

AGRICULTURE & NATURAL RESOURCES BUDGET COMMITTEE

BEGINNING FARMER PROGRAM PRESENTATION

Rebecca Floyd, Executive Vice President/General Counsel

Kansas Development Finance Authority

February 5, 2013

The Kansas Beginning Farmer/Rancher Loan Program is a tax-exempt bond program (hereafter, the "Program") offered by Kansas Development Finance Authority ("K DFA") authorized pursuant to federal law as codified in §147 of the Internal Revenue Code. The K DFA enabling act also authorizes this private activity bond program pursuant to K.S.A. 74-8905(c).

The Program allows certain individuals, generally characterized as "Beginning Farmers" to acquire agricultural property, facilities, livestock, etc., at lower federally subsidized interest rates by enabling lenders, individuals, partnerships, corporations and other entities (the "Lender" or "Bond Purchasers") to receive state and federally tax-exempt interest with respect to a loan or contract sale made to a Beginning Farmer.

The ability to carry the interest as tax-exempt, induces the lender to make a below market rate loan to the Beginning Farmer (Lender must provide market rate info on application as well as the rate charged to the Beginning Farmer).

The basic program structure typically looks just like an ordinary bank loan as between a bank or other lender and the Beginning Farmer. The Lender (Bond Purchaser) and loan applicant (Beginning Farmer) work out the terms of the loan, the collateral, and the repayment provisions and source of revenue to be pledged to debt service the loan. The Lender is entirely responsible for making its own credit evaluation of the Beginning Farmer who is the sole obligor on the loan. There is no recourse on the loan to K DFA or the State of Kansas, the Lender bears full risk as they do for any similar business loan they originate.

Once the basic terms are agreed upon as between the Lender and Beginning Farmer, they submit a Beginning Farmer application to K DFA. K DFA and its bond counsel review the application for eligibility under federal tax law, identify any tax or other issues which need to be addressed, and should the application qualify, approve the application. At this point, all the parties work to finalize the loan and bond documentation (including consideration/passage of a Bond Resolution by the K DFA Board). At closing, K DFA issues a tax-exempt bond which the Lender/Bond Purchaser purchases and the proceeds are then loaned to the Beginning Farmer. The program also utilizes a portion of the State's allocation of Private Activity Bond cap as administered by the Department of Commerce. Over the last five years, K DFA has received a low of \$2,563,345 in 2010 to a high of \$4,479,104 in volume cap in 2008. The program averages _____

House Agriculture & Natural
Resources Committee

Date 2-05-2013

Attachment # 1

Basic Qualifications for the Program include the following:

- The applicant may not have previously owned any substantial amount of farmland (defined to mean a parcel that is smaller than 30% of the median size of a farm in the county where the parcel is located).
- Program may be used to purchase agricultural land, agricultural improvements, livestock, and depreciable agricultural property (new and used).
- Loan limits are set by federal law and adjusted annually. The 2013 loan limit is \$501,100.
- There is no minimum loan amount.
- The Beginning Farmer must affirm he/she plans to provide the substantial majority of management of the agricultural project.
- The Beginning Farmer must be an individual at least 18 years of age. Loans to corporations, partnerships, LLC's, etc. are not eligible under the Federal Tax Code.
- Pre-existing debt may not be refinanced under the Program.
- A purchase from close relatives (parents, grandparents, siblings) is allowed so long as the purchase price is fair market value (demonstrated through lender certifications and an independent third party appraisal).
- Less than 5% of the loan amount may be used towards the purchase of a dwelling on the project.
- The Beginning Farmer must demonstrate he/she has the requisite qualifications to undertake the proposed agricultural project.

Beginning Farmer Loans 2008 - 2012

	Last Year	3 Years	5 Years
Number of Loans	22	67	127
Total Issued	\$3,607,221	\$9,993,939	\$18,323,825
Median Loan Amt.	\$163,965	\$149,163	\$144,282
# of Counties	13	23	36
Different Banks	11	20	32

Kansas Development Finance Authority: A Statewide Multipurpose Conduit Finance Authority

Kansas Development Finance Authority ("K DFA") was created by the 1987 Kansas legislature as a public body politic and corporate, with corporate succession, to be an independent instrumentality of the State of Kansas. K DFA was created as an independent instrumentality, to clearly establish a separate entity from the State of Kansas for purposes of debt issuance in order that the debt may clearly be characterized as debt of the Authority, and not direct debt of the State of Kansas. The Authority's independent public corporate status also serves to contain liability exposure related to its debt issuance and post-issuance administration practices to K DFA, and not the State of Kansas. K DFA is entirely fee funded, receives no State appropriation, and is not a part of the State budget.

