

**MINUTES OF THE JULY 6TH, 2010 MEETING OF THE AGRICULTURE
COMMITTEE OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE
AUTHORITY**

The Board of Directors (the "Board") of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held an Agricultural Committee Teleconference Meeting at 9:30 a.m. on Tuesday, July 6th, 2010 at the Chicago Office of the Illinois Finance Authority, 180 North Stetson, Suite 2555, Chicago, IL 60601.

Board Members

<u>Participating:</u>	<u>Staff Participants:</u>	<u>Others Participating:</u>
Michael W. Goetz	Christopher B. Meister, Executive Director Eric Reed, Downstate Regional Manager Ahad Syed, Administrative Assistant	None

I. Call to Order

Director Meister, Executive Director of the IFA, called the meeting to order at 9:30 a.m. with the above committee members and staff present via teleconference. Director Meister noted that a quorum was not established and therefore the findings of the committee would be sent to the Board of Directors for approval.

At 9:34 p.m. Mr. Zeller joined the meeting. With this arrival the threshold needed for quorum was met. Director Meister called the meeting to order at 9:35 a.m. He noted that the meeting's conclusions would not need to be informally forwarded to the Committee of the Whole meeting.

Board Members

<u>Participating:</u>	<u>Staff Participants:</u>	<u>Others Participating:</u>
Michael W. Goetz Bradley Zeller	Christopher B. Meister, Executive Director Eric Reed, Downstate Regional Manager Ahad Syed, Administrative Assistant	None

II. Project Approvals – Beginning Farm Bonds – One-Time Final Resolutions

Mr. Eric Reed presented the Beginning Farmer Bonds (BFB) to the Committee. Mr. Reed was pleased to announce that the eight BFBs set a record for the month of July. When the above projects close the volume cap utilized will be nearly \$1.2 million.

- a. **Richard L. & Linda M. Will - \$206,712 – 71.3 acres**
Request for final approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed \$206,712 for the purchase of approximately 71.3 acres of farmland. This project is located in unincorporated Cumberland County in Montrose, IL.
- b. **Mark Mellendorf - \$25,000 – 20 acres**
Request for final approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed \$25,000 for the purchase of approximately 20 acres of farmland and buildings. This project is located in Clay County near Louisville, IL.
- c. **Eric J. Smithenry - \$135,000 – 20 acres**
Request for final approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed \$135,000 for the purchase of approximately 20 acres of farmland and buildings. This project is located in Jasper County near Newton, IL.
- d. **Craig A. & Cara M. Huber - \$288,000 – 80 acres**
Request for final approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed \$288,000 for the purchase of approximately 80 acres of farmland. This project is located in Carroll County near Lanark, IL.
- e. **Sean E. & Cheryl A. Stinnett - \$224,000 – 52.84 acres**
Request for final approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed \$224,000 for the purchase of approximately 52.84 acres of farmland. This project is located in Macoupin County near Bunker Hill, IL.
- f. **Daniel Steven Tolley - \$106,990 – 82.3 acres**
Request for final approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed \$106,000 for the purchase of approximately 82.3 acres of farmland. This project is located in Knox County near Galesburg, IL.
- g. **Lawrence and Loretta Alt - \$100,000 – 26.67 acres**
Request for final approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed \$100,000 for the purchase of approximately 26.67 acres of farmland. This project is located in Vermilion County near Rankin, IL.
- h. **Lawrence and Loretta Alt - \$102,667 – 26.67 acres**
Request for final approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed \$100,000 for the purchase of approximately 26.67 acres of farmland. This project is located in Vermilion County near Hoopstown, IL.

A motion to recommend approval was given by Mr. Goetz, seconded by Mr. Zeller and unanimously recommended for approval by the Committee.

