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Agriculture

Rural Development

Telecommunications Infrastructure Loan Application Guide Fiscal Year 2018



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****BEFORE GETTING STARTED ****

- A. Connect your resources. Documents are available on the Telecom website** at <https://www.rd.usda.gov/programs-services/telecommunications-infrastructure-loans-loan-guarantees>.
1. Read 7 CFR Parts 1735 and 1737 and this *Application Guide*.
 2. Review with your attorney the terms and conditions set forth in the standard Infrastructure Loan Documents.
- B. Contact your area's General Field Representative (GFR).** Find contact details on the USDA website at <https://www.rd.usda.gov/contact-us/telecom-gfr>.

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Section 1 - General Information

A. About the Telecommunications Infrastructure Loan Application Guide

1. Purpose

This guide outlines the application process by which eligible companies can prepare and submit funding requests to the Rural Development (RD) Rural Utilities Service (RUS) Telecommunications Infrastructure Loans and Loan Guarantees Program (Infrastructure Program). This guide will cover the following topics:

- Program regulations
- Application process
- Online application screens
- Required documents
- Common errors
- Frequently asked questions

We encourage all parties involved in the preparation of a loan application to consult this guide.

2. Policy

The policy of the RUS Telecommunications Program is to ensure that all eligible applicants submit applications that are complete and of adequate quality through RD Apply, the Agency's online application portal. All loan applications that are electronically submitted without the General Field Representative (GFR) review and/or recommendation will be returned to the applicant without review.

B. Acronyms

CFR	Code of Federal Regulations
DLC	Digital Loop Carrier
DSCR	Debt Service Coverage Ratio
ER	Environmental Report
FCC	Federal Communications Commission
GFR	General Field Representative
NEPA	National Environmental Policy Act
NHPA	National Historic Preservation Act
PSC	Public Service Commission
RD	Rural Development
RE Act	Rural Electrification Act of 1936, as amended
REA	Rural Electrification Administration
RUS	Rural Utilities Service
S106	Section 106 (of the NHPA)

SHPO	State Historic Preservation Office
TIER	Times Interest Earned Ratio
USDA	United States Department of Agriculture

C. Program Summary

For over 60 years, the Telecommunications Program has been at the forefront of providing the infrastructure financing that brings advanced telecommunications services to the most rural areas of our country. Today, the Infrastructure Program continues as an essential source of financing and technical assistance for rural telecommunications systems. Through this program, approximately \$19 billion has been invested in improved telecommunications services to rural subscribers.

By providing a leadership role in financing and telecommunications standards, the Infrastructure Program continues to help build high quality information pathways that serve Rural America today. The level of investment required to continue providing the infrastructure needed for rural economic development is higher today than ever before. New information capabilities need advanced technologies, less developed rural areas need better infrastructure, and some areas still have no service at all.

The Infrastructure Program offers financial assistance to eligible service providers that will construct, improve, expand, and/or acquire telephone and broadband networks in rural areas.

D. Types of Infrastructure Loans

The Infrastructure Program provides two types of financial assistance: Cost of Money Loans and Guaranteed Loans. Applicants may request either loan type or a combination of these loan types, subject to eligibility and availability of funds. A third type of loan, Hardship Loans, was offered in the past but is not a current offering.

1. Cost-of-Money Loans

Cost-of-Money loans bear interest at a rate equal to the current cost of money to the Federal Government for loans of a similar maturity. The applicable interest rate will be set at the time of each advance, but will not exceed 7 percent per year. The interest rates are released daily and can be found at <https://www.federalreserve.gov/releases/h15/>. Find the relevant rate in the **U.S. government securities** section under **Treasury constant maturities**.

To qualify for a Cost-of-Money loan, an applicant must meet one of the following requirements (see 7 CFR 1735.31):

- a. The average number of proposed subscribers per mile of line in the service area is not more than 15, or
- b. The applicant has a projected TIER of at least 1.0 but not greater than 5.0, as determined by the RUS feasibility study. TIER is the ratio of an applicant's net income (after taxes) plus interest expense, all divided by interest expense.

Cost-of-Money loans cannot be used to finance headquarters buildings or vehicles not used primarily in construction; nor to provide refinancing.

2. Guaranteed Loans

Guaranteed loans, typically from the Federal Financing Bank (FFB), are third party loans and are therefore not funded by RUS, although they are guaranteed in the full amount of principal and interest. Guaranteed FFB loans offer a wide range of financing options, including long- and short-term maturities and prepayment and refinancing privileges. The borrower selects these options at the time loan funds are advanced, and different options may be selected for each advance. Additional details regarding some of the available options can be found in [Bulletin 1710B-1](#).

For feasibility purposes, the interest rate for a guaranteed FFB loan will be equal to the current cost of money to the Federal Government for loans of a similar maturity, plus 1/8 percent.

To qualify for a guaranteed loan, an applicant must have a projected TIER of at least 1.2 (as determined by the RUS feasibility study; see 7 CFR 1735.32).

Guaranteed loans can be used to finance telecommunication facilities, as well as headquarters buildings and vehicles not used primarily in construction, and to refinance non-RUS debt.

3. Hardship Loans

Hardship loans bear interest at a fixed rate of 5 percent on each advance made to the borrower. Although hardship loans are authorized by the RE Act and discussed in the regulations (7 CFR 1735.30), no hardship loans have been awarded since FY 2011, and no funds are currently available for this type of loan. Therefore, no further discussion of hardship loans will occur in this guide.

E. **Eligible Loan Purposes**

Under the Infrastructure Program, RUS will finance the following loan purposes. Please note that RUS does not make loans for the sole purpose of merging or consolidating telephone organizations.

1. Construction, improvement, and expansion of facilities required to provide telephone and broadband service in eligible rural areas.
2. Acquisition of facilities, portions of an existing system, and/or another company by an eligible entity, where the acquisition is necessary and incidental to furnishing or improving rural telephone and broadband service. Generally, RUS will not make a loan for the acquisition of an existing borrower. For more information, see 7 CFR Part 1735.20 and 1735 Subpart G.

The following conditions apply:

- 2.1 The service area to be acquired must meet RUS funding requirements.
 - 2.2 The amount of financing RUS is to provide for the acquisition cannot exceed 50 percent of the requested loan amount.
 - 2.3 The amount of financing RUS is to provide for the acquisition must be less than the proposed loan fund investment in the acquired area.
 - 2.4 Loan funds cannot be used to acquire any stock or any telephone plant of an affiliate of the applicant.
3. Refinancing of an outstanding obligation, as long as such refinancing is necessary and incidental to furnishing or improving telephone and broadband service in rural areas. Generally, if RUS determines that refinancing a loan is necessary to provide itself with adequate security, then RUS will consider the

request. Only Guaranteed loans may be used for refinancing purposes. For more information, see 7 CFR 1735.21.

The following conditions apply:

- 3.1 No more than 40 percent of the Infrastructure Loan amount can be used to refinance the outstanding loan.
- 3.2 The applicant must be current on payments on the loan(s) to be refinanced.
- 3.3 Loans for refinancing are not made solely to enable borrowers to obtain a lower interest rate or a longer amortization period. RUS requires borrowers, to the greatest extent possible, to liquidate outstanding indebtedness through the use of non-loan funds.

F. Applicant Eligibility Requirements

1. Eligible applicants must have sufficient authority to carry out the purposes of the RE Act, and may be a cooperative, nonprofit, for-profit, limited dividend, or mutual association. An applicant must be one of the following:
 - 1.1 Incorporated entity.
 - 1.2 Limited liability company.
 - 1.3 Public body providing telephone service in rural areas as of October 28,1949.
2. Ineligible applicants may not receive RUS funding, as described below:
 - 2.1 Corporations that have been convicted of a Federal felony (or had an officer or agent acting on behalf of the corporation convicted of a felony) within the past 24 months. Any corporation that has been assessed to have any unpaid federal tax liability, for which all judicial and administrative remedies have been exhausted or have lapsed and is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability, is not eligible for financial assistance.
 - 2.2 Active RUS borrowers that are in violation of their existing loan agreements.
 - 2.3 Individuals.

G. Eligible Service Areas

1. General Eligibility. Infrastructure Loans are made to furnish and improve telecommunications service in rural areas as long as there is no duplication of existing service.
 - 1.1 A rural area is any area, as confirmed by the latest decennial census, which is not located within the boundaries of any incorporated or unincorporated city, village or borough having a population greater than 5,000 inhabitants. For verification purposes, population data are sourced from the Fact Finder page of the U.S. Census Bureau website. Review the definition of *rural area* in 7 CFR 1735.2 and 1737.2 for additional detail.
 - 1.2 Nonduplication requirement. RUS loan funds cannot be used to fund any facilities that would result in the duplication of lines, facilities, or systems that are already providing reasonably adequate services. See 7 CFR 1735.12.
2. Other RUS Considerations. In some circumstances, RUS loan funds may be used to finance proposals that include facilities serving non-rural subscribers.

- 2.1 If the applicant is an active borrower whose service area was considered rural at the time the initial Infrastructure Loan for the system was made, then the service area will still be considered rural, even if the population now exceeds 5,000 inhabitants. See 7 CFR 1735.13(d).
- 2.2 If necessary for the provision of service to rural subscribers, RUS loan funds may be used to finance facilities that serve non-rural subscribers. See 7 CFR 1735.13 and 7 CFR 1737.61 for more information.

H. Substantially Underserved Trust Areas

If the Administrator determines that a community in *trust land* (as defined in section 3765 of title 38, United States Code) has a high need for the benefits of the Infrastructure Program, he/she may designate the community as a *substantially underserved trust area* (SUTA), as defined in section 306F of the RE Act.

To receive SUTA consideration, the applicant must attach all of the information requested in 7 CFR 1700, Subpart D to the application and do both of the following:

1. Notify the Agency in writing that it seeks consideration as a substantially underserved trust area.
2. Identify the discretionary authorities of 7 CFR 1700, Subpart D that apply to the request.

I. Loan Terms, Security, and Minimum Amount

1. Loan Terms

The Infrastructure Loan term will be equal to or less than the expected composite economic life of the assets to be financed by the loan. Composite economic life is the sum of the depreciated life plus three (3) years. This term is rounded to the nearest whole year. The expected composite economic life is based on acceptable depreciation rates in accordance with 7 CFR 1737.70(e). Applicants may request a repayment period that is shorter; such requests will be granted only if RUS determines that loan repayment would remain feasible.

Loan terms for acquisitions or refinancing will be determined on a case-by-case basis.

2. Loan Security

- 2.1 RUS generally requires that borrowers provide RUS with a first lien on all of the borrower's property. See 7 CFR 1735.46.
- 2.2 Existing and new mortgages and/or other security arrangements must comply with and satisfy RUS loan documents.
- 2.3 The borrower must comply with all conditions and TIER requirements as stated in the loan documents. See 7 CFR 1735.22.
- 2.4 Unless otherwise designated by RUS, the borrower must own all property purchased with loan funds.

3. Minimum Loan Amount

The minimum loan amount that RUS will fund is \$50,000.

J. Federal Regulations and the Application Guide

The implementing regulations for pre-loan policies and procedures under the RUS Infrastructure Loan Program are 7 CFR 1735 and 7 CFR 1737. This guide describes how to prepare a complete Infrastructure

Loan application in RD Apply, the electronic application submission system. Should any differences between the guide and federal regulations that govern the Infrastructure Program arise, the regulations are the prevailing authority.

While the regulations in the table below are not fully covered in this guide, we encourage you to review them as they govern the activities of the Infrastructure Program. Additional environmental guidance can be found at <https://www.rd.usda.gov/publications/environmental-studies/environmental-guidance>.

Regulation	Summary
7 CFR 1744	Post-loan policies and procedures
7 CFR 1753	Construction guidelines
7 CFR 1755	Standards and specifications for materials, equipment and construction
7 CFR 1770	Accounting requirements
7 CFR 1970	Environmental Guidance

K. Contact Information

General Field Representatives (GFRs) are available to answer questions about the application process and program requirements. Contact information for the GFRs can be found on the website at <https://www.rd.usda.gov/contact-us/telecom-gfr>.

RUS also posts the latest developments in the Infrastructure Program, including an electronic copy of this guide, on the Telecom website at <https://www.rd.usda.gov/programs-services/telecommunications-infrastructure-loans-loan-guarantees>.

****NOTES ON SECTION 1****

RUS does not make loans to individuals.

Facilities and service area to be financed with RUS loan funds must be located in a rural area. Exceptions may be allowed for service provided in non-rural areas.

Acquisition costs covered by RUS loan funds must be less than the amount of the applicant's proposed investments in the acquisition.

Refinancing costs may not exceed 40 percent of the requested loan amount.

RUS will not consider applications requesting loans for less than \$50,000.

Section 2 – Application Submission and Processing

A. Application Resources

1. Telecom General Field Representative (GFR). All prospective Infrastructure Loan applicants must consult with the RUS Telecom GFR prior to submitting an application. The GFR provides in-person application assistance, conducts preliminary eligibility assessments, and submits a supplementary recommendation package that is critical in loan processing. RUS Staff contact information can be found in this [section](#) of the Guide.
2. Consultants. The applicant may request to allocate a portion of the proposed loan funds to finance the costs of hiring a consulting engineer. To avoid conflicts of interest, consulting services should be obtained only from persons or firms who are not affiliated with, and have not represented a contractor, vendor, or manufacturer who may provide labor, materials, or equipment to the applicant for projects included in the loan application.

B. Application Submission

1. Applications Accepted Year-Round

There are no application deadlines nor specific application windows for this program. RUS accepts applications year-round and processes them on a first-come, first-served basis. The GFR assists each prospective applicant assemble a complete loan application. We encourage applicants and consulting engineers to retain personal copies of all uploaded documents as well as the completed electronic application, which can be downloaded in a ZIP file from RD Apply on the Summary/Submit Tab.