K DFA is governed by a Board of Directors consisting of five public members appointed by the Governor subject to confirmation by the Senate. The Governor also appoints a President who serves at the pleasure of the Governor. Not less than three members of the Board of Directors must be representative of the general public, and not more than three members may be members of the same political party. Board members serve 4 year terms and may be reappointed.

K DFA is the State's only statewide, multi-purpose finance authority, created for the primary purpose of providing the State, and other public and private entities, access to the capital markets to finance capital projects and public programs. K DFA issues debt on behalf of state agencies, only pursuant to specific authorizing legislation and at the further request of the Secretary of Administration and implicated agency. K DFA serves to centralize the function of debt issuance and management, and has streamlined access to long-term capital financing for State agencies, political subdivisions, public and private organizations and businesses. K DFA is authorized and empowered to acquire, mortgage and dispose of real and personal property and to issue revenue bonds and various other debt instruments for the purpose of financing agricultural business enterprises, capital improvement facilities, transportation facilities, educational facilities, health care facilities, housing developments industrial enterprises and Kansas basic enterprises. K DFA primarily issues dedicated pledge of revenue bonds on behalf of various entities that borrow through K DFA then pledge revenues generated by the financed facility to debt service the bonds (e.g., bonds issued to finance a university parking garage, dormitory or student union, bonds issued to finance a health care or affordable housing facility, aircraft manufacturing project, etc.).

Public finance is an increasingly complex field requiring strict compliance with both State authorizing law and Federal laws and regulations that are specific to the tax-exempt and taxable municipal securities market. It is essential for active issuers to have full time public finance staff possessing a depth of knowledge regarding public finance issues and structures as well as a strong working understanding regarding the extensive federal tax and securities law requirements and post issuance compliance standards now applicable. Tax exempt bonds are issued into an extensive regulatory environment that governs the bonds through their lifetime. In recent years, both the IRS and SEC have significantly stepped up their tax-exempt bond audits and other compliance monitoring efforts, requiring that extensive post-issuance administration, processes and reporting protocols be in place. Tax-exempt debt issuance is, effectively, a subsidy by the federal government whereby in order to allow state and local

governments to finance infrastructure and other governmental purpose capital improvement projects at the lowest cost, the government forgoes the taxation of interest earnings on municipal bonds.

Structuring and administering efficient bond issues in compliance with these State and Federal law requirements is K DFA's full time mission. The IRS has examined twelve K DFA bond issues and each audit has concluded with the issuance of a "No Change" letter, meaning that the bonds have met the continuing tests for tax-exemption.

K DFA Responsibilities:

- K DFA meets and works with client State agencies, the Legislature, and other entities, frequently from the inception of a proposed capital improvement project, to assist in developing legislation as requested, identifying revenue repayment sources, identifying possible finance structures and options, and to run initial amortization schedules.
- K DFA utilizes Requests for Qualifications and Proposal processes to develop lists of and to engage qualified finance professionals, including investment bankers, bond counsel, disclosure counsel and financial advisors to work with K DFA and its client borrowers to identify and comply with all applicable laws, and to develop and market the optimal finance structures for proposed transactions.
- K DFA meets with its borrowers shortly after bond closing to review the Post-Issuance Compliance Checklist, and discuss the responsibilities of K DFA and the borrower to use the tax-exempt bond proceeds in accordance with the governmental purpose for the issue and to identify the various requirements and restrictions intrinsic to the use and management of tax-exempt bond proceeds and facilities financed with those proceeds, record retention responsibilities and processes, continuing disclosure information and annual reporting responsibilities.
- K DFA also has internal processes and procedures to ensure timely payment of debt service on the bonds, to monitor spend down of bond proceeds, to track interest earnings on proceeds for arbitrage purposes, to obtain annual financial information of its conduit borrowers, report material events and to manage other responsibilities associated with the post-issuance compliance administration of tax-exempt bonds.
- K DFA engages and works with leading public finance officials within and outside our region, including the public finance law firms of Gilmore & Bell, Kutak Rock and Bryan Cave, the public financial advisory firms of Public Financial Management, First Southwest and Columbia Capital Management, and many investment banking firms, including Citigroup, J.P. Morgan, Wachovia, Piper Jaffray, George K. Baum, Bank of America et al..

KDFA has developed a strong working understanding of the unique strengths and capabilities of the many various public finance service providers.

- KDFA works with the Governor, the Division of Budget, the Kansas Legislature and our public and private borrower clients to manage debt issuance and post-debt issuance processes. KDFA provides certain information regarding outstanding long term indebtedness it collects each year from other State agencies and entities to the Division of Budget for use in compiling the State's annual financial information.
- KDFA generates and distributes an annual debt information study as a resource and reference tool for policy makers.
- KDFA meets with representatives of the principal rating agencies (Moody's and Standard & Poor's "S&P") on a regular basis to apprise them of the details of specific finance transactions, as well to periodically discuss the State's general financial condition and economic trends. KDFA hosts rating agency representatives in person at least annually for a day of in depth discussion on the State's financial condition and proposed new finance transactions.

