

**Forest Service Manual  
National Headquarters - Washington Office  
Washington, DC**

**Forest Service Manual 1500 – External Relations  
Chapter 1530 - Interdepartmental**

**Amendment:** 1500-1996-11

**Effective date:** December 06, 1996

**Duration:** This amendment is effective until superseded or removed.

**Superseded Directive:** Amendment 1500-1991-4 to FSM 1539.5-1539.51

**Approved by:** David G. Unger, Acting Chief

**Date approved:**

**Responsible Staff:**

**POSTING NOTICE.** Amendments are numbered consecutively by Title and calendar year. Post by document name. Remove entire document and replace with this amendment. Retain this transmittal as the first page of this document. The last amendment to this Title was Amendment 1500-96-10 to FSM 1530 Contents.

**Explanation of changes:** Following is an explanation of the changes throughout the directive by section.

**1539.52:** Adds the Master Service-wide Memorandum of Understanding between the Forest Service and the Small Business Administration (SBA) concerning the issuance of SBA-guaranteed loans to holders of Forest Service special use permits.

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## **1539.5 - Small Business Administration**

### **1539.51 - Road Construction Loan Agreement**

Exhibit 01 sets out the text of the road construction loan agreement between the Forest Service and the Small Business Administration to provide purchasers of National Forest who are qualified small business concerns with financial assistance to build roads.

#### **1539.51 - Exhibit 01**

AGREEMENT BETWEEN  
THE FOREST SERVICE  
AND  
THE SMALL BUSINESS ADMINISTRATION  
FOR  
THE DEVELOPMENT OF A PROGRAM  
TO PROVIDE PURCHASERS OF NATIONAL FOREST TIMBER  
WHO ARE QUALIFIED SMALL BUSINESS CONCERNS  
WITH FINANCIAL ASSISTANCE TO BUILD ROADS

1. The Forest Service of the U.S. Department of Agriculture (hereinafter referred to as the Forest Service) and the Small Business Administration (hereinafter referred to as SBA) agree that it would be helpful to small business concerns competing for the purchase of National Forest stumpage if Government loans were available to finance the construction of certain roads which the timber purchasers are required to construct in many timber sales. Specifications for such principal roads are made a part of the timber sale contract. Accordingly, the Forest Service and SBA agree it is desirable for SBA to utilize its authority under Section 7(a) of the Small Business Act (15 U.S.C. 631), as amended, to make available road construction loans to successful bidders for National Forest timber sales who meet SBA size, eligibility, and credit requirements.

2. To facilitate consideration by SBA of loan applications for construction on National Forest timber sales submitted by any successful small business concern bidding for the stumpage, the Forest Service will make available the following documents to SBA, at its request:

- (a) Copies of sample or executed contract.
- (b) Copies of plans and specifications for principal roads to be constructed by the purchaser under the timber sale contract.

## 1539.51 - Exhibit 01--Continued

(c) Copies of the Forest Service construction cost estimates of such roads and the amount per thousand board feet or other unit of measure allowed in the timber appraisal for amortization of the estimated road construction costs of these roads.

3. If requested by the purchaser, the Forest Service will join in an amendment of the timber sale contract as follows:

In addition to rates of payment for timber as set forth in Section 2b-3, the purchaser agrees to make road construction loan repayment installments to the Forest Service in accordance with the payment schedule set up in the loan from SBA and in accordance with payment requests by the Forest Service. If such loan repayment is not received within fifteen (15) days of request therefor, or if at any time the total amount repaid is less than the amount due for the volume which has been cut, the Forest Service may suspend all or any part of the operations under this contract until the requested payment is received.

4. The Forest Service agrees to provide the following services:

(a) Serve as an agent of SBA to bill and receive installment payments from the purchaser on the SBA note on the basis of the rate of cutting, to deposit these funds into a specified SBA account number in the U.S. Treasury, and to make reports to SBA on billing, collection, and cutting.

(b) Provide SBA with periodic reports on progress of road construction and purchaser compliance with construction requirements.

(c) Notify SBA when all road construction requirements have been met.

