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June 3, 2011

PUBLIC NOTICE OF AGRICULTURE COMMITTEE MEETING

The Illinois Finance Authority's (the "IFA") Agriculture Committee will hold its regularly scheduled meeting on **Tuesday, June 7, 2011 at 9:30 a.m.**

This meeting will be held via teleconference originating from IFA's Chicago Offices at 180 N. Stetson Avenue, Suite 2555, Chicago, Illinois 60601. The call-in information is as follows: Phone Number (877) 336-1828; Access Code 1197319#. Please contact Ahad Syed, Administrative Asst./Asst. Board Secretary at (312) 651-1327 or check www.il-fa.com for more information.

ILLINOIS FINANCE AUTHORITY AGRICULTURE COMMITTEE MEETING Tuesday, June 7, 2011 9:30 a.m. via Teleconference

AGENDA

- I. Call to Order
- II. Review and approval of the May 3, 2011, Agriculture Committee Meeting Minutes
- III. Project Discussions
 - A. Beginning Farmer Bonds (Conduit One-Time Final Resolution):
 - i. Nathan W. Billups – \$167,000 – 38 acres
 - ii. Daren A. Bohnenstiehl – \$168,100 – 38.5 acres
 - iii. Joshua A. Bohnenstiehl – \$168,100 – 38.5 acres
 - iv. Jennifer Neff – \$476,449 – An undivided 32.6% interest in 150 acres
 - v. Quinn P. & Kristen N. Bennett – \$252,350 – 75.76 acres
 - B. Agri-Debt Guarantee (State Loan Guarantee; One-Time Final Resolution):
 - i. Gerald A. Brechon – \$500,000 – Agri-Debt Restructuring Guarantee
- IV. Other Business
- V. Adjournment

All meetings will be accessible to handicapped individuals in compliance with Executive Order #5 (1979) as well as pertinent State and Federal laws upon notification of anticipated attendance. Handicapped persons planning to attend and needing special accommodations should contact, either by telephone or letter, Ahad Syed, Illinois Finance Authority, Two Prudential Plaza, 180 North Stetson Avenue, Suite 2555, Chicago, Illinois 60601 or at (312) 651-1327, TTY (800) 526-0844/Voice (800) 526-0857.

**MINUTES OF THE MAY 3, 2011, 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, May 3, 2011, at the Chicago Office of the Illinois Finance Authority, 180 North Stetson, Suite 2555, Chicago, IL 60601.

<u>Board Members Participating:</u>	<u>Staff Participants:</u>	<u>Others Participating:</u>
Chairman Edward H. Leonard, Sr. Bradley A. Zeller	Christopher B. Meister, Executive Director Arthur S. Friedson, Chief Human Resources Officer Ahad F. Syed, Administrative Assistant	None
	<u>By Telephone:</u> Jim Senica, Sr. Funding Manager Lorrie Karcher, AG Program Coord./Office Mgr.	

I. Call to Order and Roll Call

Chairman Leonard called the Committee to order at 9:34 a.m. and asked Mr. Syed to call the roll. Mr. Syed called the roll with the above Members present. Chairman Leonard declared the quorum met.

II. Review and Approval of April 5, 2011, Agriculture Meeting Minutes

The Agriculture Committee reviewed the Minutes of the April 5, 2011, Agriculture Meeting. Chairman Leonard motioned to approve the Minutes and Mr. Zeller seconded the motion. The motion was followed by unanimous approval of the Committee.

III. Project Discussions

Agri-Debt Guarantees (State Loan Guarantee; One-Time Final Resolution)

Mr. Senica presented the following projects to the Committee for approval:

2. Aaron Bertolino – Agri-Debt Guarantee - \$352,000

Aaron Bertolino is requesting approval of an Agri-Debt Guarantee (Final One-Time Resolution) in an amount not-to-exceed \$352,000. The proposed loan of \$352,000 will refinance an existing real estate loan in the amount of \$201,617 and working capital in the amount of \$150,383.

3. Adam T. Bertolino – Agri-Debt Guarantee - \$380,000

Adam T. Bertolino is requesting approval of an Agri-Debt Guarantee (Final One-Time Resolution) in an amount not-to-exceed \$380,000. The proposed loan of \$380,000 will refinance an existing real estate loan in the amount of \$230,000 and working capital in the amount of \$150,000.

