date first above written.

(TYPED OR WRITTEN NAME OF LENDER)

TEXAS AGRICULTURAL FINANCE
AUTHORITY

BY _____
(SIGNATURE)

BY _____
RICK RHODES

(PRINTED NAME)

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

(TITLE)

(Lender shall execute two copies and submit one executed copy to Authority upon filing of the Qualified Loan Application.)