KDFA carries an "Issuer's Shadow Credit Rating" of "AA+" assigned by S&P and "Aa1" from Moody's. Historically, these ratings are the highest attainable for states which do not issue full faith and credit general obligation debt at the state level.

KDFA in conjunction with its client borrowers and other public finance professionals has developed many strong financing programs. The credits that KDFA or any conduit issuer sells into the market are rated on the underlying strength of the revenues pledged, and as such the value that KDFA provides is based on 1) the efficiency of using a single multi-purpose issuer for both the transaction and the post transaction administration of the obligation and 2) KDFA's developed expertise in structuring the strongest credit possible for the current market, while working within the financial desires of our client.

KDFA issues bonds for and oversees the financial administration of the only "AAA" rated statewide finance programs, the two KDHE state revolving loan fund programs.

State General Fund debt issued by KDFA is rated "AA", or one notch down from the shadow credit rating to reflect the subject to appropriation nature of the credit.

KDFA receives no State appropriation and is entirely fee funded. KDFA's Issuer Fee is a declining percentage of the ultimate transaction size. This fee covers the expense of KDFA's professional staff in managing and administering the post-issuance compliance administration process through the ultimate retirement of the bonds or other debt obligations. Fees also cover costs related to the numerous and expensive arbitrage rebate calculations necessary for each bond issue, professional fees associated with bond audits and examinations, and carrying out various legislative, executive and statutory directives. If

KDFA is involved in assisting a State Agency with a financing that ultimately does not result in the closing of a transaction, KDFA's work is free of charge. Services also typically include but are not limited to: helping to develop legislation when requested, authorizing the financing; providing legislative testimony regarding the authorizing legislation; the engagement and negotiation of fees for transaction professionals (bond counsel; disclosure counsel; underwriters; financial advisors; paying agents and/or trustees; investment brokers; rating agencies; insurance providers; investment providers; printers; auction agents; etc.); structuring options and estimated amortization schedules, and finally providing post-issuance compliance administration and support. KDFA is able to typically negotiate professional services at comparably competitive rates due to the consolidation of transactions through our competitive proposal process and on behalf of the State, the use of composite issuances through one multi-purpose issuer.

In conclusion, KDFA has worked over the last 27 years since its creation to become a strong, professionally staffed financial resource and economic development entity for the State of Kansas, as well as for other public and private entity borrowers.

BEGINNING FARMER LOAN PROGRAM

Loans By Lending Institutions

and Contract Sales

or Direct Loans by Investors Other than Lending Institutions

KDFA

KANSAS

DEVELOPMENT FINANCE

AUTHORITY

PROGRAM SUMMARY

TABLE OF CONTENTS

Section

- I PROGRAM POWERS AND ELIGIBLE ACTIVITIES
 - 1. Agricultural Land
 - 2. Agricultural Improvements
 - 3. Depreciable Agricultural Property
- II PROGRAM MAXIMUMS AND MINIMUMS
- III NATURE OF INVESTMENT RISK; LIMITED OBLIGATION BONDS
- IV APPLICANT ELIGIBILITY
 - 1. Age Limits
 - 2. First-Time Farmer
 - 3. Training and Experience
 - 4. Use of Project
- V INELIGIBLE PROGRAM ACTIVITIES
 - 1. Refinance Existing Debt
 - 2. Finance Working Capital
 - 3. Finance the Acquisition of Property
- VI APPLICATION AND PROCEDURES - DIRECT LOANS
 - 1. Application Forms
 - 2. Application Period
 - 3. Interim Financing
 - 4. Loans to Beginning Farmers and Security Arrangements
 - 5. Terms of Loan

6. Repayment of Loans
7. Assignment or Sale of Bonds
8. Fees
9. Use of Financial and Security Documents
10. Bond Purchasers
11. Procedures Following Bond Issuance
12. Timing Requirements for Spending Bond Proceeds
13. Assumption of Loans - Substitution of Collateral and Transfer of Property
14. Public Hearing and Governor's Approval of Bond Issuance
15. State Volume Cap Limitations
16. Modified Accelerated Cost Recovery System Limitations
17. Maximum Loan Maturity