Mr. Zeller asked Mr. Senica and Director Meister specific questions regarding the borrowers and their reasons for choosing an Agri-Debt Guarantee.

Chairman Leonard asked for a motion to approve the above projects. Mr. Zeller motioned for approval of the above projects and Chairman Leonard seconded the motion. The Committee concurred that the above projects be recommended for Board approval.

Ms. Karcher presented the following projects to the Committee for approval:

Beginning Farmer Bonds (One-Time Final Resolution)

1A) Michael S. & Jennifer M. Rangel-Kelly - \$291,800 – 80 acres

Request for approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed \$291,800 for the purchase of approximately 80 acres of farmland. This project is located in unincorporated Bureau County, near Tampico, IL.

1B) Andrew J. & Jacqueline L. Colgan - \$125,000 – 40 acres

Request for approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed \$125,000 for the purchase of approximately 40 acres of farmland. This project is located in unincorporated Stark County, near Toulon, IL.

Chairman Leonard asked for a motion to approve the above projects. Mr. Zeller motioned for approval of the above projects and Chairman Leonard seconded the motion. The Committee concurred that the above projects be recommended for Board approval.

1C) Beginning Farmer Bond Amendment – John J. Traub

Bluestem National Bank and John J. Traub have requested that the IFA approve the amortization schedule as originally presented April 12, 2011 in Exhibit A from 25 year maturity to a 30 year maturity in order to meet the eligibility guidelines outlined by the subordinate financing with Farm Service Agency. This would extend Illinois Finance Authority's Bond by 5 years, thus reducing the annual payment to the borrower. Also requested for approval to revise the Exhibit B to reflect annual adjustments on the rate after the first three years per the original application in lieu of every three years as originally approved. The subject project is pending closing and has met all other requirements.

Chairman Leonard motioned to approve the above project and Mr. Zeller seconded the motion. The Committee concurred that the above project be recommended for Board approval.

IV. *Other Business*

Recruiting Update

Mr. Friedson gave a brief recruiting update to the Members of the Agriculture Committee. Mr. Friedson explained that he is communicating with Candidate "A" who may not leave his company until the end of the calendar year due to the fact that Candidate "A" desires to maintain a good relationship and status within the small agriculture lending community. Mr. Friedson stated that he believes that Candidate "A" is an ideal candidate for the Senior Agriculture Lender position at the IFA. Mr. Friedson stated that it would be most opportune for the IFA to have a Junior Agriculture Lender position filled after Candidate "A" is hired.

Director Meister expressed his agreement with Mr. Friedson's assessment of Candidate "A". Director Meister expressed his interest in first hiring Candidate "A" and then looking for a stronger candidate for the Junior Agriculture Lender position. The Board expressed their agreement with Director Meister and asked the Director and Mr. Friedson to continue to work diligently to collect resumes from potential candidates for both positions. Director Meister agreed and stated that he and Mr. Friedson will continue to collect resumes from across the State of Illinois for these positions and are pleased with Ms. Karcher's and Mr. Senica's work on Agri-Debt Guarantees, Beginning Farmer Bonds and Participation Loans.

V. Adjournment

Chairman Leonard asked if there was any other business before the Board. Hearing none Chairman Leonard asked for a motion to adjourn. Mr. Zeller motioned to adjourn the meeting and Chairman Leonard seconded the motion. The Committee concurred that the meeting be adjourned at 10:15 a.m.

Minutes submitted by:
Ahad Syed
Administrative Assistant

ILLINOIS FINANCE AUTHORITY
Memorandum

To: IFA Board of Directors
From: Jim Senica and Lorrie Karcher
Date: June 14, 2011
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 \$477,000 maximum of new money for each project
- **Project Type: Beginning Farmer Revenue Bonds**
- **Total Requested: \$1,231,999**
- **Calendar Year Summary:** (as of June 14, 2011)
 - Volume Cap: \$30,000,000
 - Volume Cap Committed: \$4,121,544
 - Volume Cap Remaining: 25,878,456
 - Average Farm Acreage: 58
 - Number of Farms Financed: 22
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:**
 - Convey tax-exempt status
 - Will use dedicated 2011 IFA Volume Cap set-aside for Beginning Farmer Bond 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 "Bank")
 - The 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 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

A.