2. Required GFR Application Review

All loan applications that are submitted without GFR review and/or recommendation will be returned to the applicant without further RUS review.

C. Application Review and Notification

Once an application has been received with appropriate GFR review, it will be reviewed for completeness and quality.

1. Completeness Review

The completeness review will include an assessment of whether all required documents and information have been submitted, and whether the information provided is of adequate quality to allow for further analysis.

- 1.1 **Application is complete and of adequate quality.** Program staff will notify the applicant in writing that the application is complete. A notification of completeness is not a commitment that the loan will be approved. RUS may still request additional information to complete the financial and technical feasibility evaluations.
- 1.2 **Application is incomplete, but of adequate quality.** Program staff will notify the applicant in writing that the application is incomplete and return the application in RD Apply for further work. The notification of incompleteness will include a list of items that the applicant must address by a

specified date.

- If the applicant does not respond by the specified date, RUS will reject the application.
- If the applicant responds by the specified date but does not satisfactorily address the issues identified, program staff will assess the applicant's progress towards the submission of a complete application. If the applicant has made acceptable progress, a second notification of incompleteness may be provided. If the applicant's progress is not acceptable, RUS will reject the application.

1.3 Application is ineligible or of inadequate quality. Program staff will notify the applicant in writing that the application has been rejected. This letter will include an explanation of the reasons for the decision.

2. Engineering, Feasibility, and Environmental Evaluation

After an applicant is notified that the application is complete, RUS will evaluate the application's financial and technical feasibility, as well as its compliance with statutory and regulatory requirements. To be approved, the application must also be cost effective, include appropriate technology, and offer service to all rural subscribers in the service area, as RUS deems practical. The loan applications are evaluated as follows:

2.1 Financial feasibility. Financial feasibility will be determined by evaluating the applicant's financial statements and projections, competitive analysis, and other relevant information in the application.

2.2 Engineering review. Technical feasibility will be determined by evaluating the applicant's network design in conjunction with other relevant information in the application.

2.3 Environmental review. The environmental review will be performed in accordance with 7 CFR 1970. Please notify your GFR when you have uploaded the environmental documents.

D. Loan Approval and Notification

If the application meets all statutory and regulatory requirements, the feasibility study demonstrates that the TIER requirement can be satisfied, and the business plan is sustainable, the application will be submitted to RUS' credit committees for consideration. Submission of an application to the credit committees does not guarantee that a loan will be approved. If successful, then the applicant will be notified of RUS' decision in writing as follows:

1. Approval. RUS will specify a date by which the applicant must officially accept and respond to the offer.
2. Disapproval. RUS will send a disapproval letter to the applicant and return the application through RD Apply with an explanation of the reasons for the decision.

E. Post-Loan Approval

After a loan is approved, RUS will send the Loan Documents to the awardee along with instructions for execution, recording, and submittal. The borrower's attorney should follow the enclosed instructions and double-check the assembled items to ensure that all items are complete prior to returning the package to RUS.

****NOTE ON SECTION 2****

If a loan application is returned by RUS, borrowers may resubmit the completed and corrected application.

Section 3 – Overview of the Online Application

A. Summary

1. Introduction to RD Apply

All Infrastructure applicants are required to submit their applications through RD Apply, which is Rural Development’s secure online application portal. RD Apply simplifies common application tasks, from pre-populating corresponding fields across the application to extending simultaneous electronic access to each member of the applicant’s team.

Prior to RD Apply, the loan application consisted of five main parts: the cover letter, RUS Form 490, Area Coverage Survey/RUS Form 569, Loan Design, and Financial and Legal Requirements. The electronic application reorganized this information by combining related content on distinct tabs. Some tabs include subcategories, or subtabs, that allow the applicant to provide specialized information. The number of tabs and subcategories included in the application is determined by a short questionnaire that the system generates when a new application is created. This questionnaire, which can be revised, drives the layout of the application and identifies the kinds of documents that the applicant is required to upload.

While the system automatically checks for consistency across certain fields of data, typically in related numerical data across tabs, it is the applicant’s responsibility to ensure that all data throughout the main application and the attached documents are accurate and consistent. Conflicting data will impede RUS’ analysis and will detract from the quality of the overall application.

2. Technical Instructions for RD Apply

For information on the security steps and the technical aspects of RD Apply, please consult the RD Apply – Telecom Customer User Guide, which is available on the program website at <https://www.rd.usda.gov/programs-services/telecommunications-infrastructure-loans-loan-guarantees> and linked to https://www.rd.usda.gov/files/RDApply_TelecomCustomerUserGuide.pdf.

B. Interview Tab

1. Creating your application. Select “Add New Application” on the RD Apply home screen. A series of questions will pop up in your browser. Each question is linked to another part of the application, so take your time as you complete the questionnaire. These questions determine the content listed on the following screens and identify the documents that you will be required to upload. Refer to the table on the next page for the list of questions.
2. Changing your responses. If you need to change your answer, go to the Interview Tab in the main application and click on the “Modify” button located to the right of each interview question. Each response impacts a section of the application. For example, if you remove “Acquisitions” from your response to the question regarding the nature of network changes, then the Acquisitions Tab and any data that you had entered on that screen will disappear from the application. Please note that you have the ability to change your answers to the interview questions at any point in time prior to application submission. Keep in mind that any changes made to the answers to your interview questions will have a direct impact on other sections of your loan application.
3. Exiting in the middle of the questionnaire. If you need to exit the system prior to completing the

questionnaire, save your progress when you exit. Because an application is created only after a complete questionnaire is submitted, when you return, you must click on “Add New Application” to resume your half-finished questionnaire.

4. Submitting the questionnaire. When you have reached the end of the questionnaire, click “Submit.” Once the dialog box closes, the system will direct you to a fully assembled application, starting with the Customer Tab.

Application Questionnaire	
Question	Guidance
1. Which Rural Utilities Service (RUS), Rural Development (RD) Program Area are you requesting funds from?	Telecommunications
2. Please validate the Legal Name is correct for the application you are creating.	Enter the legal name of the applicant, not an assumed name or d/b/a.
3. Is this your entity’s first application with RUS, RD?	Answer Yes, if you are a new applicant, a former borrower, or if your GFR indicates that you should do so.
4. What type of funding opportunity are you applying for?	Telecommunications Infrastructure Loan
5. What type of Infrastructure funds are you applying for?	Cost of Money and/or Other Guarantee (FFB)
6. Are your company’s depreciation rates regulated by a state regulatory commission?	Yes/No: If an applicant’s individual depreciation rates are approved by a state regulatory body (such as a Public Utilities Commission), then answer “YES.” If the state regulatory body only reviews a composite depreciation rate, the answer should be “NO.”
7. Are you using non-loan funds during the forecast period?	Yes/No: If an applicant will be utilizing General Funds for the purposes of Capital Investments in any portion of the service area during the Forecast Period, whether included within the loan application or not, then answer “YES.”
8. (Dependent on 3) Do you have a previous RUS loan for which you will be completing construction during the 5-year forecast period?	Yes/No
9. What is the nature of network changes being made?	Upgrade, Expand, Build, Acquisition, and/or Refinance If Acquisition financing or Refinancing is part of the loan request, contact your GFR at the beginning of the process!
10. Are you delinquent on any of your federal debt?	Yes/No: In all cases, a debt certification form will need to be attached. If answering “YES,” then an explanation will need to be attached as well.
11. Are you requesting SUTA consideration?	Yes/No
12. Does the applicant have a parent operation?	Yes/No
13. Does the applicant have a subsidiary operation?	Yes/No

14. Does the applicant rely on services provided by an affiliate operation?	Yes/No
15. Is your company requesting interim financing?	Yes/No
16. Does your organization have more than 100 people?	Yes/No: If answering “YES,” be sure to upload a copy of the company’s most recent EEO-1 report as an attachment.

C. Customer Tab

Purpose: To enter your organizational information and contact details.

Follow the instructions to fill out each field. All information entered should apply to the applicant only, not the parent company. All items with an asterisk (*) are required fields.

1. *Legal Name – Prefilled based on the questionnaire. This should be the name your organization used when registering with the System for Award Management (SAM).
2. Primary Borrower ID – Do not populate this field. The Primary Borrower ID is assigned by USDA.
3. *Organizational Description – Enter the name of the primary department, division, or office that will undertake the assistance activity (e.g., Telecommunications).
4. Tax ID Number (TIN) – The TIN is a prefilled field. Please validate the number in the box.
5. Organizational Type – Select the choice that best describes your organization’s legal structure.
6. RUS ID – If your company has not submitted an RUS loan or grant application before, leave this field blank. If you have several RUS IDs, please include your Infrastructure RUS ID. This field should be completed using the following format: State abbreviation followed by a four-digit number (i.e., ST####).
7. *Civil Rights – Check all of the boxes that apply to your business ownership.
8. *DUNS NBR – Enter the organization’s Dun and Bradstreet (DUNS) number. For information on obtaining a DUNS numbers, go to <http://fedgov.dnb.com/webform/>.
9. Comments – Enter any information about your company currently not captured in any part of the application, but is important for RUS to know.
10. CAGE Code – The Commercial and Government Entity Code (CAGE) is your organization’s SAM number. RUS recommends that applicants complete this registration prior to submission if not already obtained. For information on this free registration, go to <https://www.sam.gov/>.
11. *Address – Identify your mailing address and congressional district. If the mailing address differs from the street address, select “Add New +” and enter the street address as well.
12. *Key Contacts –Enter the name of the person responsible for answering questions about this application. Under “Type,” select the role that best fits the contact listed. Add additional contacts as needed. RUS recommends including the Engineer, Certified Public Accountant (CPA), and Cost Consultant contact information for purposes of application review. Select “Financial Advisor” Type for CPA and Cost Consultant information.
13. Aliases – Identify all of the organization’s aliases (e.g. “Common name” and “Doing Business As”); otherwise, leave blank.

D. Loan Request Tab

Purpose: To provide information on the proposed project and requested loan amount.

Related Screens: Construction Tab; Capital Investments Workbook Subtab; Financials Tab; Documents Tab

Follow the instructions to fill out each field. All items with an asterisk (*) are required fields.

1. ***Project Title** – Enter the name for the proposed project (e.g., [Name] Fiber Network Buildout).
2. **Purpose** – Describe the purpose of the funding request in one or two sentences.
3. ***Technology Type** – Check all of the boxes that apply to your proposed project.
4. **Executive Summary** – Provide a high-level overview of the organization and the proposed project. All applicants must also submit a detailed Executive Summary attachment, as described in this [section](#) of the Guide.
5. ***Loan Maturity Requested in Years** – Enter the loan term requested. The standard loan term is described in this [section](#) of the Guide. Include a narrative/quantitative explanation within the Executive Summary attachment that demonstrates how you arrived at the maturity date.
6. ***Loan Amount** – Enter the requested loan amount for each loan type, as applicable. The available loan types correspond with the boxes selected during the questionnaire. Round the request amount to the nearest \$1,000.
7. **Total Loan Request** – Automatically calculated according to the amounts entered for each loan type.
8. ***Nature of Network Changes** – Indicate the proposed funding amounts for each of the proposed network changes. These items correspond with the boxes selected during the questionnaire. To make changes to this section, open the Interview Tab and modify your response to the question, “What is the Nature of the Network changes being made?” The total amount for this section must equal the total requested loan amount and the project budget total on the Capital Investment Workbook.

E. Service Area(s) Tab

Purpose: To provide maps and demographic information on the applicant’s service area(s). These maps will be used to determine service area eligibility. This tab should be completed prior to working on the Construction Tab to simplify the connections between the service areas and construction details.

Related Screens: Construction Tab; Subscriber Projections Subtab; Competition Tab; Environmental Tab

1. To complete this tab, begin by adding maps of all **funded** and **non-funded** service areas, including ILEC and CLEC areas. Funded areas are areas in which you plan to use RUS funding. Non-funded areas are areas in which you plan to or currently offer service without RUS funds.

For companies that organize their geographic territory (the areas in which the company offers telecommunications services) by exchanges, then a service area should be drawn to represent each exchange **individually**, whether those exchanges are contiguous to each other or not. Please draw maps or upload shapefiles for all your existing and new exchanges.

For companies that do not organize their service territory by exchanges, then each service area map should represent a contiguous geographic area in which the company offers telecommunications services. If the total service territory is comprised of multiple non-contiguous areas, then draw maps or upload shapefiles for each distinct area.

To view all the maps at once, click “View All” on the Service Area(s) Tab.

2. Follow the instructions when completing the “Add New Service Area” dialog box.
 - 2.1 ***Program Type** – Prefilled with “Telecommunications,” based on the questionnaire.
 - 2.2 ***Funding Type** – Prefilled with “Telecommunications Infrastructure Loan,” based on the questionnaire.
 - 2.3 ***Area Name** – Enter a unique name for this area. Indicate if the area is an ILEC or CLEC.
 - 2.4 ***Service Area will be “Funded” or “Unfunded”** – Select “Funded” if you intend to use any RUS

- funding in this area.
- 2.5 *Check all services to be provided within the service area – In areas that will be “Funded,” voice service will automatically be selected. Check all other services that will apply to this area. For areas that are “Non-Funded,” check all services that apply.
 - 2.6 Comments – Enter any information about this service area that is important for RUS to know.
3. Selecting Draw/Upload will open a screen labeled “USDA RD RUS Intake” in a new tab. Wait for the map to center on the United States. In the Search bar, you can type an address or a zip code to bring up the general geographic location of your service area. You can either draw or upload a map in this section. If you want to draw your service area using this mapping tool, please note the following instructions.
 - 3.1 Area Type: Base. First, use the Editing/Select Tools to draw the entire geographic “Base” of this service area. This area should match the description you entered on the previous screen. This area can be either a funded service area or a non-funded service area.
 - 3.2 Additional instructions: For step-by-step technical instructions on drawing or uploading service area maps, click on “Instructions” in the tool bar at the top of the screen.
 4. Once you have saved and exited this section, you may return to your main application. The new service area will appear in the table accompanied with general demographic data derived from the 2010 U.S. Census. If any of the decennial census data is incorrect or outdated, open the Edit/View Data button. In this dialog box, provide Alternate data for those categories. If you provide Alternate data for any category, you must also provide an explanation that supports and justifies the new data. Please enter your justification for inputting alternate data in the “Explanation for changes in detail” text box. If additional explanation is required, you may upload a supporting attachment on the Attachments Subtab under the Category Type “Other – Misc. Support Docs.”
 5. For detailed technical instruction on adding your maps on this tab, consult the RD Apply – Telecom Customer User Guide, which is addressed in this [section](#) of the Guide.