VII APPLICATION AND PROCEDURES - SALES CONTRACTS

1. Application Form
2. Application Period
3. Sales Contracts and Security Arrangements
4. Terms of the Sales Contract
5. Payments Under the Sales Contract
6. Assignment or Sale of Bonds
7. Fees
8. Use of Financial and Security Documents
9. Bond Purchasers
10. Loan and Sales Contract
11. Assumption of Sales Contract - Substitution of Collateral and Transfer of Property
12. Public Hearing and Governor's Approval of Bond Issuance
13. Modified Accelerated Cost Recovery System Limitations

14. Maximum Terms of Sales Contract

VIII FEDERAL TAX EXEMPTION OF AUTHORITY BONDS

1. General Tax Exemption of Bonds

2. Federal Alternative Minimum Tax

3. Deduction for Interest Incurred to Carry Tax-Exempt Bonds

IX RIGHT TO AUDIT

X DEFINITIONS

- Agricultural Improvements

- Agricultural Land

- Beginning Farmer

- Bond Purchaser

- Depreciable Agricultural Property

- Farm

- Farming

- First-Time Farmer

- Indirect Ownership

- Related Person

- Substantial Farmland

CONCLUDING NOTE

PROGRAM SUMMARY

Loans by Lending Institutions

and Contract Sales

or Direct Loans by Investors Other than Lending Institutions

Contact Person(s):

Bonnie Gauntt

(785) 357-4445 telephone

Administrative Assistant

(785) 357-4478 facsimile

bgauntt@kdfa.org Email

THE PROGRAM SUMMARY IN BRIEF

The KDFA Beginning Farmer Loan Program ("Program"), is a tax-exempt bond program authorized pursuant to Section 147 of the Internal Revenue Code, and pursuant to K.S.A. 74-8901 et seq., designed to assist Beginning Farmers in the state of Kansas to acquire agricultural property at lower interest rates. The Program enables lending institutions, individuals, partnerships, corporations, and other entities (herein referred to as the "Bond Purchaser") to receive tax-exempt interest with respect to a direct loan or contract sale made to Beginning Farmers.

The Bond Purchaser, after arranging the loan or sales contract, will obtain from the Kansas Development Finance Authority (the "Authority") a state and federally tax-exempt Bond in the amount of the loan or the unpaid balance on the sales contract. In the case of a loan, the amount paid by the Bond Purchaser for the Bond will be lent to the Beginning Farmer by the Authority, and that loan and its collateral will be assigned to the Bond Purchaser as security for the Bond. In the case of a contract sale, the contract will be entered into by the Authority and the Bond Purchaser will receive the Bond to evidence the Authority's obligations under the contract. The Authority's right, title and interest in the contract will then be assigned to the Beginning Farmer who will assume the payment obligations of the Authority under the contract.

BASIC QUALIFICATIONS:

- May not have previously owned any substantial amount of farmland.
- Program may be used to purchase agricultural land, agricultural improvements, and depreciable agricultural property (new and used).
- The loan maximums under existing federal law are:

1-11

- --\$450,000 base cap, indexed annually for inflation for agricultural land, agricultural improvements and depreciable agricultural property
 - Of which no more than \$62,500 may be for used property.
- There is no minimum loan amount for the Program.
 - Beginning Farmer may not cash rent or custom hire a majority of the fieldwork or livestock management to be completed.
 - The Beginning Farmer must be an individual. Loans to corporations, partnerships, LLC's, etc. are not eligible under the Federal Tax Code.

The Bond Purchaser will make a credit evaluation of the Beginning Farmer, may require any collateral deemed necessary and, with the Beginning Farmer, must arrange the terms of the loan or contract. The Bond will be a limited obligation of the Authority, and will be solely secured by the loan or contract and ~~collateral provided by the Beginning Farmer. The Bond Purchaser will be responsible for the creation and~~ perfection of any security interest which the Bond Purchaser deems necessary for the loan or contract.

A loan made under the Program is funded solely from the Bond sold to the Bond Purchaser. The Authority has no independent funds with which to fund a loan. Therefore, a Beginning Farmer must submit an application with a Bond Purchaser who is able to purchase the Authority's Bond to fund the Beginning Farmer's loan. The Authority shall not be liable or responsible for the failure of a Bond Purchaser to purchase a Bond or otherwise perform the functions of a lender, nor shall the Authority be liable or responsible for the failure of a Beginning Farmer to locate an alternate Bond Purchaser in the event of a failure of performance by the Beginning Farmer's initial Bond Purchaser.

If a sales contract is to be used, the Beginning Farmer must submit an Application with the contract seller as the Bond Purchaser. The Authority shall not be liable for the failure of a Bond Purchaser to perform under the sales contract.

GENERAL

The Kansas Development Finance Authority (KDFA) was created by the 1987 Kansas Legislature to finance capital improvements and improve access to long-term capital financing for state agencies, political subdivisions, public and private non-profit organizations and businesses. KDFA is authorized, subject to certain restrictions, to issue revenue bonds and various other debt instruments for the purpose of financing agricultural business enterprises.