5. SBA agrees to supply the following to the Forest Supervisor administering the sale:

(a) Two copies of the borrower's loan authorization, setting forth the terms and conditions of the loan.

(b) Notice of the final payment due on the note, including interest and principal, if repayment has been made in any way different from the programmed amortization rate reflected by the timber cut each month.

6. If a timber sale purchaser who has an unpaid road construction loan obligation to SBA is unable to complete the cutting of the timber included in the contract, the Forest Service will notify the SBA. If necessary and practicable, the Forest Service will, if requested by the purchaser, extend the sale in accordance with contract terms up to a 12-month period to

## 1539.51 - Exhibit 01--Continued

permit arrangements under which completion of the cutting will be performed, and will so notify SBA.

7. If a timber sale on which a purchaser has obtained a road construction loan from SBA expires or is otherwise terminated without full repayment of the SBA loan, the Forest Service will offer the uncut timber required to be cut under the sale contract for resale, unless further cutting conflicts with National Forest protection or management needs. If and when such a situation should arise, a conference will be arranged between the Forest Service and SBA to work out an equitable solution.

In appraising the uncut timber for resale, the Forest Service will determine: (a) the amount of added stumpage value due to roads constructed by the first purchaser through the SBA loan, i.e., the value determined by post construction survey of such roads; (b) the amount of amortization chargeable to such roads in connection with the cutting accomplished by the first purchaser. The value of (a) minus the value of (b) is the enhanced appraised worth to the remaining timber due to roads constructed with the help of the SBA loan.

Such enhanced appraised worth will be compared with the amount certified by SBA as the unpaid balance due on the loan. The lesser of these two amounts shall be considered as the amount by which the remaining timber has been increased by unreimbursed SBA financing.

The Forest Service will determine a rate per thousand board feet or other unit of measure to amortize such enhanced value over the remaining stumpage and shall certify to SBA that a portion of the price for stumpage equal to this amortization rate is attributable to the road construction performed with unreimbursed SBA funds.

8. If the SBA determines that the amount of unreimbursed SBA financing on which the Forest Service has collected the enhanced value in stumpage receipts is of sufficient amount to warrant a formal adjustment of accounts, the Forest Service agrees to confer with the SBA in an effort to develop recommendations for authorization for transfer of such uncollected enhanced values, or unrepaid amount of the loan, whichever is lesser, from the National Forest fund to the appropriate SBA account.

9. It is agreed that action taken by the Forest Service and SBA to provide for repayment of a road construction loan on sales which are terminated before completion of required cutting shall in no way control the action to be taken by the Forest Service to recover the amount of other damages due to failure to complete the contract.

10. The Forest Service agrees to include information in the sale prospectus to the effect that: (a) small business concerns may apply to SBA for a loan to provide financing for road

**1539.51 - Exhibit 01--Continued**

construction, and (b) sample sale contracts will be amended, or executed contracts will be modified to provide for repayment of the loan in connection with other sale payments.

11. The Forest Service and SBA shall develop jointly details of operational procedures designed to carry out this agreement.

12. This agreement may be amended at any time by written agreement of both parties.

13. This agreement shall take effect upon the date of the execution thereof.

/s/ Philip McCallum  
Administrator, Small Business Administration

12-30-60  
Date

Richard E. McArdle, Chief, Forest Service  
By:

/s/ Edward C. Craft

12-20-60  
Date

## **1539.52 - Master Service-wide Memorandum of Understanding Concerning Issuance of Small Business Administration Guaranteed Loans to Holders of Forest Service Special Use Permits**

Exhibit 01 sets out the text of the Master Service-wide Memorandum of Understanding between the Forest Service and the Small Business Administration (SBA) concerning the issuance of SBA-guaranteed loans to holders of Forest Service special use permits. For further direction, see FSM 2717.

### **1539.52 - Exhibit 01**

**94-SMU-115**

#### **MASTER SERVICE-WIDE MEMORANDUM OF UNDERSTANDING between THE UNITED STATES DEPARTMENT OF AGRICULTURE, FOREST SERVICE and the UNITED STATES SMALL BUSINESS ADMINISTRATION**

This Master Service-Wide Memorandum of Understanding (SMU) is made by the United States Department of Agriculture, Forest Service (the Forest Service) and the United States Small Business Administration (the SBA).