Project Number:	A-FB-TE-CD-8470
Borrower(s):	Billups, Nathan W.
Borrower Benefit:	First Time Land Buyer
Town:	Magnolia, IL
IFA Bond Amount:	\$167,000
Use of Funds:	Farmland – 38 acres
Purchase Price:	\$167,000 / (\$4,395 per ac)
% Borrower Equity	0%
% Other Agency	0%
% IFA	100%
County/Region:	Putnam / Northwest
Lender/Bond Purchaser	Spring Valley City Bank / Greg Colmone
Legislative Districts:	Congressional: 18 th , Aaron Schock
	State Senate: 38 th , Sue Rezin
	State House: 76 th , Frank Mautino

Principal shall be paid annually in installments determined pursuant to a thirty-year (30 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. The note will have a thirty-year (30 year) amortization and maturity.

Nathan W. Billups: Note shall bear simple interest at the expressed rate. The expressed rate shall be 4.50% fixed for the first five years and adjust every five years thereafter to 1.25% over prime per the Wall Street Journal. Lender will charge .50% fee. IFA Fee: \$2,505

B.

Project Number:	A-FB-TE-CD-8471
Borrower(s):	Bohnenstiehl, Daren A.
Borrower Benefit:	First Time Land Buyer
Town:	Edwardsville, IL (residence)
IFA Bond Amount:	\$168,100
Use of Funds:	Farmland – 38.5 acres
Purchase Price:	\$336,181 / (\$8,732 per ac)
% Borrower Equity	5%
% USDA Farm Service Agency	45% (<i>Subordinate Financing</i>)
% IFA	50%
County/Region:	Madison / Southwestern
Lender/Bond Purchaser	Bradford National Bank / Bob Tompkins
Legislative Districts:	Congressional: 19 th , John Shimkus
	State Senate: 56 th , Bill Haine
	State House: 112 th , Dwight Kay

Principal shall be paid annually in installments determined pursuant to a thirty-year (30 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. The note will have a thirty-year (30 year) amortization and maturity.

Daren A. Bohnenstiehl: Note shall bear simple interest at the expressed rate. The expressed rate shall be 4.0% fixed for the first five years and adjust annually thereafter to 75% of the prime rate per the Wall Street Journal rounded up to the nearest ¼ of 1% with a floor of 4%. IFA Fee: \$2,522

C.

Project Number:	A-FB-TE-CD-8472
Borrower(s):	Bohnenstiehl, Joshua A.
Borrower Benefit:	First Time Land Buyer
Town:	St. Jacob, IL
IFA Bond Amount:	\$168,100
Use of Funds:	Farmland – 38.5 acres
Purchase Price:	\$336,181 / (\$8,732 per ac)
% Borrower Equity	5%
% USDA Farm Service Agency	45% (<i>Subordinate Financing</i>)
% IFA	50%
County/Region:	Madison / Southwestern
Lender/Bond Purchaser	Bradford National Bank / Bob Tompkins
Legislative Districts:	Congressional: 19 th , John Shimkus State Senate: 56 th , Bill Haine State House: 112 th , Dwight Kay

Principal shall be paid annually in installments determined pursuant to a thirty-year (30 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. The note will have a thirty-year (30 year) amortization and maturity.

Joshua A. Bohnenstiehl: Note shall bear simple interest at the expressed rate. The expressed rate shall be 4.0% fixed for the first five years and adjust annually thereafter to 75% of the prime rate per the Wall Street Journal rounded up to the nearest ¼ of 1% with a floor of 4%. IFA Fee: \$2,522

D.

Project Number:	A-FB-TE-CD-8473
Borrower(s):	Neff, Jennifer
Borrower Benefit:	First Time Land Buyer
Town:	Virden, IL
IFA Bond Amount:	\$476,449
Use of Funds:	Farmland – An undivided 32.6% interest in 150 acres (48.9ac)
Purchase Price:	\$476,449 / (\$9,743 per ac)
% Borrower Equity	0%
% Other Agency	0%
% IFA	100%
County/Region:	Macoupin / Central
Lender/Bond Purchaser	First National Bank of Raymond / Neil Jordan
Legislative Districts:	Congressional: 19 th , John Shimkus State Senate: 50 th , Larry Bomke State House: 100 th , Rich Brauer

Principal shall be paid annually in installments determined pursuant to a twenty-year (20 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 twentieth and final payment of all outstanding balances due twenty years from the date of closing. The note will have a twenty-year (20 year) amortization and maturity.