KDFA is governed by a five-member Board of Directors, consisting of five public members appointed by the Governor subject to confirmation by the State Senate. The Governor also appoints the KDFA President who serves at the pleasure of the Governor and who is an ex-officio, non-voting member of the Board. Not less than three members of the Board must be representative of the general public, and not more than three members may be members of the same political party. KDFA employs a permanent full-time staff to work with borrowers and finance teams to structure finance transactions and to oversee post-issuance compliance responsibilities. **DEFINITIONS** - The definitions used in the Program are important to Bond Purchasers and Beginning Farmers contemplating using the Program. Please refer to Sections I and X for the definition of the terms used in this Program Summary.

SECTION I

PROGRAM POWERS AND ELIGIBLE ACTIVITIES

The Authority may issue its bonds to assist Beginning Farmers in financing the acquisition of the following:

1. **Agricultural Land** -- The Authority can finance the purchase of land suitable for use in farming.
2. **Agricultural Improvements** -- The Authority can finance the construction or purchase of improvements located on Agricultural Land (which are suitable for use in farming). Examples: Confinement systems for swine, cattle, or poultry; barns and other out-buildings; grain storage facilities; silos; improvements to land such as drainage tile and other soil conservation improvements which could include, but not be limited to, terraces, farm ponds, erosion control structures, waterways, etc. Agricultural Improvements may be new or used and may include additions to or renovation of existing buildings or other structures.

NOTE: The ability to finance a personal residence with the Program is severely limited due to federal regulations governing the use of the Authority's bonds; therefore, except in certain circumstances (e.g., when the value of the residence is clearly less than 5% of the amount of the loan or the amount of the contract financed), it will be necessary to finance the personal residence separately.

3. **Depreciable Agricultural Property** -- The Authority can finance the purchase of personal property suitable for use in farming for which an income tax deduction for depreciation is allowed in computing federal income taxes. Examples: Livestock used for breeding or dairy purposes, farm machinery, trucks, etc. Feeder cattle (including steers), feeder pigs, or feeder lambs do not qualify as depreciable property. Bond proceeds may be used to finance new or used Depreciable Agricultural Property. "Used" livestock are female animals that have been used for breeding purposes. Open or bred heifers, gilts, or lambs would not be considered as "used" property under this definition (this class of animals would be considered "new" property). Male animals that have not yet been used for breeding purposes would be considered as "new" property.
4. **Purchases from Close Relatives** -- Purchase of land, improvements or equipment from parents, grandparents, and siblings is allowed so long as the purchase price paid by the Beginning Farmer is fair market value, the Bond Purchaser certifies that the purchase price paid was fair market value, an appraisal is supplied showing the fair market value and the close relative certifies to the Authority that the close relative will not have a financial interest in the Project after the closing. In addition, financing may not be by the use of a sales contract -- a loan from a third-party lender must be used.

SECTION II

PROGRAM MAXIMUMS AND MINIMUMS

Federal law sets maximum amounts that may be financed under the Program. The maximums are:

1. No more than a lifetime base aggregate amount per borrower of \$450,000 as indexed for inflation, for Agricultural Land, Agricultural Improvements and Depreciable Agricultural Property.
2. Of the possible \$450,000+, no more than \$62,500 can be for "used" property.

3. There is no minimum loan amount for the Program.

SECTION III

NATURE OF INVESTMENT RISK; LIMITED OBLIGATION BONDS

THE BOND PURCHASER MUST MAKE A CREDIT EVALUATION OF THE LOAN OR SALES CONTRACT, THE BEGINNING FARMER'S ABILITY TO REPAY PRINCIPAL AND INTEREST, AND THE SUFFICIENCY OF THE SECURITY FOR THE LOAN OR SALES CONTRACT. THE AUTHORITY WILL NOT MAKE AN INDEPENDENT EVALUATION OF THE BEGINNING FARMER'S ABILITY TO REPAY THE LOAN OR PAY THE CONTRACT. IN SETTING THE TERMS OF THE LOAN OR SALES CONTRACT, THE BEGINNING FARMER AND BOND PURCHASER ARE STRONGLY ENCOURAGED TO CONSULT THEIR LEGAL COUNSEL AND TAX CONSULTANTS.

The Bond Purchaser will be required to execute a letter with respect to the Bond Purchaser's understanding of the Authority's limited obligation on the Bond and the credit risks inherent in purchasing such a Bond.