#### **I. PURPOSE**

The purpose of this SMU is to provide a framework of cooperation between the parties to develop and participate in a program concerning issuance of SBA guaranteed loans to holders of special use permits issued by the Forest Service to use and occupy National Forest System land. This program applies only to SBA guaranteed loans to Forest Service special use permit holders.

#### **II. STATEMENT OF MUTUAL BENEFITS AND INTEREST**

The land covered by the special use permits is owned by the United States and managed under statutory authority granted to the Forest Service. The Forest Service desires the cooperation of the SBA in connection with financing by the SBA and its participating lenders of physical improvements and other assets owned by the special use permit holders that are located on the federal land covered by their permits (the Improvements).

The SBA and its participating lenders desire to extend credit to eligible small business concerns with special use permits who may apply to participating lenders for loans to be guaranteed by

### **1539.52 - Exhibit 01--Continued**

the SBA. The SBA desires the cooperation of the Forest Service in connection with the financing of the Improvements by the SBA and its participating lenders.

The Forest Service believes that the public will benefit from the products and services provided by the special use permit holders under the terms of their permits. The extension of credit by the SBA and its participating lenders to these permit holders will result in benefit to the Forest Service's special use program.

### **III. IN CONSIDERATION OF THE ABOVE, IT IS MUTUALLY AGREED BY THE PARTIES THAT:**

1. The SBA and the Forest Service negotiated the attached "Agreement Concerning SBA Guaranteed Loan for Holder of Special Use Permit No. \_\_\_\_\_" (the Attached Agreement).
2. Unless otherwise approved by the SBA and the Forest Service, only the Attached Agreement shall be used and executed in connection with this program.
3. Unless otherwise approved by the SBA and the Forest Service, the Attached Agreement shall not be modified other than by filling in the blanks and by supplying the specific information requested in brackets.
4. In implementing this SMU, each agency shall be operating under its own laws and regulations.
5. Nothing in this SMU is intended to alter, limit, or expand the statutory and regulatory authority of the SBA or the Forest Service.
6. This SMU is neither a fiscal nor a funds obligation document. Any endeavor involving reimbursement or contribution of funds between the parties to this SMU shall be handled in accordance with applicable laws, regulations, and procedures, including those for Government procurement and printing. Such endeavors shall be outlined in separate written agreements between the parties and shall be independently authorized by statute. This SMU does not provide such authority. Specifically, this SMU does not establish authority for noncompetitive award of any contract or other agreement. Any contract or agreement for training or other services must fully comply with all applicable requirements for competition.
7. This SMU in no way restricts the parties from participating in similar activities with other public or private agencies, organizations, and individuals.
8. No member of or delegate to Congress shall benefit from this SMU either directly or indirectly.



**1539.52 - Exhibit 01--Continued**

9. Either party, in writing, may terminate this SMU in whole or in part at any time before its expiration when the other party has failed to comply with the conditions of this SMU.

10. Modifications to this SMU shall be made in writing and by mutual consent of the parties and shall be signed and dated by both parties.

11. This SMU shall expire no later than September 30, 1999, at which time it shall be subject to review and renewal or expiration.

12. The principal contacts for this agreement are:

Director of Recreation  
USDA Forest Service  
201 14th Street, S.W.  
Washington, D.C. 20250  
(202) 205-1706

Director  
Office of Rural Affairs  
and Economic Development  
409 Third Street, S.W.  
Eighth Floor  
Washington, D.C. 20416  
(202) 205-6485

**IN WITNESS WHEREOF**, the parties hereto have executed this SMU as of the last date written below.

/s/ JACK WARD THOMAS  
Chief  
USDA Forest Service

29 June 94  
Date

/s/ MARY J. RYAN  
Associate Deputy Administrator  
Economic Development  
U.S. Small Business Administration

6-21-94  
Date