

AGRI-INDUSTRIES GUARANTEE

Offices of the Illinois Finance Authority

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GENERAL INFORMATION

The information herein is subject to rules and regulations established by the Illinois Finance Authority (IFA) as a means of implementing the State of Illinois Guarantee Program for Agri-Industries.

The State Guarantee Program for Agri-Industries (SGPAI) is a guarantee program designed to assist and encourage diversification of Illinois agriculture and to promote the value-added processing of Illinois agricultural products. IFA seeks requests that promote diversification of the farm economy of Illinois through the growth and development of new crops or livestock not customarily grown or produced in the State. Also, IFA encourages loan requests that process or add value to grain or livestock commodities already produced or raised in the State into a finished product for consumer consumption or usage. New crops or livestock not customarily grown or produced in the State shall not include corn, soybeans, wheat, swine, beef, or dairy cattle.

All SGPAI Loans are made through lenders; IFA provides an up to 85% guarantee of principal and interest on loans made to qualified borrowers. The applicant must be able to cash flow the proposed project and provide sufficient collateral to adequately secure the SGPAI Loan. The applicant and his lending institution must complete an application, balance sheet, environmental survey, and a multi-year cash flow projection. The repayment schedule must be commensurate with the cash flow and the collateral. The interest rate may be a variable or fixed rate.

APPLICANT ELIGIBILITY

Each eligible applicant must:

- be a resident of the State of Illinois;
- be the principal operator and/or materially involved in the operation;
- have adequate cash flow and collateral; and
- the project must be located in Illinois.

Business Plan and Proposal: If the applicants are starting a new business, please submit a comprehensive multi-year business plan outlining the proposed costs and structure of the business. The plan should address feasibility studies, market research, niche markets, and competition. Revenue projections, production costs, and loan payments should be detailed. Biographical information should be included on the business partners.

Collateral and Cash Flow: Generally, the loan to collateral value will not exceed 80%. IFA will take into consideration the cost basis of the project to calculate this percentage. The applicant must provide collateral sufficient to secure the loan and keep the loan collateralized throughout its term. The applicant must also demonstrate the ability to adequately service the proposed debt with a multi-year cash flow statement. If the applicant has insufficient collateral or if his/her ability to service the debt is not adequately demonstrated, they can have a guarantor sign the note with them and/or pledge additional collateral for the loan.

Appraisals: All real estate and depreciable property which is to be used as collateral on a loan must be evaluated by a qualified appraiser although some exceptions may be allowed for new constructions. All real estate appraisals must meet Federal regulatory requirements and meet the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.



Auctioneers and machinery and equipment dealers are qualified to appraise depreciable property. The applicant is responsible for all appraisal fees connected with the SGPAI Loan.

LENDER REQUIREMENTS

IFA makes its loans available through private lenders. A lender may be any Federal or State chartered bank, savings and loan association, or building and loan association; Farm Credit Service; small business investment company; or any other institution qualified with the State of Illinois to originate and service loans, including but not limited to insurance companies, credit unions, and mortgage loan companies. A lender may also be a wholly owned subsidiary of a manufacturer, seller or distributor of goods or services that makes loans to businesses or individuals.

ELIGIBLE PURCHASES

Loan Size: Generally, the maximum loan per applicant is \$1,000,000; however, the loan amount may be higher under certain circumstances. Credit underwriting standards will be more stringent for larger loans. An eligible applicant may use the program more than once.

Interest Rate: The interest rate must be less than the market rate of interest generally available to the borrower as determined by IFA. The interest rate may be fixed or variable. The payment schedule for the loan will be tailored to the applicant's collateral and cash flow. The maximum term for a SGPAI Loan is fifteen years.

Uses of Funds: Loan funds may be used for the construction, purchase, and/or remodeling of facilities, and also the purchase of equipment, livestock and perennial crops. Refinancing is only allowed in conjunction with loans for purchases or construction to improve collateral, lien position, and/or financial structure as needed. Capital purchases made or construction projects completed not more than six months prior to IFA loan approval are eligible. Also, the applicant must certify that all of his/her debts are current at the time of closing the SGPAI loan.

Environmental Survey: The applicant must complete the Environmental Survey regarding the site of the new business. All Illinois livestock operations must meet regulations established by the Livestock Management Facilities Act. IFA may request additional information regarding site preparation, building plans, and manure disposal. IFA may require a manure easement on a sufficient amount of acreage to ensure proper manure disposal.

Other Entities: This program is available only to Illinois entities. In the case of entities other than sole proprietorships (e.g. corporations, partnerships, cooperatives, etc.), the owners of such entity must be Illinois residents.