F. Construction Tab

Purpose: To provide information about the construction timeline and to break down project costs related to capital investments, depreciation schedules, and funding sources.

Related Screens/Subtabs: Buildout Timeline Subtab; Capital Investments Workbook and Summary Subtabs; Depreciation Schedule Subtab; Depreciation Non-Loans Subtab (if applicable); Depreciation Prior Loans Subtab (if applicable); Loan Request Tab; Financials Tab; Documents Tab

1. Buildout Timeline Subtab

This subtab allows you to list chronologically the major network build-out phases and milestones that demonstrate that your entire project will have completed all construction by Year 5. Please provide details for each service area when considering your phases and milestones.

The milestones, which describe major network buildout phases, should correspond with the information provided in the Capital Investments Workbook Summary, Depreciation Schedules, and Financials Tab.

- 1.1 Time Period – Select the year in which the project milestone is anticipated to occur. Insert more rows as needed by clicking on Add New+. If you are proposing a quarterly breakdown of events, please add a new line for each quarter. For example, you would select “Year 1” in the drop-down list for the first four lines in the timeline; “Year 2” for the next four lines; and so on.

- 1.2 List All Relevant Milestones – Consider such project areas as:
- Network design
 - Acquisition of all relevant licenses and agreements
 - Site preparation
 - Equipment procurement
 - Inside plant deployment
 - Outside plant deployment
 - Equipment deployment
 - Network testing
 - Network both complete and operational
 - Any other milestones that showcase progress
- 1.3 Support for Reasonableness/Data Points – Explain how the milestones lead to eventual project completion. Provide data that demonstrate the reasonableness of these milestones and substantiate the ability to reach the milestones by the time periods indicated. In this section, you should also describe the key challenges, if any, to a timely completion of the project, and describe your mitigation plans.
- 1.4 Supplementary Data: If you need more space for any reason, you can upload an additional attachment in the Documents Tab. Scroll down to the Additional Attachments bar and click “Upload.” For Category, select “Construction.” For Document Type, select “Buildout Timeline and Milestones.” Enter a short description of this additional attachment and upload the file.

2. Capital Investment Workbook Subtab

The Capital Investment Workbook (CIW) Subtab allows you to list your project costs in detail. These inputs drive information on the Depreciation Subtab(s) and the Environmental Tab. The purpose of this subtab is to break down the specific costs involved in your project and to categorize those investments. This includes all proposed construction costs using RUS funds and non-RUS funds. A CIW must be completed for each funded and/or non-funded service area in which you are proposing system improvements or additions. Associate common network elements with the Service Area in which they will be physically located. Use the Unit Cost and Number of Units fields to further break down the costs. You may round the Unit Cost to the nearest \$1.00. When multiple items are included in one “unit,” use the description column to provide enough detail that the reviewers can easily see how you arrived at that unit cost.

The specific costs do not need to be broken down to the detailed construction unit basis in the capital investment workbook. You must upload all supporting cost estimates as an additional attachment under the Category of “Construction” and the Document Type labeled, “Capital Investment Workbook.”

- 2.1 Complete items 2.1.1 – 2.1.10 for each applicable category. Save the Workbook, then add other Project Workbooks as needed. Each service area must have a corresponding completed workbook.
- 2.1.1 For each category, as needed, add new rows to capture all relevant Project Assets.
 - 2.1.2 Project Assets: Specify the asset in the drop-down list.
 - 2.1.3 Description: Enter a descriptive name for each capital item or group of items.
 - 2.1.4 Common Network Facility: Answer Yes, if the line item in question has utility beyond the service area in which it is located (e.g., a softswitch, transport fiber).
 - 2.1.5 Unit Cost: Enter the cost per unit of the specified asset.

- 2.1.6 No. of Units: Enter the number of units that will be constructed and/or installed for the project.
- 2.1.7 Total: Automatically calculated by multiplying unit cost and number of units.
- 2.1.8 RUS Funded Costs: Enter the portion of the Total that will be drawn from the requested loan.
- 2.1.9 Non-RUS Funded Costs: Enter the portion of the Total that will be drawn from other funding sources.
- 2.1.10 Totals: Automatically summed for each category.

2.2 Telecommunications Plant Retired

For each prefilled category, enter the original cost or estimated salvage value for years 1-5. The retired plant must include all outside plant facilities and electronics to be retired whether or not the route is abandoned. For instance, proposed Fiber-to-the-Premises (FTTP) overbuilds will have little or no use for existing copper routes and associated equipment. Ensure that the time frames and amounts entered correspond with the Buildout Timeline and the Pro-forma Financial Forecast.

2.3 Service Miles

Please provide the net system mileage. Route mileage is the total of Mainline Cable Routes and Service Drop Route. For this purpose, a route may include one or more types of facilities, such as aerial and buried plant, and may include facilities for distribution and other services. The facilities along both sides of a road are generally considered to be along the same route. Microwave or radio links are considered separate routes. Service drops off the main route are considered as additional route mileage. See below for descriptions of each mile type.

- 2.3.1 **Route Miles.** Route miles of facilities are automatically calculated based on the information that you manually enter in the rows that follow. The net total in the upper right-hand column is the sum of the existing, modified, and new route miles, minus the route miles to be relinquished.
- 2.3.2 **Existing Miles.** Route miles are considered “existing” only for miles of facilities that are in place before the beginning of the forecast period. Include any miles that will be relinquished during the forecast period. Do not include modified miles.
- 2.3.3 **Modified Miles.** Route miles are considered “modified” when existing plant is reinforced or replaced with new facilities along the same route. Only reflect miles in the year in which the modifications were made. Do not record the running total by year.
- 2.3.4 **New Miles.** Route miles are considered “new” when facilities will be built along routes that you have not formerly established. Only reflect miles in the year in which they are placed in service. Do not record the running total by year.
- 2.3.5 **Route Miles Relinquished.** Route miles are considered “relinquished” when all the facilities along the route are no longer used. This also applies to plant that has been retired-in-place due to high removal costs. Only reflect miles in the year in which they are relinquished. Do not record the running total by year.

2.4 Tower Sites

- 2.4.1 Existing Tower Sites: In Year 1, enter the number of tower sites present at the time of application. If any tower sites will be removed from service in a given year, reflect this as a negative number in the year in which it will be removed from service. If no tower sites are to be removed, enter a “0.”
- 2.4.2 New Tower Sites: Enter the number of tower sites constructed for each year. Only enter the number of additional towers constructed for the specified year. Do not enter aggregate data.

3. Capital Investment Workbook Summary Subtab

This subtab automatically aggregates the CIWs created in the previous subtab to summarize the costs for the total system. Be sure to check that the data on this subtab accurately reflect the data in the CIWs.

4. Depreciation Schedule Subtab

This subtab must include all depreciable CIW equipment and facilities that are funded by RUS. Do not include Non-RUS Funded Costs on the Depreciation Schedule Subtab. You will be able to provide that information on the next subtab, if applicable. This schedule should correspond with the Buildout Timeline Subtab and the Financials Tab.

Use the following as a guide for the depreciable equipment and facilities:

Project Assets	Drop-down Examples
Equipment	Switching, Routing, Transport, Access, Video, Power, Satellite, Engineering, Optical Network Terminal, Other
Outside Plant	Copper, Coaxial, Fiber, Submarine Cable, Conduit Systems, Engineering, Other
Building	New Construction, Pre-fab Huts, Improvements, Renovations, Engineering, Other
Towers	Guyed, Lattice, Monopole, Site Preparation, Engineering, Other
Customer Premises Equipment	Video Set Top Boxes, Modems, Inside Wiring, Multi-Terminal Adaptor, Engineering, Other
Operating Equipment	Vehicles, Equipment, Furniture, Billing System, Test Equipment, Generators, Engineering, Other

- 4.1 **Depreciation Rates.** If your company’s depreciation rates are regulated by a state regulatory commission, enter those rates and upload evidence on the Documents Tab.

If your company’s depreciation rates are not regulated by a state regulatory commission, then the system will automatically populate these fields with data based on RUS median depreciation rates.

- 4.2 **Composite Economic Life.** The system automatically generates this data. The Pro-forma Financial Forecast must reflect a loan amortization which is less than or equal to the composite economic life of the Infrastructure Loan-financed assets, plus 3 years.

- 4.3 All Project Assets are organized into six categories. The Grand Totals section automatically calculates the total costs for each year of the project buildout. For each category, add new rows to capture all relevant Project Assets, as needed.
- 4.3.1 Project Assets: Specify the asset in the drop-down list.
 - 4.3.2 Depreciation Rate: Enter the rate you are proposing to use by plant category.
 - 4.3.3 Years 1-5: Enter the cost of the Project Asset in the construction process as it applies to each year.

5. Depreciation Prior Loans Subtab (if applicable)

If you answered yes to the question in the Interview Tab about completing construction for a previous RUS loan during the Forecast Period, please include all of the Project Assets and associated costs that are being funded for that project. The same guidance listed for the Depreciation Schedule applies, but is specific to the Project Assets funded by these prior loans.

6. Depreciation Non-Loans Subtab (if applicable)

If you answered yes to the question in the Interview Tab about the use of non-loan funds during the Forecast Period and identified non-RUS funded costs in the CIW Summary, then you must include all of the CIW Project Assets that are NOT funded with RUS-Funds in this subtab. Do not include RUS Funded Costs on the Depreciation Non-Loans Schedule. The same guidance listed for the Depreciation Schedule applies, but is specific to the Project Assets funded by non-RUS loans.

G. Acquisitions Tab (if applicable)

Purpose: To provide contact and cost information related to the selling company and the assets to be acquired.

Related Screens: Interview Tab; Loan Request Tab; Service Area(s) Tab; Construction Tab; Financials Tab; Documents Tab

If you selected “Acquisition” as a component in the Nature of Network Changes on the Interview Tab, identify whether you are planning to acquire more than one Company and/or Physical Asset. If you answer yes, the screen will double to provide spaces for the second acquisition. All items with an asterisk (*) are required fields. You must upload the required documentation and supporting documents on the Attachments Tab. See this [section](#) for more information.

1. *Selling Company Name: Enter the name of company that you are buying or from which you are purchasing an asset.
2. *Company Address: Provide the seller’s address.
3. *Organization Type: Select the choice that best describes the legal structure of the selling company, as applicable.
4. *Proposed Purchase Price: Enter the specified amount.
5. *Acquisition Type: Select the choice that best describes the acquisition.
6. *System Description – Respond to items relevant to the acquisition using quantitative data.
7. *List of All Counties Served Area to Be Acquired – If the acquired service area covers more than one county, click on “Add New +” to add fields. Type in one county per field.

H. Financials Tab

Purpose: To provide information on the applicant's subscribers, services, and financial outlook, so that RUS can determine financial feasibility.

Related Screens: Subscriber Projections Subtab; Non-Operating Revenue Subtab; Balance Sheet Subtab; Income Statement Subtab; Cash Flows Subtab; Debt and Equity Funding Subtab; Loan Request Tab; Service Area(s) Tab; Construction Tab; Documents Tab; Attachments Subtab

This tab reviews your financial data and 5-year business plan. The Subscriber Projections Subtab focuses on the revenue that you expect to gain, whereas the remaining subtabs determine whether you can maintain financial solvency while paying back the loan according to the original terms and conditions.

The Pro-forma Financial Forecast must cover 5 years and be inclusive of ALL operations, both existing and proposed. You must upload an explanation of your Financial Assumptions on the Attachments Subtab. See this [section](#) for more information on this required attachment.

This forecast will be used by RUS to determine whether the loan can be repaid on its terms, whether the proposed project is financially feasible and sustainable, and whether this is a viable operation. The projections should be detailed, taking into account your best estimates for start-up costs (if any), revenues, expenses, profitability, and all financial data related to any subsidiaries. The financial forecast includes **6 subtabs**:

- Subscriber Projections
- Non-Operating Revenue
- Balance Sheet
- Income Statement
- Cash Flows
- Debt and Equity Funding

Key financial ratios that are automatically calculated in RD Apply are Times Interest Earned Ratio (**TIER**) and Debt Service Coverage Ratio (**DSCR**). Both ratios are calculated by the system on the Income Statement.

- **TIER** = (Total Net Income or Margins + Total Fixed Charges) ÷ (Total Fixed Charges)
- **DSCR** = (Total Net Income or Margins + Total Fixed Charges + Depreciation Expense + Amortization Expense) ÷ (Interest on Funded Debt + Other Interest Expense + Principal Payments on Long-Term Debt and Capital Leases)*

*Be sure to enter data for *Principal Payments on Long-Term Debt and Capital Leases* on the Income Statement for each year that Principal Payments have been made. Otherwise, the DSCR will be skewed.