III. Project Approvals—Agri-Debt Guarantee

a. Kenneth and Carla Nelson—Agri Debt Guarantee - \$410,000.00

Final approval for an Agri-Debt Guarantee for Kenneth and Carla Nelson. The Guarantee will provide 85% loan guarantee in favor of Wenona State Bank to refinance the Borrower's debts.

A motion to recommend approval was given by Mr. Goetz, seconded by Mr. Zeller and unanimously recommended for approval by the Committee.

V. Other Business

Director Meister noted that the Minutes that Beverly Holloway-Womack, former Secretary to the Board, had wrote were not circulated to the Committee, and accordingly consideration for the June Agriculture Committee meeting Minutes would be deferred to August.

Director Meister stated that the IFA has been asked to look for press opportunities. Mr. Meister believes that last year's bill increasing the per project BFB limit combined with the geographic distribution of the past fiscal year BFB projects could attract new farmers as part of a press/marketing strategy.

Director Meister also mentioned that some farmers have been reluctant to have their name and bond information posted on news releases. In order to alleviate this problem Director Meister suggested that press releases only mention bonds sold in counties and regions over the past twelve months. In this manner, the BFB Bond could be marketed while keeping the borrower's business interests a top priority. Mr. Goetz and Mr. Zeller agreed.

Mr. Reed advised the Agriculture Committee that a hog loan from Montgomery County was two months late and the borrower had filed Chapter 12 bankruptcy. He explained that the staff would take appropriate action and advise the full Board. Director Meister asked for the exposure to the IFA's funds. Mr. Reed explained that the current exposure was \$412,000 to the State of Illinois.

Mr. Goetz asked if there was any other business to come before the Committee. There being none, Mr. Leonard requested a motion to adjourn. The Committee Members agreed.

VI. Adjournment

Upon a motion by Mr. Reed and seconded by Mr. Goetz, the meeting adjourned at approximately 10:15 a.m.

Respectfully Submitted,
Ahad Syed, Administrative Assistant

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Eric Reed (lk)
Date: August 10, 2010
Re: Overview Memo for Beginning Farmer Bonds

- **Borrower/Project Name:** Beginning Farmer Bonds
- **Locations:** Throughout Illinois
- **Board Action Requested:** Final Bond Resolution for the attached projects
- **Amount:** Up to \$470,100 maximum of new money for each project*
- **Project Type:** Beginning Farmer Revenue Bonds
- **Total Requested:** \$207,500
- **Calendar Year Summary:** (as of August 10, 2010)
 - Volume Cap: \$25,000,000
 - Volume Cap Committed: \$7,037,035
 - Volume Remaining: \$17,962,965
 - Average Acreage Farm Size: 78
 - Number of Farms Financed: 39
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:**
 - convey tax-exempt status
 - will use dedicated 2010 IFA Volume Cap set-aside for Beginning Farmer transactions
- **IFA Fees:**
 - One-time closing fee will total 1.50% of the bond amount for each project
- **Structure/Ratings:**
 - Bonds to be purchased directly as a nonrated investment held until maturity by the Borrower's Bank
 - The Borrower's Bank will be secured by the Borrower's assets, as on a commercial loan
 - Interest rates, terms, and collateral are negotiated between the Borrower and the Participating Bank, just as with any commercial loan
 - Workouts are negotiated directly between each Borrower and Bank, just as on any secured commercial loan
- **Bond Counsel:** Burke, Burns & Pinelli, Ltd
Stephen F. Welcome, Esq.
Three First National Plaza, Suite 4300
Chicago, IL 60602

* Increase from prior cap of \$250,000 due to SB260/ Public Act 96-0531, effective date August 14, 2009.

A.