The principal and interest on the Bond are limited obligations, payable solely out of the revenue derived from the debt obligation or sales contract, collateral, or other security furnished by or on behalf of the Beginning Farmer. A guarantor, letter of credit or alternative credit enhancement on the debt is permissible. A guarantor may be a Related Person. Generally, the Federal Government or any of its agencies cannot guarantee the debt. If a guarantee by an agency of the Federal Government is being considered, please contact the Authority. **The Bond, which is issued by the Authority and purchased by the Bond Purchaser, is a non-recourse obligation. The principal and interest on the Bond shall be a limited obligation only of the Authority, and in no event shall the bonds constitute an indebtedness of the State of Kansas or an indebtedness for which the faith and credit or taxing powers of the State of Kansas are pledged.** It should also be noted that any recording, filing or other fees or charges associated with the loan or sales contract will be paid by the Beginning Farmer or Bond Purchaser and not the Authority.

NOTE: In purchases of irrigated land, the Beginning Farmer has the responsibility to notify, in writing, the Division of Water Resources, Kansas State Department of Agriculture, and any applicable Groundwater Management District, of the transfer of land ownership.

SECTION IV

APPLICANT ELIGIBILITY

The basic eligibility requirements for the program are as follows:

1. **Age Limits** -- A Beginning Farmer must be at least age 18 unless he or she has a co-signer who is 18 years or older. There is no upper age limit.
2. **First-Time Farmer** -- All Beginning Farmers must be First-Time Farmers regardless of the purpose of the loan.

3. **Training and Experience** -- The Beginning Farmer must have documented, to the satisfaction of the Bond Purchaser and the Authority, sufficient education, training or experience in the type of farming operation for which the Bond is requested.
4. **Use of Project** -- The Agricultural Land, Agricultural Improvements, and Depreciable Agricultural Property shall only be used for farming by the individual, the individual's spouse, the individual's minor children, or any of them.

SECTION V

INELIGIBLE PROGRAM ACTIVITIES

The Internal Revenue Service has promulgated many rules and regulations governing the use and sale of tax-exempt bonds, some of which apply to the Authority's Program. The rules that will affect the Program most are those stating that **tax-exempt bond proceeds cannot be used to:**

1. **Refinance Existing Debt** that has been incurred by the Beginning Farmer prior to approval by the Authority of a Program application.
2. **Finance Working Capital** to purchase feed, seed, fertilizer, fuel, etc. (Feeder cattle, feeder pigs or feeder lambs would also fall into this category).
3. **Finance the Acquisition of Property** for individuals or partnerships other than for First-Time Farmers.
4. **Finance a Contract Sale between the Beginning Farmer and a Close Relative** -- Federal tax law does not allow tax-exempt bonds to be issued to a close relative. A third party lender must finance the purchase of land, improvements or equipment from a close relative in order to be eligible.

In addition, the Beginning Farmer shall not make any expenditures with respect to the acquisition or construction of any part of the Project prior to the date which is 60 days prior to the date on which the Authority approves the Program Application. To do so runs a risk that the IRS would deem the bond transaction a refinancing. **Tax-exempt bond proceeds may not be used for the purpose of refinancing.**

Notwithstanding the foregoing, the Authority's approval of an Application **does not** constitute final bond approval. The Authority reserves the right to cease bond processing at any time or to reduce the permitted bond amount if, prior to bond closing, it is discovered that the Beginning Farmer is refinancing an existing loan, or if, due to the application of or changes in federal or state law or regulations, it is determined that the Project is ineligible.

SECTION VI

APPLICATION AND PROCEDURES - DIRECT LOANS

(NOTE: Section VI applies to transactions involving a direct loan made by the Bond Purchaser to the Beginning Farmer. If the Beginning Farmer is purchasing the project on a sales contract from the Bond Purchaser, Section VI should be disregarded and Section VII should be followed.)

A Beginning Farmer and Bond Purchaser must prepare and submit a joint application to the Authority. The following should be noted:

1-15

1. **Application Forms** -- Application forms are available from the Authority. The Application should be completed by the Beginning Farmer and the Bond Purchaser and submitted directly to the Authority. Applicants are encouraged to contact the Authority staff if they have questions in completing the Application.

A letter must be submitted with the application to explain the Beginning Farmer's background with respect to his or her education and experience in the type of farming operation for which a loan is sought. The letter should also outline the Beginning Farmer's access to machinery, if the loan is for land; or his or her access to land, if the loan is for Agricultural Improvements or Depreciable Agricultural Property. The letter should also state where the Beginning Farmer will obtain operating capital and interim financing if necessary.

2. **Application Period** -- A completed Application will be reviewed and considered by the Authority within five business days of its receipt.