1. Subscriber Projections Subtab

On this subtab, provide the number of existing and proposed subscribers and all existing and proposed service packages and rates for each of the service areas you submitted via the Service Area(s) Tab. The total service offerings included on the Subscriber Projections should tie to what is included under the Local Network Service Revenues on the Income Statement. Do not include subscriber numbers or service

offerings that are actually associated with or being offered by an affiliate or subsidiary. Those revenues should be included on the Non-Operating Revenue Subtab.

- 1.1 If your application features more than one kind of service offering, click the ‘Add New+’ button. Complete the following steps for each service package. Reasonable aggregation of service packages is acceptable.
 - 1.1.1 Select Area(s): Check one or more service areas that you want to describe.
 - 1.1.2 Service Offering: Select the choice that best describes the type of service that is or will be provided in the selected service area(s).
 - 1.1.3 Service Level Offering: For voice, enter the type offered, e.g., VOIP; for video, enter the package offered, e.g., bronze, silver, or whatever names your company uses to identify its service packages; for data, enter the speed offered, i.e., X Mbps down/Y Mbps up.
 - 1.1.4 Residential or Business: Select the choice that best describes the end user.
 - 1.1.5 Current Subscribers: Enter the number of existing subscribers that currently receive this service offering in the selected service area(s).
 - 1.1.6 Years 1-5: Enter the number of subscribers that you expect to sign-up on an **aggregated** basis. For example, if a company has a hundred (100) current subscribers and expects to acquire twenty (20) additional subscribers each year for the next five years, the numbers should be entered like this:

Table 3: How to Enter Cumulative Subscriber Data

Current Subscribers	Year 1	Year 2	Year 3	Year 4	Year 5
100	120	140	160	180	200

- 1.1.7 Price/Month: Enter the monthly cost of this service package in this service area.
- 1.1.8 Totals by Service Offering: Automatically calculates revenue estimates based on the data above.

2. Non-Operating Revenue Subtab

Many applicants receive a significant portion of their net income from non-operating sources. Although total non-operating income is shown in the Income Statement, detailed components of non-operating revenues and expenses are needed as well. With as much detail as possible, explain the types of non-operating revenues and expenses, the bases for the projections, and all assumptions used for the projections.

- 2.1 If these revenues and expenses are from affiliated companies, then you must do the following:
 - 2.1.1 Provide as much information as possible about the affiliated companies.
 - 2.1.2 Explain any significant increases or decreases in detail.
 - 2.1.3 Include all leases and/or agreements with affiliated companies that are related to these revenues or expenses on the Attachments Subtab.
- 2.2 If these revenues and expenses are subscriber driven, such as video, phone, or internet, then you must provide a projection of subscriber numbers along with revenue or expense per unit to substantiate the forecast.

- 2.3 If you have non-operating revenues or expenses to report, mark “Yes” and complete the revenue and expense schedules. Select the ‘Add New+’ button to add additional rows to the schedules. Sample item descriptions to include in this subtab could be “Capital Gains (Losses)” or “Gain (Loss) Sale of Equipment.” The subtab will automatically calculate the totals for the Non-Operating Net Income. These annual totals will carry over to Line #16: Non-Operating Net Income on the Income Statement.
- 2.4 If you do not have non-operating revenues or expenses to report, mark “No.” Zeros will automatically populate each field.

****Before Getting Started on the Balance Sheet, Income Statement and Statement of Cash Flows****

If you are an existing or former Infrastructure borrower and are accustomed to submitting a Balance Sheet, Income Statement, and Statement of Cash Flows in the Data Collection System (DCS), you will notice that not all of the financial line items in RD Apply match-up with the financial line items listed in DCS.

The following guidance identifies how the DCS Balance Sheet, Income Statement and Statement of Cash Flows line items reconcile into the RD Apply Balance Sheet, Income Statement, and Statement of Cash Flows line items.

Balance Sheet	
RD Apply	DCS Line Items
ASSETS	
CURRENT ASSETS	
1. Cash & Equivalents	1
2. Cash-RUS Construction Fund	2
3. Accounts Receivable - Affiliates	3a + 3b
4. Accounts Receivable - Non-Affiliates	4a + 4b
5. Notes Receivable - Affiliates	3c
6. Notes Receivable - Non-Affiliates	4c
7. Interest and Dividends Receivable	5
8. Materials and Inventory	6 + 7
9. Other Current Assets	8 + 9
10. Total Current Assets (1 through 9)	Calculated field (10)
NON-CURRENT ASSETS	
11. Investment in Affiliated Companies - Rural Development	11a
12. Investment in Affiliated Companies - Non-Rural Development	11b
13. Other Noncurrent Assets	12a + 12b + 13 + 14 + 15 + 16
14. Total Non-Current Assets (11 through 13)	Calculated field (17)
PLANT, PROPERTY & EQUIPMENT	
15. Telecom, Plant-in-Service	18
16. Plant Under Construction	19 + 20
17. Plant Adj., Nonop Plant & Goodwill	21
18. Less Accumulated Depreciation	22
19. Net Plant (15 through 17 less 18)	Calculated field (23)
20. TOTAL ASSETS (10 + 14 + 19)	Calculated field (24)
LIABILITIES AND EQUITY	
CURRENT LIABILITIES	
21. Accounts Payable - Affiliates	25 (as appropriate)
22. Accounts Payable - Non-Affiliates	25 (as appropriate)
23. Notes Payable - Affiliates	26 (as appropriate)
24. Notes Payable - Non-Affiliates	26 (as appropriate)
25. Current Mat. L/T Debt - RUS, RTB, and FFB Notes	29 (as appropriate)
26. Current Mat. L/T Debt - Other	29 (as appropriate)
27. Current Mat. L/T Debt - Rural Develop. Loan	30
28. Current Mat. - Capital Leases	31
29. Lines of Credit	
30. Other Current Liabilities	27 + 28 + 32 + 33 + 34
31. Total Current Liabilities (21 thru 30)	Calculated field (35)
LONG-TERM DEBT	
32. Funded Debt - RUS, RTB, and FFB Notes	36 + 37 + 38
33. Funded Debt - Other	39
34. Funded Debt - Rural Develop. Loan	40
35. Obligations Under Capital Lease	43
36. Other Long-Term Debt	41 + 42 + 44 + 45
37. Total Long-Term Debt (32 through 36)	Calculated field (46)
OTHER LIAB. & DEF. CREDITS	
38. Other Long-Term Liabilities and Deferred Credits	47 + 48 + 49
39. Total Liabilities (31+37+38)	Calculated field (35 + 46 + 50)
EQUITY	
40. Cap. Stock Outstanding & Subscribed	51
41. Additional Paid-in-Capital	52 + 53 + 55
42. Memberships & Cap. Certificates	54
43. Patronage Capital Credits	56
44. Retained Earnings	57
45. Total Equity (40 through 44)	Calculated field (58)
46. TOTAL LIABILITIES & EQUITY (39+45)	Calculated field (59)
Total Equity as a % of Total Assets (Line 45 / Line 20)	Calculated field (58 / 24)
Current Ratio (Current Assets / Current Liabilities) (Line 10 / Line 31)	Calculated field (10 / 35)

Income Statement	
RD Apply	DCS Line Items
1. Local Network Services Revenue (Lines 1a thru Lines 1d)	Calculated field
a. Broadband	
b. Voice	
c. Video	
d. Other	
	For 1a-d: 1 + 30 (break out revenues accordingly)
2. Network Access Services Revenues (Lines 2a thru 2j)	Calculated field
a. Federal Subscriber Line Charges	
b. Federal Access Recovery Charges	
c. Federal High Cost Loop Support	
d. Federal Interstate Common Line Support	
e. State Support	
f. Connect America Fund Inter-carrier Compensation	
g. Interstate Switched Access Revenue	
h. Intrastate Switched Access Revenue	
i. Interstate Special Access Revenue	
j. Intrastate Special Access Revenue	
	For 2a-j: 2 + 30 (break out revenues accordingly)
3. Long Distance Network Services Revenues	3 + 30 (break out revenues accordingly)
4. Carrier Billing and Collection Revenues	4 + 30 (break out revenues accordingly)
5. Other Operating Revenue	5 + 16 (revenues only) + 30 (break out revenues accordingly)
6. Uncollectible Revenue	6
7. Net Operating Revenues (Lines 1 + 2 + 3 + 4 + 5 - 6)	Calculated field
8. Plant Specific Operations Expenses	8 + 30 (break out expenses accordingly)
9. Plant Nonspecific Operations Expenses (Excluding Depreciation & Amortization)	9 + 30 (break out expenses accordingly)
10. Depreciation Expense	10 + 30 (break out expenses accordingly)
11. Amortization Expense	11 + 30 (break out expenses accordingly)
12. Customer Operations and Corporate Operations Expenses	12 + 13 + 30 (break out expenses accordingly)
13. Other Operating Expense	16 (expenses only) + 30 (break out expenses accordingly)
14. Total Operating Expenses (Lines 8 through 13)	Calculated field
15. Operating Income or Margins (Line 7 less Line 14)	Calculated field (15 + 30)
16. Nonoperating Net Income	27
17. Interest on Funded Debt	22
18. Other Interest Expense	23 + 24
19. Allowance for Funds Used During Construction	25
20. Total Fixed Charges (17+18-19)	Calculated field (26)
21. Taxes	20
22. Extraordinary Items	28 + 29
23. Total Net Income or Margins (145+ 116 -20 - 21 + 22)	Calculated field (31)
24. EBITDA (23+20+21+10+11)	Calculated field
25. EBIT (23+20+21)	Calculated field
26. Principal Payments on Long-Term Debt and Capital Leases	44 - (22 + 23 + 24)
27. TIER ((23+20)/20)	Calculated field (47)
28. DSCR ((23+20+9+10)/(17+18+26))	Calculated field (48)

STATEMENT OF CASH FLOWS - GUIDANCE		
Line	Line Description	DCS Line Items
1	Beginning Cash (Cash & Equivalents plus RUS Construction Fund)	Calculated field (1)
CASH FLOWS FROM OPERATING ACTIVITIES		
2	Net Income (Loss)	Calculated field (2)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
3	Add: Depreciation	Calculated field (3) + Nonregulated depreciation
4	Add: Amortization	Calculated field (4) + Nonregulated amortization
5	Other ¹ (Explain)	5
Changes in Operating Assets and Liabilities:		
6	Decrease/(Increase) in Accounts Receivable	Calculated field (6)
7	Decrease/(Increase) in Materials and Inventory	Calculated field (7)
8	Decrease/(Increase) in Other Current Assets & Int. and Div. Receivable	Calculated field (8 + 9)
9	Increase/(Decrease) in Accounts Payable	Calculated field (10)
10	Increase/(Decrease) in Other Current Liabilities	Calculated field (11 + 12)
11	Net Cash Provided/(Used) by Operations	Calculated field (13)
CASH FLOWS FROM INVESTING ACTIVITIES		
12	Net Capital Expenditures	*Similar to 24. Net Capital Expenditures (Property, Plant & Equipment), but this line should reflect <u>gross capital expenditures and include non-regulated plant investments</u>
13	Other Long-Term Investments	25
14	Other Noncurrent Assets	Calculated field (26)
15	Other ¹ (Explain)	27
16	Net Cash Provided/(Used) by Investing Activities	Calculated field (28)
CASH FLOWS FROM FINANCING ACTIVITIES		
17	Decrease/(Increase) in Notes Receivable	Calculated field (14)
18	Increase/(Decrease) in Notes Payable & Line of Credit	Calculated field (15)
19	Net Increase/(Decrease) in Long-Term Debt (including current maturities)	Calculated field (17)
20	Increase/(Decrease) in Other Liabilities & Deferred Credits	Calculated field (18)
21	Increase/(Decrease) in Capital Stock, Paid-in-Capital, Membership and Capital Certificates and Other Capital	Calculated field (19)
22	Less: Distributions (Payments of Dividends, Patronage Capital Credits Retired, or any other Distribution)	20 + 21
23	Other ¹ (Explain)	16 + 22
24	Net Cash Provided/(USED) by Financing Activities	Calculated field (23)
25	Net Increase/(Decrease) in Cash	Calculated field (29)
26	Ending Cash ²	Calculated field (30)
¹ All inputs into lines 5, 15, & 23 require explanation .		
² Upon completion of this schedule, Line 26 should equal the sum of Lines 1 and 2 from the preceding period on the Balance Sheet.		

3. Balance Sheet Subtab

The “Year of Application” field is completed on the Balance Sheet Subtab and refers to the year that you anticipate beginning the implementation of the proposed project. If you are submitting your application during the first three quarters of the calendar year (January-September), select the current year as the “Year of Application.” If you are submitting the application in the fourth quarter of the calendar year

(October-December), select the succeeding year as the “Year of Application.” For instance, if your application submission date is September 30, 2018, your Year of Application is 2018. If your application submission date is October 1, 2018, your Year of Application is 2019.

Using the example in which you submit your application in the fourth quarter of calendar year 2018, note that the columns labeled “Previous Year” now display years 2015-2018. Since 2018 is now considered the first “Previous Year,” use your most current financial information and annualize the data to model your best estimate for 2018 year-end data. Under the Attachments Subtab, you must still submit your financial statements for the three most recent fiscal years, which in this case would be years 2015, 2016, and 2017. According to this scenario, you must submit the 2018 financial information to RUS as soon as the statements are available.

Please note that you may only modify the “Year of Application” twice before the selected year is locked in the system. If you need to change the year of application a third time, you will need to restart your application.

If you are submitting information that includes **both** historical data and forecast data for portions of the Year of Application, please note this information in the Financial Assumptions and provide a breakdown between actual and forecast data.

The Pro-forma Balance Sheet must comply with basic GAAP requirements, in which Total Assets equals Total Liabilities plus Total Equity. Loans must be reflected with current and long-term positions for each Pro-forma year.

