

IRREVOCABLE STANDBY LETTER OF CREDIT

ISSUER:

_____ Bank

DATE: _____, 20__

BENEFICIARIES:

_____ Rural Electric Cooperative

USDA Rural Development

Amount: \$_____ .00

ACCOUNT PARTY/APPLICANT:

We, _____ BANK, hereby establish this Irrevocable Standby Letter of Credit (Letter of Credit) No. _____ in favor of the Beneficiaries in the amount of _____ Dollars and No/100 (\$_____ .00). This Letter of Credit is available with us at our above office by payment of a Beneficiary's draft drawn on us at sight and shall expire on _____, 20 ____, unless sooner renewed or continued.

Beneficiaries may draw upon this Letter of Credit with a Draft (or Drafts), together with the documentation noted below. Each Draft shall be signed on behalf of a Beneficiary and marked, "Drawn under _____ BANK Standby Letter of Credit No. _____ dated _____, 20 ____". The presentation of any draft shall reduce the amount available under this Letter of Credit by the amount of the draft.

Each Draft must be accompanied by the following:

1. A sight draft drawn by a beneficiary on Issuer.
2. Beneficiary's Signed Statement reading as follows:
 - a. If being drawn by _____ Rural Electric Cooperative: "We are drawing against Standby Letter of Credit No. _____ as _____ has failed to comply with the terms and conditions of its _____ Agreement between it and _____ **RURAL ELECTRIC COOPERATIVE**".
 - b. If being drawn by USDA Rural Development: "We are drawing against Standby Letter of Credit No. _____ as _____ Rural

Electric Cooperative has failed to comply with the terms and conditions of its _____ Agreement between it and USDA Rural Development”.

The amount of this Letter of Credit shall reduce in value [quarterly/annually] beginning _____, 20____, as the Promissory Note executed by the Account Party/Applicant in favor of the Beneficiary _____ Rural Electric Cooperative. The Letter of Credit value will reduce by the amount of the [quarterly/annual] payments due under said Note; however, the reduction shall lag behind the actual payments by one [quarter/year]. (For example, if payments in the amount of \$40,000 are due each quarter or year, the balance of the letter of credit shall reduce by \$40,000 at the end of the second quarter/year and by the same amount each succeeding quarter/year).

Partial and multiple drawings are permitted.

This Letter of Credit expires at our above office on _____, 20____, but shall be automatically extended, without written amendment, for a 12 month term ending _____ in each succeeding calendar year unless the Beneficiaries have received written notice sent by us, the Issuer. This notice will be sent to the Beneficiaries at their address above by registered mail or express courier indicating that we elect not to extend the expiration date of this Letter of Credit beyond the date specified in such notice. This date, whether _____, 20____ or any subsequent _____ shall be at least sixty (60) calendar days after the date the Beneficiaries receive such notice.

Upon a Beneficiary receiving such notice of the non-extension of the expiration date of this Letter of Credit, the Beneficiary may also draw under this Letter of Credit by presentation to us at our above address, on or before the expiration date specified in such notice, of a draft drawn on us at sight accompanied by a signed and dated statement worded as 1. and 2. above.

Unless otherwise stated, all documents are to be presented for payment at _____ Bank, _____.

We hereby agree with you, the beneficiaries, that each drawing presented hereunder in full compliance with the terms hereof will be duly honored by our payment to the Beneficiary making the demand of the amount of such demand.

This Letter of Credit shall be governed by the laws of the State of Iowa and the United States of America.

ISSUER: _____ BANK

By: _____
Name:
Title:

Date: _____, 20____