Jennifer Neff: Note shall bear simple interest at the expressed rate. The expressed rate shall be 3.65% fixed for the first five years and adjust every five years thereafter to 50 basis points over prime per the Wall Street Journal with a floor rate of 3.5% and a ceiling rate of 8.0%. IFA Fee \$7,147

E.

Project Number:	A-FB-TE-CD-8474
Borrower(s):	Bennett, Quinn P. & Kristen N.
Borrower Benefit:	First Time Land Buyer
Town:	Windsor, IL
IFA Bond Amount:	\$252,350
Use of Funds:	Farmland – 75.76 acres
Purchase Price:	\$504,698 / (\$6,662 per ac)
% Borrower Equity	5%
% USDA Farm Service Agency	45% (<i>Subordinate Financing</i>)
% IFA	50%
County/Region:	Shelby / Central
Lender/Bond Purchaser	First Mid-Illinois Bank & Trust / Mark Cox
Legislative Districts:	Congressional: 19 th , John Shimkus State Senate: 51 st , Kyle McCarter State House: 101 st , Adam Brown

Principal shall be paid annually in installments determined pursuant to a thirty-year (30 year) amortization schedule, with the first principal payment date to begin on June 30, 2012. Accrued interest on the unpaid balance hereof shall be paid annually, with the first interest payment date to begin on June 30, 2012 with the thirtieth and final payment of all outstanding balances due thirty years from the date of closing. The note will have a thirty-year (30 year) amortization and maturity.

Quinn P. & Kristen N. Bennett: Note shall bear simple interest at the expressed rate. The expressed rate shall be 4.5% fixed for the first ten years and adjust every ten years thereafter to 1.25% over the US Prime Rate as reported by the Wall Street Journal. IFA Fee \$3,785.25



NON-CONDUIT

June 14, 2011

\$500,000
 GERALD A. BRECHON
 AGRI-DEBT GUARANTEE

REQUEST Purpose: Provide 85% loan guarantee in favor of Forreston State Bank to refinance the Borrower's debts.
 Project Description: The proposed loan of \$500,000 along with owner equity of \$1,519,028.40 will refinance an existing working capital loan in the amount of \$2,019,028.40.
 Program Product Type: Agri-Debt Guarantee
State Treasurer's Funds at Risk: \$500,000
Conditions: Annual Profit/Loss statements and annual Balance Sheets provided to Lender and IFA.

BOARD ACTIONS Final Resolution-85% Loan Guarantee
 Voting Record: None prior

MATERIAL CHANGES N/A

JOB DATA	N/A	Current jobs	N/A	New jobs projected
	N/A	Retained jobs	N/A	Construction jobs projected

BORROWER DESCRIPTION

- Type of entity: Individual
- Location: Dixon, IL
- When established: 1951
- What does the entity do: Grain Farming
- What will new project facilitate: Refinancing Borrower's debts

Proposed Structure Originating Bank: Forreston State Bank ("Bank")
 Collateral: Second mortgage on grain elevator, farm buildings and 50 acres of farmland appraised at \$1,800,000 (*1st mortgage is \$811,236.36*).
 Collateral Position: 2nd
 Maturity: 20 years
 Interest Rate: Variable - adjustable every 5 years (See confidential Section)

Sources and Uses	IFA Guarantee:	\$500,000.00	Refinancing Debt	<u>\$2,019,028.40</u>
	Owner Equity	<u>1,519,028.40</u>		
	Total	\$2,019,028.40	Total	\$2,019,028.40

Recommendation Credit Review Committee recommends approval.

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
June 14, 2011**

Project: Gerald A. Brechon

STATISTICS

Project Number: A-AD-GT-8478	Amount: \$500,000
Type: Agri-Debt Guarantee	IFA Staff: <i>Jim Senica</i>
County/Region: Lee/Northwest	City: Dixon

BOARD ACTION

Final Resolution - 85% Loan Guarantee	Credit Review Committee recommends approval.
State Treasurer's Reserve Funds at risk: \$500,000	Extraordinary conditions: None

VOTING RECORD

None. This is the first time this project has been presented to the Board of Directors.