4. Income Statement Subtab

The Revenue and Expense Items are clearly labelled and should be used as presented. Do not aggregate revenues or expenses if distinct appropriate categories are provided. If it is necessary to use the Other categories, be sure to explain what is included therein in the Financial Assumptions. Revenues from the sale of services should relate to the number of subscribers and price per subscriber information contained on the Subscriber Projections Subtab.

- 4.1 **Network Access Services Revenue.** The Revenue Section devoted to Network Access Services Revenue is a critical part of the income statement for most Infrastructure Program applicants. Be sure to use the specific categories provided. If the applicant has accepted funds under the FCC’s Alternative Connect America Cost Model (A-CAM), input A-CAM revenues on the line labelled Federal High Cost Loop Support. RUS will compare historical revenues reported on the Federal High Cost Loop Support, Federal Interstate Common Line Support (now known as CAF-BLS), and Connect America Fund Intercarrier Compensation with the amounts reported on the [FCC’s Federal-State Joint Board Universal Service Monitoring Report](#), so please address any differences between the values entered and the latest monitoring report in an attachment. See item 1.12.4 in this [section](#) of the Guide for more information.
- 4.2 **Cost Settlement companies.** If the applicant is a cost settlement company or proposes to become a cost settlement company for interstate purposes, the Network Access Services Revenue projections should be completed by a Cost Consultant.

A write-up by the Cost Consultant, explaining the methodology for the forecasts should be uploaded as an additional attachment under the Category: Financial and labeled as the Document Type: Assumptions Used to Support Financial Forecast. The write-up should be comprehensive and address the impacts on the applicant’s revenues of the FCC’s ongoing changes to the universal

service programs and intercarrier compensation regimen, including any FCC orders, court decisions or other actions that affect the revenue the applicant expects to receive. Detailed explanations of how these actions affect the projected revenue are essential. A general discussion of FCC changes without an explanation of the impact on the applicant is not useful.

- 4.3 **Average Schedule companies.** If the applicant is an Average Schedule company for interstate purposes and intends to remain so, it is not required that the Network Access Services Revenue projections be prepared by a Cost Consultant, although it is still recommended.

A write-up addressing changes to access revenues and the impact of FCC and other industry changes on the applicant should still be provided.

5. Cash Flows Subtab

The Pro-forma Statement of Cash Flows must reflect the proposed Infrastructure Loan project funding and investments. This statement also reflects any additional funding for working capital and other capital expenditures you intend to use, even if they are not related to the Loan project. The Cash Flow statement corresponds with the Balance Sheet and Income Statement in RD Apply. Therefore, you may only manually input values for the following line items: Net Capital Expenditures, Other Long-Term Investments, Less: Distributions, and the adjustment (Other) rows for Operating, Investing, and Financing Activities. Be sure to explain the reason for any entries on the “Other” rows in the Financial Assumptions.

6. Debt and Equity Funding Subtab

This subtab records all existing long-term debt and capital leases as well as any new non-RUS funding sources that will be needed to fund the Infrastructure Loan project, working capital, and any other capital projects planned during the Forecast Period. Complete this subtab along with all required documentation, as listed below. If you need to make any modifications, you must attach an explanation. Use this subtab as a checklist to confirm that you have submitted all the supporting documentation needed for each source of external funding.

For each long-term debt or obligation, include a description of the loan, principal amount, annual interest rate, term, number of payments, annual payment amount, and start date. You must also include the total amount of Advances and Repayments for each year of the Pro-forma that loan funds are disbursed and/or repaid. This allows the system to calculate the total Change in Long Term Debt which must now match line item 19 on the Cash Flow Statement: Net Increase/(Decrease) in Long Term Debt (Including Current Maturities). Additionally, the Total Advances of the Proposed Loan Request Section must match the Total Loan Amount Requested on the Loan Request Tab.

6.1 The subtab is broken into five Long-Term Debt sections and one Equity section:

- 6.1.1 Long-Term Debt
 - Long-term Debt Obligations – USDA Rural Development**
 - Long-term Debt Obligations – Existing USDA RUS**
 - Long-term Debt Obligations – Proposed Loan Request**
 - Long-term Capital Lease Obligations**
 - Funded Debt – Other**
- 6.1.2 Equity
 - Equity Contributions**

6.2 Proposed Non-RUS Funding Sources. Enter other funding anticipated to support your application's Pro-forma Financial Statements. Non-Infrastructure Loan funding for the capital budget and working capital should include documentation of equity, debt, or other contributions (such as in-kind contributions), including a list of the committed sources of capital funding. A brief description of each should be included. Do not list the requested Infrastructure Loan here. For other contributions, you must provide documentation supporting the cash valuation of each contribution.

6.3 Required Documentation. You must submit documentation substantiating any funds listed in the Schedule of Debt and Equity Funding for all existing debt and obligations and all forms of external non-Infrastructure Loan funding used to fund the proposed project. The documentation must substantiate the outstanding debt, obligations, and external non-Infrastructure Loan funding for **your** organization, not other entities, such as parents or affiliates.

To provide evidence of existing debt, include copies of existing notes, loan and security agreements, guarantees, and capital leases. To provide evidence of external funding, include copies of all formal commitments from your parent company, investors, and/or third parties, such as commitments of funding from banks, evidence of loan agreements, and signed agreements from the board of directors. If a parent company is providing funding or any other support, proof of such support is required.

I. Competition Tab

Purpose: To identify all existing service providers and resellers competing in the applicant's service areas and their service offerings and pricing.

Related Screens/Subtabs: Subscriber Projections Subtab; Service Area(s) Tab; Documents Tab

This subtab requires a competitive analysis of all existing service providers, including cable TV operators, regardless of the existing provider's market share of the applicant's service area, for each type of service the applicant proposes to provide. The average cost for competitors' packages may be used. Complete the following steps for each competitor and relevant service offering(s).

A narrative describing your strategic plan is also required. Instructions for writing your strategic plan are available under the [Competitive Analysis](#) section.

1. Select Area(s): Check one or more service areas that the specified service offering covers.
2. Competitor Name: Enter the name of the competing entity.
3. Service Offering: Select the choice that best describes the type of service that your competitor provides in the selected service area(s).
4. Service Level Offering: For voice, enter the type offered, e.g., VOIP; for video, enter the package offered, e.g., bronze, silver, or whatever names the company uses to identify its service packages; for data, enter the speed offered, e.g., 10 Mbps/1Mbps, download/upload speed, respectively. When you or your competitor(s) offer a large number of service options, provide a representative sampling of those options. Additional details can be attached for further review.
5. Residential or Business: Select the choice that best describes the end user.
6. Price/Month: Enter the monthly cost of this service package in this service area.

J. Environmental Tab

Purpose: To ensure project compliance with 7 CFR 1970, Environmental Policies and Procedures.

Related Screen: Documents Tab

This tab requires that the applicant identify whether additional environmental information is required for any part of the proposed project. Once the tab has been completed and all environmental documents have been uploaded, please notify your GFR.

To get started, select one of the CIWs created under the Construction Tab. The data from that workbook will automatically populate the categories on the Environmental screen. For each project investment, identify the applicable classification and note any special circumstances. Explanation of the acronyms used below can be found in this [section](#) of the Guide.

- **Special Circumstances.** Select “Yes” or “No” to identify whether extraordinary circumstances exist. Extraordinary circumstances are unique situations presented by specific proposals, such as characteristics of the geographic area affected by the proposal; scientific controversy about the environmental effects of the proposal; uncertain effects or effects involving unique or unknown risks; and unresolved conflicts concerning alternate uses of available resources within the meaning of section 102(2)(E) of NEPA.
- **Proposed Classification.** The selected classification determines whether additional information is required. These classifications and their descriptions are as follows:
 - **Categorical Exclusion:** The proposed action involves no or minimal alterations in the physical environment and occurs on previously disturbed land. **Additional information may not be required.** Refer to 7 CFR 1970.53(d).
 - **Categorical Exclusion with Environmental Report:** The proposed action may be subject to extraordinary circumstances that require further Agency review. **Additional information is required.** Refer to 7 CFR 1970.54.
 - **Environmental Assessment:** The proposed action involves significant alterations in the physical environment and requires further Agency review. **Additional information is required.** Refer to 7 CFR 1970.101.

You must complete a workbook for each funded/unfunded service area that has a corresponding CIW. Note the facilities that are to be deployed and their status under 7 CFR 1970. Please refer to the below table to help determine when additional information, including agency contacts, is required.

Describe the projects in the workbook for each service area and upload any required supplemental information. Even if the projects contemplated in the application do not require an Environmental Report per 7 CFR 1970.53, the applicant must still provide an attachment in the Documents Tab giving a description and stating why it feels the conditions of 7 CFR 1970.53 are met.

If you are applying to do this for your project:	Then, these are the anticipated environmental review requirements and the categorical exclusion that would likely apply:
1. Outside Plant	
a. Buried cable	1970.53(d)(2); 1970.54(b)(4) depending on if new or replacement. If using 1970.53(d)(2), no further action for NHPA is required. If using 1970.54(b)(4), need to contact SHPO and tribes for S106 review. Need to avoid wetlands or identify why project must be in a wetland.
b. Aerial cable – existing cable, possibly with new poles	1970.53(d)(1); 1970.54(b)(4) depending on if new or replacement. If using 1970.53(d)(2), no further action for NHPA is required. If using 1970.54(b)(4), need to contact SHPO and tribes for S106 review.
c. Underground cable	1970.53(d)(2); 1970.54(b)(4) depending on if new or replacement. If using 1970.53(d)(2), no further action for NHPA is required. If using 1970.54(b)(4), need to contact SHPO and tribes for S106 review. Need to avoid wetlands or identify why project must be in a wetland.
2. Towers	
a. New construction	1970.54(a)(6), if under 450 feet and not visible from areas of documented scenic value. Will need to consider impacts to prime farmland and listed species. Maps regarding floodplains and wetlands are generally needed. Need to contact SHPO and tribes for S106 review.
b. Existing towers, equipment collocation only	1970.53(d)(5), no further action for NHPA is required.
c. Equipment put on building instead of tower	1970.53(d)(5), no further action for NHPA is required.
3. Buildings	
a. New building	1970.54(a)(3) – if it meets other requirements of the categorical exclusion. Will need to consider impacts to prime farmland and listed species. Maps regarding floodplains and wetlands are generally needed. Need to contact SHPO and tribes for S106 review.
b. Modular building	1970.54(a)(3) Need to contact SHPO and tribes for S106 review. Will need to consider impacts to prime farmland and listed species. Maps regarding floodplains and wetlands are generally needed.
c. Renovating existing building	1970.53(c)(2) Need to contact SHPO and tribes for S106 review. Impacts of siting project in floodplain may need to be addressed.
4. Equipment	
a. Within existing building	1970.53(c)(2) Need to contact SHPO and tribes for S106 review.
b. Outside in a field	1970.54(b)(4) Need to contact SHPO and tribes for S106 review. Will need to consider impacts to prime farmland and listed species. Maps regarding floodplains and wetlands are generally needed.

Additional Environmental Guidance

Any activity categorized under 7 CFR 1970.54 is a Categorical Exclusion with an Environmental Report. This means all potential extraordinary circumstances must be discussed to some degree, including wetlands and floodplains. For example, applicants should not merely state, “No floodplain or wetlands,” and end the discussion there. Applications should include supporting information, such as a map. If a resource is present, applicants should describe and support how the project will not have an adverse impact to the resource. For example, if the project is in a floodplain, but there are no above ground structures to be impacted by any floods or there is a wetland in the project area, but the line will be directionally bored under the wetland to avoid any impact, please identify this in your application.

Section 106 review information regarding the National Historic Preservation Act can be found in subpart H of 7 CFR 1970, and **does require** coordination with the State Historic Preservation Office and notification to any federally recognized tribes that have an interest in the area (details and template letters can be found in subpart H).

Endangered Species Act (ESA) review is also generally needed for each project.

Depending on the type of project, a simple commitment may be enough to alleviate any concern. The following steps should be taken to expedite the review:

1. Go to the US Fish & Wildlife Service (USFWS) Information for Planning and Consultation (IPaC) website at <https://ecos.fws.gov/ipac/> and print off an official species list for the area your project impacts. If no species are on the list, include the list and continue.
2. If any species are on the list but based on the type of project, they would **NOT** be impacted, write a short explanation, include it in your report, and move on. This is often the case if you are in an already maintained ROW.
3. If a species is present and **COULD** be affected, such as any species of bat and you are doing tree clearing, more commitments, limitations, or coordination with USFWS may be required in order to conclude that the action is “not likely to adversely affect” the species. IPaC may assist you in concluding any consultation with USFWS. Subpart N has more details on ESA requirements.

Bat and beetle species are the two most likely to be impacted by any of these actions. USFWS has extensive information on what should be done to avoid any adverse impacts and to conclude consultation.

Environmental Guidance on 7 CFR 1970 Subparts	
Subpart B	Categorical Exclusions
Subpart H	Historic and Cultural Resources
Subpart L	Land Use and Formally Classified Land, for more details regarding prime farmland
Subpart N	Biological Resources

K. Documents Tab

Purpose: To upload all required and additional attachments, certifications, and licenses and agreements needed for a complete application.

Related Screens: Interview Tab; Attachments Subtab; Certifications Subtab; Licenses & Agreements Subtab

1. Attachments Subtab

On this subtab, there are Required Attachments and Additional Attachments. The list under Required Attachments section was determined by your interview answers. You may have other documents that are required in your application that are not listed in the Required Attachments section. You will need to upload the other required documents as Additional Attachments.

In the **Required Attachments** section, upload the documents that correspond with the appropriate Document Type. In the Description field, type in the same title listed under the Document Type, unless an additional descriptor is needed. Check with your GFR to ensure that we have all your legal documents and upload any that are still needed.