FEES

Applicant Fees: A nonrefundable application fee of \$300 must be paid to IFA at the time of application. For guarantees approved by the IFA's Board of Directors prior to July 1, 2007, at the time of closing of the loan, the applicant shall pay a fee of 0.75% of the principal amount of the loan less the \$300 application fee. IFA shall receive 0.50% and the lender shall receive 0.25%. For guarantees approved by the IFA's Board of Directors on or after July 1, 2007, at the time of



closing of the loan, the applicant shall pay a fee of 1.0% of the principal amount of the loan less the \$300 application fee. IFA shall receive 0.75% and the lender shall receive 0.25%. The minimum fee is \$300. The closing fee may be included in the SGPAI Loan amount.

The applicant is liable for normal and customary attorney's fees, title work, lien searches, credit reports, filing fees, appraisal fees, and other costs of the loan.

Lender Fees: The lender may charge no additional fees or points in addition to the fee received at closing. The lender agrees to pay to IFA an annual administrative fee equal to: (a) for State Guarantees approved by the IFA's Board of Directors prior to July 1, 2007, one fourth of one percent (1/4%) of the outstanding principal balance of the SGPAI Loan calculated on the anniversary date, or (b) for State Guarantees approved by the IFA's Board of Directors on or after July 1, 2007, one half of one percent (1/2%) of the outstanding principal balance of the SGPAI Loan calculated on the anniversary date. This fee is payable on each anniversary date of the loan. This fee may not be passed on to the borrower. If the lender subsequently sells all or a portion of a State Guarantee pursuant to the IFA's Agriculture Secondary Market Program, the lender agrees to pay the IFA those fees charged, from time to time, by the IFA for participation in the program.

LOAN PROCEDURES

All SGPAI Loan applications will be reviewed by IFA staff, and then presented to the Board of Directors for its review and action. The Board of Directors usually meets monthly and posts notices of its meetings as required under the Illinois Open Meetings Act. Currently, the Board meets on the second Tuesday of each month. If IFA has approved the application, the lender will be contacted regarding closing instructions. SGPAI Loans may not be assumed; however, SGPAI Loans may be transferred between lending institutions with the consent of all parties or pursuant to the IFA's Agriculture Secondary Market Program. Also, collateral may be substituted with the consent of all parties.

RIGHT TO AUDIT

The SGPAI Loan shall be reviewed annually by the lender and IFA for adequacy of collateral and performance by the applicant. The applicant is required to provide the lender with a current balance sheet annually. If it is determined that there is not sufficient collateral to adequately secure the SGPAI loan, additional collateral may be required. If the applicant is unwilling or unable to pledge additional collateral, the SGPAI Loan may be called due and payable. If a SGPAI Loan is going to be called for whatever reason other than default, written notice must be served to all parties (IFA and applicant) not less than 90 days prior to the anniversary date.

COLLECTION COSTS

The lender agrees to assume all responsibility and costs for collecting any SGPAI Loan that is delinquent or in default. Collection efforts, including dispositions of collateral, are subject to IFA approval. The lender shall have fourteen months from the date that a loan is declared in default to dispose of the collateral on the SGPAI Loan and reimburse the State of Illinois for any payments made from the fund. If the lender does not dispose of the collateral within the fourteen month period, the lender shall be liable to pay the State of Illinois interest on the SGPAI Loan guarantee at the same rate which the SGPAI Loan would be accruing at that time if it were still in force. The lender shall pay this interest until the collateral has been liquidated and the State reimbursed. IFA may extend the fourteen month period for a lender in the case of bankruptcy or other extenuating circumstances.

STATE CAP IN ILLINOIS

Loan losses are paid from the Illinois Farmer and Agribusiness Loan Guarantee Fund. IFA will have the final approval on the sale of all collateral for the SGPAI Loan. The lender agrees to absorb at least the first 15% of principal and interest.

Proceeds from collateral sales after the date of default shall be applied as follows:

- (1) State recovers the guaranteed portion of principal of the loan (i.e., up to 85%);
- (2) Lender recovers the unguaranteed portion of principal of the loan (i.e., at least 15%);
- (3) State and lender share additional funds on a guaranteed portion/unguaranteed portion basis (i.e., 85%/15%) until all interest (excluding any default rate of interest) is recovered; and
- (4) Lender recovers legal expenses and costs of sale.

The lender understands and agrees that it bears the risk of loss on at least the first 15% of principal and interest.

Questions: If you have any questions regarding the application process, financial records, appraisals, or other terms and conditions, please call the IFA Ag Team at the Mt. Vernon office at 618.244.2424.

About IFA: Illinois Finance Authority is an independent, self-funded state agency offering a variety of loan programs mutually beneficial to farmers and lenders. Contact us for more information on the Beginning Farmer Bond Program, Beginning Farmer Contract Bond Program, Debt Restructuring Loan Guarantee Program, Young Farmer Guarantee Program, Specialized Livestock Guarantee Program, Agri-Industries Loan Guarantee Program, and/or the Value-Added Stock Purchase Loan Guarantee Program.

Serving Illinois Agriculture One Family at a Time Since 1982