PURPOSE

Use of proceeds: Refinance the Borrower's existing debts.

IFA PROGRAM AND CONTRIBUTION

The Authority's Agriculture Guarantee Program guarantees up to 85% of a Bank's loans to Illinois farmers and agribusiness owners. The Agri-Debt Guarantee Program is available to assist farmers in refinancing and restructuring their debts. The guarantees are not transferable without the Authority's written consent. The Authority's agricultural guarantee obligations are backed by an IFA reserve capitalized for this program. These guarantees are also full faith and credit obligations of the State of Illinois. IFA's issuance of guarantees helps Borrowers obtain debt financing at reduced rates of interest and improved terms.

VOLUME CAP

N/A

JOBS

Current employment: N/A	Projected new jobs: N/A
Jobs retained: N/A	Construction jobs: N/A

ESTIMATED SOURCES AND USES OF FUNDS

Sources: IFA Guarantee:	\$500,000.00	Uses: Refinancing Debt	\$2,019,028.40
Equity	<u>1,519,028.40</u>		
Total	<u>\$2,019,028.40</u>		<u>\$2,019,028.40</u>

FINANCING SUMMARY/STRUCTURE

Security:	Second mortgage on grain elevator, farm buildings and 50 acres of farmland appraised at \$1,800,000 (<i>1st mortgage is \$811,236.36</i>).
Structure:	20 year term and amortization.
Interest Mode:	Variable - adjustable every 5 years
Credit Enhancement:	IFA 85% Guarantee
Personal Guarantees:	N/A
Maturity:	20 years

Estimated Closing Date: July 10, 2011

PROJECT/BUSINESS SUMMARY

Summary: Gerald Brechon began farming at the age of sixteen when his father passed away, attending high school during the day and farming at night. Gerald grew his initial farming operation of several hundred acres to 6,700 acres today. His son, Daniel, helps Gerald in the business and can operate all of the large equipment and the related computerized functions. Gerald's mother, Esther, also supports her son in delivering meals to fields, signing Farm Service documents, signing leases and most importantly in pledging her farm as collateral for bank loans.

The Brechon farming operation is divided into several entities:

Sauk Valley Farms (S V F) is an Illinois partnership that represents the crop production entity of the operation. The partnership is owned 25% by Gerald, 25% by Esther, 25% by Daniel and 25% by Brechon Farms LTD.

Brechon Farm Services, Inc. (B F S) is an Illinois C corporation that is now owned 100% by Gerald. (Brechon Farm Services, Inc. was originally established to be a grain dealer owned by Gerald and his five brothers and sisters). This entity owns the farm equipment used in the operation as well as securing and providing the seed, fertilizers and chemicals used in crop production.

Brechon Farms LTD (B F L) is an Illinois corporation owned 50% by Gerald and 50% by Esther that has limited assets and serves to maximize farm program benefits.

Project Rationale: The proposed loan will refinance an existing operating loan with an outstanding balance of \$2,019,028.40 as of March 28, 2011, held by Brechon Farm Services, Inc. and on which Gerald has signed as guarantor. Gerald will sell stored crops to pay off all but \$500,000 of the loan's balance assuming the remaining \$500,000 loan personally to provide him with a 20-year term permanent working capital loan. Refinancing the existing operating loan as a personal term loan will resolve a recurring working capital issue.

Timing: The proposed transaction is expected to close within 30 days of approval.

OWNERSHIP / ECONOMIC DISCLOSURE STATEMENT

Applicant: Gerald A. Brechon

Project Location: 1270 IL Route 26
Dixon, IL 61021

**Collateral
Ownership:** Gerald A. Brechon

PROFESSIONAL & FINANCIAL

Borrower's Counsel: N/A
Originating Bank: Forreton State Bank Forreton Ed Vock
Bank Counsel: N/A
IFA Counsel: N/A

LEGISLATIVE DISTRICTS

Congressional: 14th – Randy Hultgren

State Senate: 45th – Tim Bivens

State House: 90th – Jerry L. Mitchell

BACKGROUND INFORMATION

Gerald A. Brechon had been raised on the family farm and has been actively engaged in farming for 44 years. At the age of 16, Gerald's father unexpectedly passed away and Gerald immediately took over the family farm operations, attending high school by day and farming at night. Gerald has grown the operation from what amounted to a several hundred acre operation in 1967 to 6,700 acres being farmed today. When considering the Brechon farming operation on a global basis, the debt to asset ratio computed using the market value method and appraised values is 61.9%.