In the **Additional Attachments** section, upload other required and supporting documents. For documents uploaded under “Other – Misc. Support Document,” use a concise title for the Description field. Commonly required additional attachments are the Competitor Strategic Plan, Applicant Historical Financial Statements, Construction Cost Estimates, and Stock Information.

1.1 Legal Opinion

Prepare the **legal opinion** according to the sample format available in the [Appendix](#). The legal opinion should address your ability to execute legal documents, and describe all pending litigation matters. Your legal counsel must submit an executed opinion on the counsel’s letterhead.

1.2 Real Property Schedule

Prepare a **real property schedule as a Word document**. The real property schedule should include the legal descriptions of all the real property owned by the applicant and should be in a format suitable for inclusion in a security instrument. It should be categorized into real property, leased-property, easements, and rights-of-way. An attorney practicing in the state where the property is located must prepare this schedule. In an instance where property is owned in more than one state, the attorney must be licensed in the other states or you must submit separate property schedules.

1.3 Organizational Charts (Applicant, Parent, Subsidiary)

Depending on whether the applicant is connected to parent and/or subsidiary companies, the number of required organizational charts will vary. Sample organizational charts for both conditions are provided in the [Appendix](#). These are only samples and should be tailored to reflect your organization. Review the instructions below to determine the number of charts to submit.

1.3.1 All applicants, regardless of their relationships, must submit a chart(s) that shows the key personnel who manage or will manage the company and/or this project, and the number of employees in each division or department managed by those personnel. An applicant’s organizational chart(s) should reflect both the **company structure** and **key staff**. You may need to submit **more than one** chart.

1.3.2 Applicants with parent and/or subsidiary relationships must submit **additional** charts that show all the other entities (parent/subsidiaries) that are affiliated with the applicant and clearly indicate the relationships between these entities and the applicant. An

accompanying narrative should briefly indicate any services that the affiliate will be providing to the applicant or that the applicant will be providing to the affiliate.

- 1.3.3 First time applicants or borrowers whose managerial staff have changed since their last Infrastructure Loan must provide information on the qualifications of top management personnel. Upload this narrative as an additional attachment.

1.4 Board Resolution Identifying Attorney and Manager

Submit a certified copy of the board resolutions that selected the attorney and manager.

1.5 Articles of Incorporation or Organization

Submit a certified copy of the Articles of Incorporation or Organization. This is required of first-time applicants, returning former borrowers, or any applicant for whom RUS does not have the most current articles on file. Check with your GFR to confirm what RUS has.

1.6 Bylaws or Operating Agreements

Submit a certified copy of the Bylaws or Operating Agreement (for LLCs). This is required of first-time applicants, returning former borrowers, or any applicant for whom RUS does not have the most current articles on file. Check with your GFR to confirm what RUS has.

If the applicant is an LLC, or any of the applicant's members are LLCs, the applicant must submit **either** of the following:

- 1.6.1 LLC agreements for all members of the applicant's LLC.
- 1.6.2 An opinion of counsel which certifies that the applicant's agreement does not conflict with any of the LLC agreements of the applicant's members.

1.7 Board of Directors or Managing Members

In this document, include a list of your board members.

1.8 Executive Summary

The Executive Summary should consist of a general discussion indicating the purpose and amount of the proposed construction. It should also include a discussion of immediate and long-range plans for upgrading existing services, providing new types of subscriber services, and any other plans relating to the development of telecommunications service in the area. The narrative should address the number of existing and projected subscribers after the Forecast Period. You should explain how you plan to achieve and/or meet the five-year projection. If you have lost subscribers in the past several years, then you must include an explanation describing the specific factors that led to the subscriber loss. In instances of projected subscriber losses, describe the measures you are taking to reverse the downward trend as well as any reasons why there may be a future increase in subscribers.

You must also include a narrative/quantitative explanation that demonstrates how you arrived at the maturity date listed on the Loan Request Tab.

1.9 System Design

The System Design is an engineering study that includes all the technical information on the existing and proposed systems. Each part should discuss the construction plans in sufficient detail to provide a clear and logical picture of the telecommunications system. It should give the considerations for utilizing existing network and access equipment and outside plant in the proposed system, plans for reinforcing and expanding existing equipment and plant, and the justifications for the proposed removals and retirements of existing equipment and plant. The narrative must indicate that the project will be complete within the 5-year construction period.

Because of the importance and complexity of the engineering studies necessary for the System Design, it must be prepared by a competent and experienced telecommunications engineer. While the System Design is subject to RUS approval, the borrower's selection of an engineer to perform pre-loan work is not. See 7 CFR 1753.17 for more information.

To ensure that you do not leave out critical information, we recommend that you follow the heading format identified under each part.

- 1.9.1 **Existing System** (if applicable). Provide a synopsis of the current network infrastructure, including:
- Central Office Equipment – include information, by service area, of the make/manufacturer and model of existing class 5 switches and/or softswitches (both for host switches and for remotes), current software release, and location of central office switches.
 - Outside Plant Facilities – include information on the existing outside plant architecture, such as digital loop carrier (DLC) design or FTTH design (and description of the specific architecture layout utilized), on an exchange by exchange basis. Other details to provide should include but not be limited to:
 - Percentages of aerial, buried, and underground/conduit facilities within the system.
 - Percentages of copper and fiber within the system.
 - Age and condition of existing plant – provide information on average length and size of existing copper and fiber drops and other information that will give the agency reviewer a good understanding of the existing outside plant facilities.
 - Access Equipment – identify the type and quantity of access equipment that are currently deployed in the system. Provide the number of existing digital loop carrier serving areas and fiber to the home nodes in the existing system. Provide the number of radio towers currently deployed, if any, and their coverage radius. Provide the condition and average age of the access equipment, etc.
 - Transport Equipment – describe the existing transport system, such as the architecture (ring or point to point), type of equipment, condition, data rate and age and address the physical interconnections between the major elements within the system this equipment supports.
 - Traffic Routing – provide information on existing locations of meet points with other service providers, including interconnections for voice, data, and if applicable, video. Describe the interconnection arrangement (connecting company and location) along with a listing of the miles of plant associated with each interconnection and the type of facilities (fiber, microwave, etc.; include capacities).
 - Existing Services Provided – provide information on the type of services that are currently

offered in the service area (voice, data, wireless, video, etc.). Identify which services are provided directly by the applicant or through an affiliated company. Agreements necessary for the provision of these services should be included in the Licenses and Agreements Subtab, including any agreements with affiliated companies.

1.9.2 **Proposed System.** Provide a synopsis of the proposed network infrastructure, including:

- Design Summary and Analysis – provide a general system overview of the proposed system describing the types of technologies to be deployed throughout the system; the extent of the deployment (e.g. partial exchange build, entire system over build, specific exchange or builds, etc.), and reasons why particular portions of the system were selected for the deployment. Include a discussion of any alternate plans considered and reasons for the selection of the recommended plan. Deviations from standard industry designs should include a cost benefit analysis. For example, the overwhelming majority of designs funded by RUS during the past five years have been FTTP designs. A proposed architecture that deviates from such a design (e.g., DLC, fixed wireless, etc.) should include a cost benefit analysis.
- Central Office – describe the Class 5 switches and/or softswitches that will be acquired and identify their proposed locations. This narrative should also include detailed information on any planned hardware and software upgrades for existing central office equipment (e.g., switches, terminals, etc.).
- Outside Plant Facilities – describe the type and associated purposes of outside plant facilities that will be constructed, whether they are aerial, buried, underground, copper, fiber, or in conduit. Provide a range of cable size by number of pairs or fibers to be used in the project. If aerial plant is to be constructed, state if existing poles are owned by the applicant or by another entity. If copper drops will be installed, then state the gauge of the cable used and the average length of the drops. The deployment of new copper plant must be supported in the Design Summary and Analysis section. Explain any unusual construction or operating problems anticipated for the proposed system and specifically point out any conditions, such as excessive rock digging, heavy right-of-way clearing, etc., that have significantly influenced the cost estimates prepared for the system.

NOTE: RUS encourages applicants to construct buried cable facilities instead of aerial cable facilities. If special circumstances require the construction of aerial plant, then please identify the circumstances and the relative cost savings that would occur if a buried cable design is not pursued. All aerial facilities are required to meet the appropriate high wind and storm load conditions as required by RUS Bulletins 1751F-630 and 1751F-635. These bulletins can be found on the USDA Rural Development website:

<https://www.rd.usda.gov/publications/regulations-guidelines/bulletins/telecommunications>.

- Access Equipment – include details of the proposed access equipment in the loan. For example, for a Fiber-to-the-Premises (FTTP) system, you must discuss the number of optical line terminals (OLTs) and optical network terminals that will be acquired. Describe the proposed architecture of the FTTP system and the FTTP standards that will be used. For DLC designs, include information on the number of remote equipment such as DLCs that will be installed or modified, and of those DLCs, provide a further breakdown as to how many of them will be for replacement of existing DLCs and how many of them will be for creating new carrier serving areas. Explain the type of services and data rates that will be offered using the new access equipment (for DLCs and for FTTP). If the plan proposes to deploy a

wireless system, provide a description of the technology to be used, the coverage areas, the spectrum to be used, and whether it is licensed or unlicensed spectrum. If it is licensed spectrum, then you should state the current status of the FCC license and indicate the status, as applicable, in the Licenses and Agreements subtab.

- Transport Equipment – Identify whether there are to be any new purchases of transport equipment, such as optical carrier equipment or digital microwave equipment. Give information on the capacity of the transport equipment and address the physical interconnections between the major elements within the system this equipment supports.
- Towers – If the applicant will acquire and install towers under the loan, then a description of its structure, location, and height should be stated here. If a network of towers is to be built, such as for a backbone network or for subscriber access, then please provide information on the arrangement and layout of the towers.
- Land & Buildings (if applicable) – explain the size, purpose and location of the building that will be constructed or acquired. If the application requests funds for commercial office, garage, or warehouse facilities, provide an explanation of need. Include a statement that identifies whether the land for the proposed building and/or towers is owned or will be purchased or leased. An exhibit is required to be attached in the Documents Tab in such a case, including a plot plan and a floor plan showing dimensions and intended use of the space. All new buildings are required to meet the appropriate seismic safety conditions required by 7 CFR 1792 Subpart C. If there are to be any land purchases under the proposed loan, then the size, purpose, and location (if known) of the land should be included in this narrative.

NOTE: According to current appropriations levels, only Guaranteed FFB funds can be used for the construction of a headquarters building.

- Work Equipment/Vehicles/Office Equipment/Office Furniture - Information on the type and quantity of work equipment and vehicles to be included in the loan should be stated. Similar information should also be stated for office equipment and for office furniture.

NOTE: According to current appropriations levels, only Guaranteed FFB funds can be used to purchase vehicles that are not for construction purposes.

- Traffic Routing – describe any new transport routes, new meet points, or connecting companies. This section should also discuss any proposed changes to the existing connecting company arrangements, whether connecting company concurrence is required, and if so, whether concurrence has been secured. Upload the finalized agreement on the Licenses and Agreements subtab.
- Proposed Services – discuss the voice, video, data, and other services that will be offered through the proposed system. Identify which services will be provided directly by the applicant or through an affiliated company. Include any copies of agreements for provision of services.
- Special Projects – if the application requests funds for facilities to serve large military or other governmental installations, industrial complexes, or similar subscribers involving investments in excess of \$100,000 for any single subscriber, then submit an exhibit

presenting a description of the service requirements, the facilities to be furnished, and the probable contract terms.

- Urban/Rural Statement Discuss proposed improvements or expansions in a service area serving a community over 5,000 in population. At a minimum, include the name of the community, the number of existing and projected new subscribers by grades of service within the community, detailed cost estimates of the facilities involved, and information sufficient to establish the necessity for the use of loan funds.

For subsequent RUS-funded loans, an urban/rural statement is not required if the currently nonrural areas were considered rural by RUS at the time RUS first financed facilities to serve the community. The borrower must include a statement to this effect. Additional information on investment in nonrural areas is available at 7 CFR 1737.32.

- Non-loan Fund Expenditures (if applicable) – identify the amount and the purposes for which any non-loan funds for capital expenditures during the Forecast Period will be expended. The non-loan fund expenditures described in this narrative must be supported by the Capital Investments Workbook and Depreciation Non-Loan subtabs. Please do not include operating and/or maintenance costs in this section as they cannot be capitalized.
- Prior Loan Funds (if applicable) – include a detailed discussion on all unadvanced RUS loan funds. If planning to use all unadvanced loan funds for prior loan purposes, then include a detailed description of prior loan purposes that have not been completed, their estimated costs, and a schedule, satisfactory to RUS, of when the borrower intends to fully draw down these unadvanced loan funds.

If the applicant plans to rescind all unadvanced prior loan funds, then the narrative must include a statement that the borrower has completed all prior loan purposes or that the purposes of the prior loan are no longer required to extend or improve telecommunication services. All RUS borrowers are encouraged to notify the Agency, in writing, when loan funds are no longer needed.

TIP: When writing the narrative of the system design, assume that the agency reviewer has no knowledge of your company and systems. Reviewers are also unlikely to have first-hand knowledge regarding your specific locale or circumstances. Therefore, applicants should always provide detailed documentation to substantiate the information in their loan applications. This approach to the narrative should be followed even when the application is for a subsequent RUS loan.

1.10 Network Diagram(s)

Network diagrams are block diagrams that clearly show how the traffic flows through the network including inter-exchange routes and the interconnection points connecting companies. The diagram(s) must clearly show:

- 1.10.1 All physical locations where the major network elements are or will be located to the highest known level of detail. This may take the form of postal addresses or latitude and longitude.
- 1.10.2 The route miles between each network element.
- 1.10.3 The bandwidth capacity between the network elements, including fiber or pair counts, etc.