3. **Interim Financing** -- As noted in Section V, a Beginning Farmer must not make any expenditure with respect to the acquisition or construction of any part of the Project to be financed with the proceeds of the Bond prior to the date which is 60 days prior to the date the Authority approves the Application; if this were to occur, the bond transaction could be deemed a refinancing. However, once the Application has been approved, the Project may move forward with either construction or possession and, if necessary, the Bond Purchaser or another lender may interim finance the loan prior to bond issuance. The interim financing will be paid with the proceeds of the Bond when issued.

4. **Loans to Beginning Farmers and Security Arrangements** -- The Program involves the Bond Purchaser, Beginning Farmer, and the Authority. If the Bond Purchaser is making a loan to the Beginning Farmer, the financing is accomplished as follows: In simultaneous transactions the Bond Purchaser purchases the Bond from the Authority; the Authority makes the loan to the Beginning Farmer from the proceeds of the Bond sale; and the Authority assigns the promissory note it receives from the Beginning Farmer to the Bond Purchaser as security for the Bond.

- 1) Bond purchased by Bond Purchaser from the Authority;
- 2) Bond proceeds lent by Authority to Beginning Farmer;
- 3) Beginning Farmer gives promissory note to Authority;
- 4) Promissory note assigned to Bond Purchaser as security for the Bond;
- 5) Beginning Farmer makes loan payments to Bond Purchaser.

5. **Terms of Loan** -- The Beginning Farmer and Bond Purchaser must agree on terms of the loan: interest rate (fixed or variable), length of loan, prepayment or call options, service fees and repayment schedule.

6. **Repayment of Loans** -- Under the Authority's bond documents, the Beginning Farmer's payment obligations are subject to mandatory prepayment in the event the interest income on the Bond becomes includable in gross income for purposes of federal income taxation, in the event that the loan agreement entered into by the Beginning Farmer becomes void or enforceable, and to the extent any bond proceeds remain following completion of the acquisition or construction of the Project. In addition, the documents provide for optional prepayment from insurance or condemnation proceeds (at

1-16

the discretion of the Bond Purchaser) in the event of damage, destruction or condemnation of all or any part of the Project.

The documents also provide for prepayment at the option of the Beginning Farmer, the terms and conditions of which are to be agreed upon between the Beginning Farmer and the Bond Purchaser.

It should be noted that the bond documents may be prepared to provide for a prepayment at the option of the Bond Purchaser. The terms of this type of prepayment will need to be agreed upon by the Beginning Farmer and the Bond Purchaser. This prepayment option should be used where a Bond Purchaser may be willing to extend the initial term of a loan, but wants the ability to review the loan at various points in time and to end the loan if the Beginning Farmer's progress is unsatisfactory (this is known as a call option). Any payment or prepayment on the loan results in a corresponding payment or prepayment on the bond.

7. Assignment or Sale of Bonds -- The Authority does not place any restrictions on a Bond Purchaser's ability to participate out, assign or sell a bond issued under the Program. Generally, Bond Purchasers participating in the Program purchase the Bond for their own investment and do not anticipate assigning the Bond to another investor. It should be noted there are laws that prevent certain sales and participations or at least seriously restrict them. For example, the Kansas Securities Act may impose certain restrictions or requirements if the Bonds are sold to investors other than financial institutions. In addition, there are adverse tax consequences if the Bond is assigned, participated out or sold to a "Related Person" of the Beginning Farmer. Therefore, a Bond Purchaser should consult with legal counsel to determine if any of these laws or regulations will be violated before selling, assigning, or participating out a bond.

The bond documents allow a Bond Purchaser to assign a loan in whole or in part to any person. The Authority must be notified in writing prior to assignment of the loan.

8. Fees -- The Beginning Farmer or Bond Purchaser must pay to the Authority a non-refundable \$100 application fee (submitted with the Application). A bond closing fee equal to 1 1/2 % of the amount of the Bond, but not less than \$500, must be paid by the Beginning Farmer or Bond Purchaser at closing. The bond closing fee and other closing costs, up to 2% of the Bond amount, may be financed with bond proceeds.

The Authority's bond counsel will review each Bond for legality and tax exemption. Bond Counsel will submit a bill at closing and the Beginning Farmer will be required to pay the Bond Counsel directly as a portion of the bond closing fee.

9. Use of Financial and Security Documents -- The Bond Purchaser should use forms of financial statements and security documents which the Bond Purchaser believes are necessary and appropriate under the particular loan circumstances. These items should be referenced in the bond documents and their provisions incorporated therein. Any additional requirements not specifically provided for in the bond documents, such as insurance coverage and amounts, should also be added.