Project Number:	A-FB-TE-CD-8385
Funding Manager:	Eric Reed
Borrower(s):	Gittleson, Brock
Borrower Benefit:	First Time Land Buyer
Town:	Amboy, IL
IFA Bond Amount:	\$207,500
Use of Funds:	Farmland – 50 acres
Purchase Price:	\$415,000 / (\$8,300 per ac)
%Borrower Equity	5%
%USDA Farm Service Agency	45% (<i>Subordinate Financing</i>)
%IFA	50%
County/Region:	Lee / Northwest
Lender/Bond Purchaser	First State Bank / Craig Ayers
Legislative Districts:	Congressional: 14 th , Bill Foster
	State Senate: 45 th , Tim Bivins
	State House: 90 th , Jerry Mitchell

Principal shall be paid annually in installments determined pursuant to a Thirty year amortization schedule, with the first principal payment date to begin one year from the date of closing. Accrued interest on the unpaid balance hereof shall be paid annually, with the first interest payment date to begin one year from the date of closing with the thirtieth and final payment of all outstanding balances due thirty years from the date of closing.

***Brock Gittleson:** Note shall bear simple interest at the expressed rate. The expressed rate shall be 4.46% fixed for the first seven years and adjust every seven years thereafter to 2% above Wall Street Journal published Prime Rate times 85%. IFA Fee: \$3,112.50

Illinois Finance Authority

Memorandum

To: IFA Board of Directors

Date: August 10, 2010

From: Eric Reed, Regional Manager

Re: Request for approval allowing release of 1,000 shares of Castle Bank stock currently held as collateral on an IFA Guaranteed loan for Dean and Cynthia Lundeen.

Loan # 1998-GP-1088 (*Agri-Debt Guarantee*)

Original Amount: \$280,000.00

Current Balance: \$19,911.94

Citizens First National Bank ("Bank") in Somonauk and **Dean and Cynthia Lundeen ("Borrowers")** have requested concurrence of approval to release 1,000 shares of Castle Bank stock currently held as collateral on the above loan. The value of the stock is estimated by the Bank to be \$5,000.

The Bank states that the loan is current and that the balance has been reduced significantly since inception.

Citizens First National Bank submitted a copy of the borrower's FYE 2009 financial statement and 2010 projected cash flow statement, which are summarized below.

The Bank has already approved the Borrower's request, however because the IFA has an existing guarantee in place, the Bank is requesting IFA's concurrence. The Bank states in their request for release of the stock that the subject loan is also secured by a first real estate mortgage on 54.19 acres of farmland, which adequately secures the remaining loan balance.

Based on the loan balance and very strong loan to value ratio, staff concurs and recommends approval.

CONFIDENTIAL
CONFIDENTIAL INFORMATION

FINANCIAL SUMMARY

Collateral summary: (Post release of 1,000 shares of Castle Bank stock)

Collateral Description	Market Value	Advance Rate	Adjusted Value
Mortgage on 54.19 acres	\$312,000	.80	\$249,600
Total Collateral <i>(Appraised 8/5/1998)</i>	\$312,000		\$249,600
Total Loans Outstanding	\$19,912		
Loan to Value	.06		.08
Excess/Shortfall	\$292,088		\$229,688

*It should be noted that the Bank lists the value of the subject farm land to currently be \$460,600. **Based on this amount, the LTV would be .04:1.**

Personal Financial Statement for Dean and Cynthia Lundeen: 12/31/09

Current Assets	\$513,770	Current Liabilities	\$479,364
Intermediate Assets	\$550,067	I.T Liabilities	\$0
L.T. Assets	<u>\$2,346,135</u>	L.T. Liabilities	<u>\$533,659</u>
Total Assets	<u>\$3,409,972</u>	Total Liabilities	<u>\$1,013,023</u>
		Net Worth	<u>\$2,396,949</u>
		Total Asset & Liab.	<u>\$3,409,972</u>

Ratios:

Owner Equity	70%
Working Capital	\$34,406
Debt/Worth	0.42:1
Projected Net Income	\$135,309
Projected DSC Ratio	2.67

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Ahad Syed, Administrative Assistant

Others Participating:

None

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Respectfully Submitted,
Ahad Syed, Administrative Assistant

The Committee
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