CONFIDENTIAL INFORMATION

Estimated Fee: \$3,450

INTEREST RATE: The proposed interest structure from Forreton State Bank is treasury constant maturity +2.5%, adjustable every 5 years.

Without the IFA guarantee, the Borrower's interest rate would be approximately 1.21% (121 basis points) higher. The value of the IFA guarantee to the Bank is to reduce the Bank's exposure to a single entity, Brechon Farm Services, Inc., and comply with their legal lending limits.

FINANCIALS

Financial statements have been provided by the borrower but have been reviewed and submitted to IFA by Forreton State Bank.

FINANCIAL DATA FOR:	12/31/08	12/31/09	12/31/10
Gerald A. Brechon	Year	Year	Year
Cash	\$7,175	\$7,463	\$63,566
Accounts Receivable	-0-	659	21,027
Notes Receivable – B F S	1,228,876	1,145,211	1,107,808
Other Current Assets	<u>2,964</u>	<u>1,751</u>	<u>1,751</u>
Total Current Assets	<u>\$1,239,015</u>	<u>\$1,155,084</u>	<u>\$1,194,152</u>
Fixed Assets	\$2,103,183	\$2,149,188	\$2,433,996
Interest in B F S	1,984,727	2,124,352	1,715,681
Interest in B F L	189,758	54,677	31,669
Interest in S V F	386,304	109,354	47,202
FMV of railroad equipment	<u>3,044</u>	<u>2,623</u>	<u>1,619</u>
Total Non-Current Assets	<u>4,667,016</u>	<u>4,440,194</u>	<u>4,230,167</u>
Total Assets	<u>\$5,906,031</u>	<u>\$5,595,278</u>	<u>\$5,424,319</u>
Total Current Liabilities	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$36,629</u>
Notes Payable	<u>\$620,451</u>	<u>\$596,737</u>	<u>\$596,737</u>
Total Long-Term Debt	<u>620,451</u>	<u>596,737</u>	<u>596,737</u>
Total Liabilities	<u>\$620,451</u>	<u>\$596,737</u>	<u>\$633,366</u>
Net Worth	<u>5,285,580</u>	<u>4,998,541</u>	<u>4,790,951</u>
Liabilities & Net Worth	<u>\$5,906,031</u>	<u>\$5,595,278</u>	<u>\$5,424,319</u>
Working Capital	<u>\$1,239,015</u>	<u>\$1,155,084</u>	<u>\$1,157,523</u>
Personal Debt-to-Asset Ratio	0.11	0.11	0.12
Personal Debt-to-Worth Ratio	0.12	0.12	0.12

<u>(Accrual Basis Accounting)</u>	<u>*2008</u>	<u>*2009</u>	<u>**2010</u>	<u>Average</u>
Debt Service Coverage for				
Gerald A. Brechon				
AGI before NOL				
Carryover	\$1,317,423	\$124,692	\$86,065	\$509,393
Interest	31,485	35,273	36,698	34,485
Depreciation	29,344	40,121	30,000	33,155
Less living expenses	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>
Income available to service debt	\$1,358,252	\$180,086	\$132,763	\$557,033
Debt payments per year	\$97,445	\$97,445	\$97,445	\$97,445
Debt Service Ratio	13.939	1.848	1.362	5.720
<u>Debt Payments:</u>				
1 st Farm Credit	\$58,506			
Proposed - \$500,000 for 20 years @4.54%	<u>38,939</u>			
Total	<u>\$97,445</u>			

* From tax return
 ** Tax return not available
 when project submitted to
 IFA; internally prepared
 numbers used

Presented below are historical profit and loss statements for the last three years as well as the projected operating data for 2011 of the entities which represent the primary source of income for Gerald Brechon.