- 1.10.4 The types of facilities (fiber, copper, microwave, etc.) that are or will be used for establishing the connection between the network elements and the points-of-connection with the connecting companies.
- 1.10.5 Any leased facilities, along with the location of the leased facilities (postal addresses or latitude and longitude) and the providers from which the facilities are being leased.

1.11 Historical Financial Statements

Upload this document under the RD Apply Document Type Label, “**Applicant** Historical Financial Statements,” under the Additional Attachments subheading. However, you should note that this document is a required attachment and should appear under the Required Attachments subheading.

- 1.11.1 Applicant Historical Financial Statements. At a minimum, the applicant’s certified financial statements for the previous three years will be required. The Financial Statements should include the comparative Balance Sheets, Income Statements, and Statements of Cash Flows for the applicant (on a non-consolidated basis). Audited financial statements are preferred. (Audited financial statements refer to full and complete reports of the applicant’s financial condition, operations, and cash flows, audited and certified by an independent CPA.)
- 1.11.2 Parent Companies and/or Subsidiaries. If the applicant has a parent company and/or one or more subsidiaries, the historical financial statements for the preceding fiscal year of those entities should also be included. Audited financial statements are preferred.

1.12 Financial Assumptions

You are required to submit a detailed written narrative that documents the various Pro-forma financial assumptions used to prepare the Pro-forma 5-year Financial Forecast.

You must provide a detailed explanation for each of the line items in the Pro-forma with clear details, so that RUS may review and understand the basis for the financial projections. This should include a discussion of any historical trends or anomalies and their impact on the assumptions for the 5-year forecast. Include any calculations or percentage changes in the assumptions **and the reasons for choosing any multipliers or percentage increases/decreases** for the forecast. If the Pro-forma Financial Forecast is not fully supported by a detailed narrative for every category, it may affect the final decision on the application.

Historical Financial Reconciliation

If there are any gaps or discrepancies between the submitted historical financial statements and the historical data provided in the Pro-forma, then include detailed explanations in the Assumptions.

Guidance Related to the Pro-forma Financial Assumptions

While you are not required to utilize all the categories in the Pro-forma Financial Statements, you must include a sufficient level of detail to provide a reasonable understanding of existing and proposed operations, including the proposed Infrastructure Loan project.

- 1.12.1 **Balance Sheet Assumptions.** You must provide assumptions for **ALL** the categories on the Balance Sheet.
- 1.12.2 **Income Statement Assumptions.** You must provide assumptions for **ALL** the categories on

the Income Statement.

1.12.3 Statement of Cash Flows Assumptions. The Cash Flow statement should tie to the net change in the various categories from the Balance Sheet. Net Income in each year should come directly from the Income Statement.

1.12.4 Network Access Revenue Assumptions. A write-up by the Cost Consultant, explaining the methodology for the forecasts should be attached as a distinct assumptions document. The write-up should be comprehensive and address the impacts on the applicant's revenues of the FCC's ongoing changes to the universal service programs and intercarrier compensation regimen, including any FCC orders, court decisions or other actions that affect the revenue the Applicant expects to receive. Detailed explanations of how these actions affect the projected revenue are essential. A general discussion of FCC changes without an explanation of the impact on the applicant is not useful. **This document should be prepared and signed by a Cost Consultant for a cost settlement company.**

1.13 Refinancing Documentation (if applicable).

Loan applicants that request funds for refinancing must submit the following under the Additional Attachments subtab:

- 1.13.1 Copies of all bonds, notes, mortgages, and contracts covering outstanding indebtedness proposed to be refinanced.
- 1.13.2 For each note or bond, the name of the creditor, original amount of debt and amount as of last year-end, purpose of debt, dates incurred and due, interest rates, and repayment terms.
- 1.13.3 Justification for refinancing and evidence that the use of loan funds is necessary and incidental to furnishing or improving rural telephone service. See 7 CFR 1735.21.

1.14 Acquisition Agreement (if applicable)

This contract governs the terms and conditions that bind the parties in an acquisition. When borrowers are seeking RUS financing, acquisition agreements between the borrower and the seller must be in form and substance satisfactory to RUS. See 7 CFR 1735 Subpart G for more information.

1.15 Acquisitions Documentation (if applicable)

To determine the reasonableness of the acquisition price, applicants must submit an appraisal from a qualified entity of the facilities to be acquired. If the acquisition price exceeds the amount that RUS will lend, the borrower must provide the remainder.

1.16 Competitive Analysis

In this narrative, you will present your strategy for competing against existing service providers. The competitive analysis should demonstrate that you have detailed knowledge of your competitors; an understanding of your competitor's strategies, investments and capabilities; and a strategy for competing against these competitors. This is a required document; upload under Additional Attachments as the Competitor Strategic Plan.

Answer the questions below in your Strategic Plan:

- a. How do your service offerings compare with those of your competition?

- b. What incentives, marketing and pricing strategies will you use?
- c. What strategies will you use to counteract any advantages or strategies used by the competition?

1.17 Substantially Underserved Trust Area (SUTA) Attachments.

If you are serving a community that has a SUTA designation and you are requesting SUTA consideration in relation to your application, then you must upload as attachments all the information requested in 7 CFR 1700, Subpart D. Please identify the discretionary authorities of 7 CFR 1700, Subpart D that you seek to have applied to your application.

1.18 Interim Financing Request - (if applicable)

Under special circumstances, a borrower may request that RUS approve the use of the its general funds and/or short-term loans, as interim financing, for a project which RUS has acknowledged will be included in a loan, should said loan be approved, but for which RUS loan funds have not yet been made available. Applicants may request Interim Financing prior to the submittal of application. Consult with your GFR.

If the request has already been approved, upload the RUS approval letter here. Otherwise, upload the letter you have sent to RUS requesting interim financing approval.

NOTE: Although you should upload a copy of your request letter, submission through RD Apply should not be the manner in which the interim financing approval is requested. For more information on Interim Financing, see 7 CFR 1737 Subpart E.

1.19 Flood Hazard Information

Provide a list that includes either the physical address or the GPS coordinates for all existing and proposed “walk-in” buildings where RUS-funded equipment is or will be located. Examples of walk-in buildings include commercial office, payment office, central office, tower hut or warehouse and does not include cabinets. This information is used to determine if a building is located in a flood hazard zone, which would require flood insurance.

2. **Certifications Subtab**

On this subtab, the Authorized Representative from your team can certify each document by opening the link in RD Apply, reviewing the content, and checking the electronic signature box. That person may also upload any additional certifications that are applicable to the application.

2.1 Certification of Nonsegregated Facilities.

2.2 Certification Regarding Debarment, Suspension, and other Responsibility Matters – Primary Covered Transactions.

2.3 Certification Regarding Lobbying for Contracts, Grants, Loans, and Cooperative Agreements.

2.4 Civil Rights Compliance Certification.

2.5 Design Certification.

Download this certification from the Certifications Subtab under the Documents Tab. After signing

the certificate, you must upload it on the Attachments subtab. Submitting a signed Design Certification asserts that the System Design was prepared by qualified personnel on the applicant’s staff or by consultants.

If prepared by the **applicant’s staff or a consultant** that is not a registered engineer licensed in the state in which the facilities will be constructed, then a registered engineer that is licensed in the applicable state must certify that the proposed System Design will be capable of delivering all proposed telecommunications services.

2.6 Lobbying Certification for Loan Guarantees and Loan Insurance.

2.7 State Telecommunications Modernization Plan (STMP) Certification(s).

2.8 Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 Certification.

2.9 Federal Collection Policies for Commercial Debt Certification.

3. Licenses and Agreements Subtab

On this subtab, upload the documents that correspond with the Document Type. Select the appropriate status and enter any relevant comments. For all Existing/In Hand licenses and agreements, attach the sections that indicate the terms, including capacity and cost. You must provide a status report for all licenses, agreements, approvals, and authorizations that may be required to construct the telecommunications network.

You may add as many rows as is necessary to depict the full range of licenses, agreements, approvals, and authorizations involved in your project. Please upload any additional licenses and agreements. Select the relevant Document Type. After the document has uploaded successfully, select the appropriate status and enter any comments.

Use the following as a guide for the status indicators available:

Status	Example
Not Required – RUS already has a copy on file	Select if the document is required for the project, but not required for submission because RUS already has it. Be sure you have confirmed with your GFR that RUS has a copy before making this selection.
Not Required	Select if the project will not, at any point, require this license. For example, FCC Spectrum Licenses will never be required for a wireline provider.
Draft	Select if the agreement has been written, but has not been signed.
Existing/In-Hand - No Modifications Needed	Select if the agreement is completed, in-hand, and ready for action. For example, for most wireline incumbents with existing operations in a proposed funded service area, their Certificate of Public Convenience and Necessity will already be in hand.
Existing/In-Hand - Modifications Needed	Select if the existing agreement that will require modifications, such as backhaul agreements for an incumbent that need to be increased in capacity.

Applied, but Pending	Select if you have applied for the license, and are now awaiting confirmation and/or approval.
Contingent Upon Award	Select if the agreement may exist and be finalized, but will be valid only if you receive an award.
Not Available Until Project Is Funded	Select if the agreement cannot be completed until you either have confirmation of winning the government award or have received the first disbursement. <u>In the comments box</u> , add contextual information that is relevant to the ownership and availability of the license or agreement. For example, indicate whether an asset is owned or will be owned by a parent company or organization, if (in the case of spectrum) it is being leased to the applicant, and on what basis (exclusive, non-exclusive, time-limited) this lease is being made.

3.1 Certificate of Public Convenience and Necessity (CPCN).

CPCN is an authorization issued by the State Public Service Commission (PSC) for the delivery of a telecommunications service to a designated area or parcel of land. CPCN rules and regulations vary by State. If a CPCN is required by the state or state(s) in which services are to be provided, then upload the certificate under the Licenses & Agreements Subtab. Otherwise, no certificate is required. If not required, select the status indicator, Not Required.

3.2 Franchise Agreements.

An agreement that grants a network operator the right to construct in rights of way governed by the local franchise, usually the local municipality, and market for sale video services to paying subscribers in that local district.

3.3 Internet Service Agreement.

An agreement between an Internet Service Provider (“ISP”) and a retail reseller of Internet services (usually the applicant). This generally includes details regarding facilitating, provisioning, transporting, and maintaining a fixed or variable amount of payload traffic (a.k.a., bandwidth) from one or more locations to an ISP's portal.

3.4 Internet Service Connection Backhaul Agreement.

The agreement governing the physical link connecting an applicant’s network to the ISPs facilities. In some cases, this agreement will be part of the Internet Service Agreement, and in other cases, it will be separate.

3.5 Pole Attachment Agreement.

An arrangement between the owner of the pole, usually a power or phone company, and an operator who wants to lease the right to attach fiber strand (for example) so that they may construct infrastructure more cost effectively than performing underground construction.

3.6 Special Permits (federal, highway, bridge, etc.).

Certain protected Federal Lands like National Parks, Historic Districts, or other protected or Federal government owned land require the following of a particular protocol in order to obtain permission to construct fiber optic infrastructure. Railroad Crossings or Bridge Crossings typically need to be coordinated with the State Department of Transportation.

3.7 Spectrum Agreements.

Spectrum agreements must show both capacity and cost.

3.8 Tower Attachment Agreements.

Agreements governing the terms under which an applicant can attach and operate its equipment.

3.9 Tower-Site/Property Agreements.

Agreements governing the terms of use of any tower sites where an applicant intends to use or build its own facilities.

3.10 Video Carriage Agreements.

A contract that authorizes a network operator to [re]transmit content. These can be obtained from content aggregators who offer entire channel lineups, or from individual broadcasters, production companies, etc.

3.11 Wireless Spectrum Licenses (for backhaul transport).

3.12 Wireless Spectrum Licenses (end-user access).

The legal right to transmit on a specific frequency to CPE devices for the transport of communication services.

3.13 Affiliate Agreement.

Agreement containing the terms and conditions of services offered by an affiliate.

L. Summary/Submit Tab

This tab lists each part of the application and identifies whether you have completed the item. The system checks for consistent data across certain tabs and fields. Therefore, if you see any red X's, please complete that item or correct the data entered there. You can expand the Construction, Financials, and Documents Tabs to view information on the subtabs. Once all X's have been replaced with **checkmarks** (✓), you are ready to do the following:

1. Contact your General Field Representative. Your GFR, with whom you have been in contact throughout the application experience, will now conduct an additional completeness review. RD Apply can only identify that an applicant has entered data in a required field or uploaded a document under the required heading. The system cannot review the data or document for quality or completeness. Additionally, applicants may be required to submit additional information based on their circumstances that RD Apply may not request. Your GFR will help ensure that you submit the most complete application possible.

2. Click Submit! Once RD Apply has recognized that all required headings have been addressed, the Submit button will appear.

****NOTES ON SECTION 3****

Remember to SAVE your work. The Save button is at the bottom of each Tab/Subtab.

RD Apply **does not** check for quality or applicant-based special requirements.

Applicants should consult with their assigned General Field Representative.

On the Balance Sheet Subtab, the *Year of Application* can only be modified twice before the selected year is locked.

Applicants may request Interim Financing prior to the submittal of application. Therefore, submission through RD Apply should **not** be the manner in which the interim financing approval is requested. For more information on Interim Financing, see 7 CFR 1737 Subpart E and consult with your GFR.

Section 4-- Common Errors

Provided below is a list of common errors RUS reviewers encounter with loan applications. While the list does not include all possible errors, we encourage RUS applicants to review the list below and make sure these common errors do not apply to their loan application package.