<i>(Accrual Basis Accounting)</i>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>*Projected 2011</u>
Sauk Valley Farms				
Year-ending December 31				
Total Revenues	\$9,133,923	\$6,713,938	\$5,978,314	\$7,837,132
Less: Expenses	<u>8,427,585</u>	<u>7,741,677</u>	<u>6,194,931</u>	<u>5,923,994</u>
Net Operating Income	<u>\$706,338</u>	<u>(\$1,027,739)</u>	<u>(\$216,617)</u>	<u>\$1,913,138</u>

*Computation of projected total Sauk Valley Farms revenues and expenses:

Gerald Brechon has estimated the value of Sauk Valley Farms' 2011 crop based on 90% crop insurance coverage less any rent bonuses to be \$7,071,126. Additional income in the form of direct payments and custom farming bring the total revenue to \$7,869,509. Sauk Valley Farms had a \$4,884,590 grain inventory less outstanding FSA commodity loans of approximately \$2,000,000 for a net cash flow of \$2,884,590. Revenue declines in 2009 and 2010 were related to crop yields being approximately 30 bushels per acre less than in previous years.

<i>(Accrual Basis Accounting)</i>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>*Projected 2011</u>
Brechon Farm Services, Inc.				
Year-ending December 31				
Total Revenues	\$2,792,630	\$2,714,898	\$1,635,617	\$2,008,554
Less: Expenses	<u>2,831,338</u>	<u>2,554,747</u>	<u>1,847,478</u>	<u>1,527,348</u>
Net Operating Income	<u>(\$38,708)</u>	<u>\$160,151</u>	<u>(\$211,861)</u>	<u>\$481,206</u>

*Computation of projected total Brechon Farm Services, Inc. revenues and expenses:

Gerald Brechon has estimated the amount of equipment rentals, seed, fertilizer and chemicals required for the 2011 crop as well as additional income related to direct payments bringing the total estimated revenue for this entity of \$2,008,554. Gerald has estimated decreased 2011 expenses of \$1,527,348 relating to less fertilizer and chemicals being required for the 2011 crop year.

FINANCIAL COMMENTARY:

Review of the borrower's historical personal financial statements reflect cash being collected on the note receivable due from Brechon Farm Services as the note has decreased by \$121,068 over the two years between 2008 and 2010.

As the Borrower's current assets have decreased, fixed assets have increased, reflecting Gerald's investment in new technology and certain equipment owned personally. His net worth, however, has decreased by approximately 9% from 2008 to 2010 reflecting the relatively small losses Brechon Farm Services and Sauk Valley Farms have endured over the past 2 years which have decreased the value of his interests in these entities.

It is important to note that the losses Brechon Farm Services and Sauk Valley Farms have experienced the past two years were related to below average yields, high input prices, including variable rents that have lower minimums and very aggressive marketing that resulted in 100% of the corn crop being sold in the \$4.00 range. In 2011, inputs have decreased substantially including fertilizer, seed and minimum rents. Meanwhile, crop insurance for the first half of February, the determination month, was at a record high. Sauk Valley Farms has only pre-priced 50,000 bushels for 2011 and plans to rely on crop insurance guarantees that are currently running at approximately \$6.00 per bushel which should allow 2011 activity to be very favorable to this credit.

The bank states that the Borrower has regularly obtained crop insurance each year.

Gerald's sizeable 6,700 acre farming operation has created challenges in obtaining adequate lines of credit over the years. Forrester State Bank has set up several different lines of credit guaranteed by FSA that have allowed Gerald to meet his financing needs to ensure continued profitable production.

Collateral

The lender has proposed a collateral package which includes a second mortgage on a grain elevator, farm buildings and 50 acres of farmland appraised at \$1,800,000 (*1st mortgage is \$811,236.36*). The collateral was appraised by Donald E. Beswick, State Certified General Appraiser, as of April 9, 2010 with a value expiration date of September 30, 2011. Based on the appraised collateral value provided less the \$811,236.36 first mortgage against the real estate, the overall adjusted LTV is projected to be 50.57%.

Credit Reports

The lender has provided a copy of a recent credit report for the Borrower. The Borrower's credit report does not reflect any derogatory items and shows a credit score of 842.

Project Risks:

- Permanent working capital loan
- Potential poor crop yields.

Mitigating Factors:

- Adequate net worth
- Top producer, extremely intelligent and proactive
- Borrower maintains crop insurance on all his acres.