- Loan funds are proposed for expense (operating/maintenance) items that cannot be funded by RUS.
- Required environmental documentation was not submitted.
- Detailed assumptions used in forecasts were not provided.
- Forecasted number of subscribers was not adequately supported in the narrative.
- Applicant did not include service areas and corresponding capital investment workbooks for both funded and unfunded service areas in which network changes are being made.
- Detailed assumptions do not match calculations or numbers in the Pro-forma.
- Finances are in a consolidated format rather than separated into a parent/subsidiary basis.
- Historical information does not agree between CPA audits, submitted operating reports and numbers in proforma.
- Extraordinary historical financial events are not explained.
- Financial losses in previous years are not explained.
- Expenditures listed in Construction Tab do not match amounts or time periods in the Financials Tab.
- Forecast Depreciation expenses do not align with deployment and retirement of plant.

Section 5 – Frequently Asked Questions

A. What is the Telecommunications Infrastructure Loan Program (“Infrastructure Program”)?

The Infrastructure Program provides long-term direct and guaranteed loans to qualified organizations for the purpose of financing the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems to furnish and improve Telecommunications, 911, and Emergency Communications services in rural areas.

B. Who can apply for an Infrastructure Program Loan?

Any entity providing or who may hereafter provide telephone service in rural areas. Certain restrictions apply. Refer to 7 CFR 1735.14 for further clarification.

C. What types of loans are offered?

Two types of loans are generally available: RUS Cost-of-Money and Guaranteed (FFB) Loans. For more information on the types of loans, visit 7 CFR 1735.20.

D. What is the interest rate on the loans available for funding?

The RUS Cost-of-Money Loans bear interest at a rate equal to the current cost of money to the Federal Government for loans of a similar maturity, but not more than 7 percent per year. Guaranteed FFB Loans generally bear interest equal to the current cost of money to the Federal Government for loans of a similar maturity, plus 1/8 percent.

E. What are the terms of these loans?

Loans are to be repaid with interest within a period that equals the expected economic life of the facilities to be financed, as calculated by the Infrastructure Program; expected composite economic life means the depreciated life plus three years. Refer to 7 CFR 1735.43.

Principal payments on the loans are generally scheduled to begin two (2) years after the date of the first advance of loan funds.

F. Do we have to use all of the loan funds?

No. Any funds not needed may be rescinded, and a rescission can be requested at any time by the borrower.

G. Does the Infrastructure Program offer lines of credit?

No.

H. Can we refinance other debt with Infrastructure Program funds?

Yes, but restrictions apply. Refinancing loans are not made solely for the purpose of securing a lower interest rate or longer amortization period. The major purposes of the Infrastructure Program loans are for upgrades and system improvements. Refer to 7 CFR 1735.21 for more details.

I. Does the Infrastructure Program provide loan funds for the merger of two existing telephone systems?

No. The Infrastructure Program does not make loans for the sole purpose of merging or consolidating telephone organizations. However, the Infrastructure Program will consider making loans to the merged entity to finance the improvement or extension of telephone service in rural areas. Refer to 7 CFR 1735.19.

J . Does the Infrastructure Loan Program provide loan funds for acquisitions?

Yes. RUS will finance the acquisition by a borrower of another system, lines, or facilities only when the acquisition is necessary and incidental to furnishing or improving rural telephone service. Refer to 7 CFR 1735.20 for more information.

K. Is there a prepayment penalty?

There is no prepayment penalty on the Cost-of-Money loans. However, penalties may apply on FFB loans depending on what prepayment options the borrower selects. For more details refer to RUS Bulletin 320-12 (Fedwire Deposit System Wire Message Format).

L. What are acceptable forms of collateral for the loan?

For Infrastructure borrowers, the current assets and all future assets of the entity are pledged as security for the debt. This pledge of assets is secured by a loan contract and mortgage. Loans made to Tribal entities and Municipals are generally secured by a lien on the entity's revenue.

Appendix - Templates and Samples

A. Sample Legal Opinion

[Attorney Letterhead]

Date

Administrator
Rural Utilities Service
United States Department of Agriculture
Stop 1500
Washington, D.C. 20250-1500 Subject: (Company Name)

Ladies and Gentlemen:

We are counsel to _____ (the “Company”) in connection with the Company’s application (Application) for a loan or loan guarantee from the Rural Utilities Service (RUS) to provide telecommunications service. We have examined or caused to be examined by competent and trustworthy persons such corporate records and files and such other records, indexes, and files as we have deemed necessary to permit us to render the opinions expressed herein.

We are of the opinion that:

1. The Company is a (corporation, cooperative, limited liability company, etc.) duly formed, validly existing and in good standing under the laws of the State of _____.
2. The Company operates in the State(s) of _____ and is duly licensed and qualified and in good standing as a foreign _____, authorized to do business and own property in such State(s).
3. The Company has full legal right, power and authority to own its property and carry on its business as now conducted.
4. The execution, delivery and performance by the Company of the Application and the consummation of the transactions contemplated thereby are within the powers of the Company.
5. The Company owns the real property described on Schedule A attached hereto and such property is in the counties of _____ in the State(s) of _____.
6. The Company has the power to grant a security interest in the property described in paragraph 6 to the RUS as collateral for the loan described in the Application.
7. Schedule A contains complete and accurate descriptions of all the real property owned or leased by the Company, excluding easements and rights-of-way, which are sufficient, in form and substance, for inclusion in the granting clause of a mortgage creating a lien on such property.
8. The Company owns telecommunications facilities, including central office facilities, lines, and other outside plant, in the counties of _____ in the State(s) of _____.

_____.

9. For purposes of Article 9 of the Uniform Commercial Code in the State of _____, the Company is a “transmitting utility” (or is not a “transmitting utility.”)
10. The execution, delivery and performance by the Company of the loan documents will not require the consent, permission or authorization of any governmental authority.

-OR-

10. The execution, delivery and performance by the Company of the loan documents will require the consent, permission or authorization of _____.

We have also verified the following information:

1. The Company’s organizational number is _____.
2. The exact true and correct legal name of the Company, as stated in its organization documents, is _____.
3. The Company’s corporate debt limit is _____.
4. The pending claims or litigation against the Company are described in the attached Schedule B.

-OR-

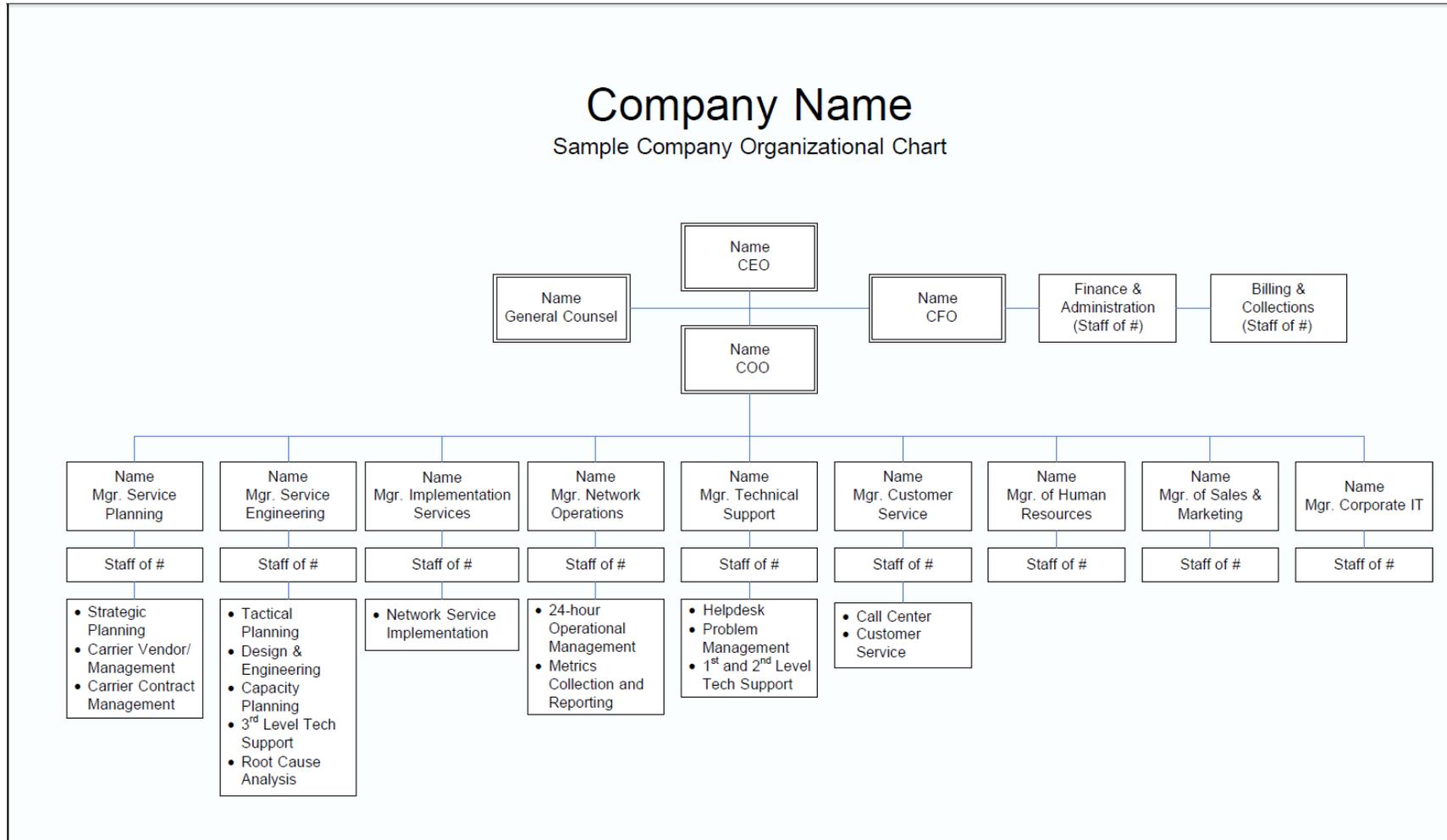
4. There are no pending claims or litigation against the Company.
5. The Company has no subsidiaries.

-OR-

5. The Company’s subsidiaries are listed on the attached Schedule C.
6. The titles of the officials of the Company with the proper authority to execute all loan documents on behalf of the Company, and attest to the execution where required, are _____.

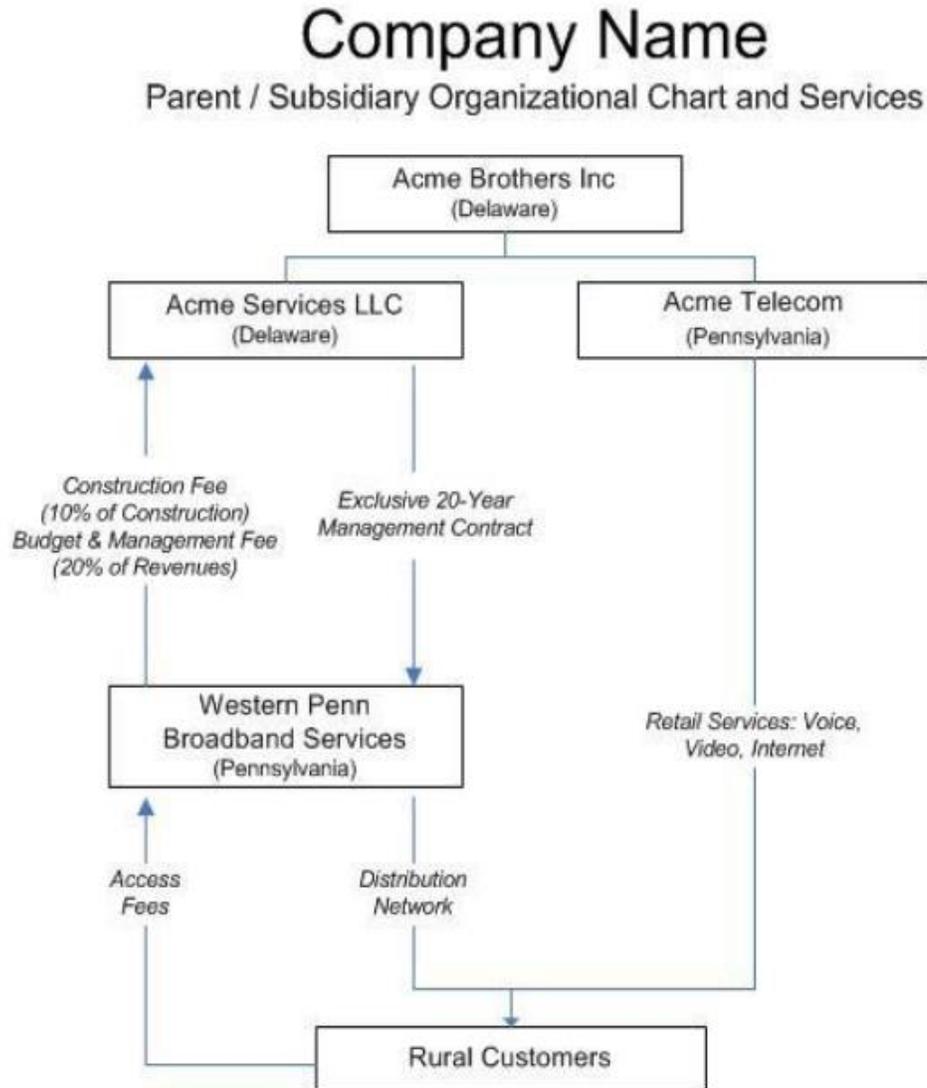
Sincerely,

B. Sample Organizational Chart—Applicant Operations



C. Sample Organizational Chart—Parent/Subsidiary Operations

Sample Parent and Subsidiaries Chart



Acme Services, LLC: A subsidiary of Acme Brothers, Inc. Provides management services, including backend customer service and billing. Operates the network operating center.

Western Penn Broadband Services: The local entity which would own and operate the local distribution infrastructure (not RD-funded) for its service territory. The distribution network will be open-access.

Acme Telecom: A subsidiary of Acme Brothers, Inc. Provides retail internet, voice, and video services over the distribution network. Acme Telecom will not be an RD borrower.