BOND PURCHASERS PLEASE NOTE: IT IS THE BOND PURCHASER'S RESPONSIBILITY TO INSURE THAT ANY SECURITY AGREEMENTS, MORTGAGES, GUARANTEES OR OTHER SECURITY DOCUMENTS, WHICH THE BOND PURCHASER REQUIRES IN A TRANSACTION, HAVE BEEN COMPLETED AND SIGNED, AND THAT ANY FINANCING STATEMENTS HAVE BEEN FILED, MORTGAGES RECORDED OR ANY OTHER NECESSARY STEPS TAKEN TO PROTECT THE BOND PURCHASER'S INTERESTS. THE AUTHORITY MAKES NO WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE EFFECTIVENESS, VALIDITY OR PRIORITY OF ANY LIENS OR SECURITY INTERESTS WHICH A BOND PURCHASER HAS WITH RESPECT

TO A PARTICULAR PROJECT AND IS NOT RESPONSIBLE FOR THE FILING OR RECORDING OF ANY SECURITY DOCUMENTS.

10. **Bond Purchasers** -- Any lending institution, individual, corporation, government or governmental subdivision or agency, business trust, estate, trust, partnership or association, or any other legal entity, may be a Bond Purchaser for contract sales and direct loans.

11. **Procedures Following Bond Issuance** -- Following disbursement of the bond proceeds, the Bond Purchaser and Beginning Farmer must certify to the Authority that all of the proceeds were used by a qualified Beginning Farmer for a qualified purpose.

12. **Timing Requirements for Spending Bond Proceeds** -- Federal tax law restrictions generally do not permit the investment of bond proceeds in securities, which bear a higher interest rate than the Bond.

Under the current rules, the period of time during which bond proceeds may be invested in an unrestricted yield has been effectively shortened to eighteen months. The "Gross Proceeds" of a tax-exempt Bond must be spent on the project being financed in accordance with the following schedule: (i) 15% within 6 months, (ii) 60% within 12 months, and (iii) 100% within 18 months. If the proceeds are not spent in accordance with such schedule, the parties to the bond issue will be subject to some very onerous federal reporting requirements and will be required to pay any profits earned on bond proceeds to the federal government.

It should be noted the "Gross Proceeds" of a Bond include more than the original principal proceeds. Also included are any amounts earned on the investment of bond proceeds: funds, securities or other obligations (such as a certificate of deposit), which are pledged as security for the payment of the Bond.

To avoid subjecting any of the Authority's bonds to these reporting and payment requirements, it is the policy of the Authority not to issue a Bond for a Project until the Authority can be assured that all bond proceeds will be expended on the Project in accordance with the foregoing schedule. In the closing documents, the Beginning Farmer and Bond Purchaser are required to certify that the use of the proceeds will comply with this policy.

13. **Assumption of Loans - Substitution of Collateral and Transfer of Property** -- Loans may not be assumed without the prior approval of the Authority, and then only if the purchaser of the property will qualify as a First-Time Farmer. Equipment and other depreciable property may be exchanged or traded in on similar property, and other property such as breeding livestock may be added or substituted as collateral at the discretion of the Bond Purchaser without the prior approval of the Authority. The benefits of the Authority Bond must remain with a qualified First-Time Farmer, and no person to whom property is traded or otherwise transferred may obtain the benefits of the Bond.

14. **Public Hearing and Governor's Approval of Bond Issuance** -- In compliance with state law, the Authority must notify the city or county in which the Project is located, no less than 30 days before the closing, that it intends to provide the financing. The local government may stop the financing by adopting a resolution or ordinance disapproving the Project within 15 days of the giving of the notice by the Authority. Federal law requires the Authority to hold a public hearing on the issuance of the Bond before the closing, public notice of which will be published at least 14 days in advance in a regional newspaper of general circulation in the city or county in which the Project is located. State law requires the Authority to publish notification of the issuance of bonds 14 days prior to any bond hearing in the official county newspaper where such bonds will be used

and in the *Kansas Register*. The Authority will hold hearings and approve all financing documents at their monthly board meeting. Once the Board has approved the documents, a bond closing can be scheduled.

Generally, these public hearings will be conducted by the Authority in conjunction with its monthly meeting. However, on some occasions authorized Authority staff may conduct the hearings. A hearing need not be held prior to an Application being approved, but it must be held before the bond documents are approved.

The Governor of Kansas, after receiving a report on the results of the public hearing, may then approve or disapprove the Bond. In addition to the hearing process described above, an allocation of the State's Volume Cap must be received from the Kansas Department of Commerce and Housing before the Bond may proceed to closing.

15. State Volume Cap Limitations -- The federal tax law establishes a limit on the total principal amount of tax-exempt Private Activity Bonds, which may be issued within any state during a calendar year (the "Volume Cap"). All Authority bonds issued for this program are subject to the limitation. The Kansas Legislature has established a procedure to allocate the Volume Cap among bond issuers. The procedure for the allocation is set forth in the Kansas Private Activity Bond Allocation Act. The Authority will process the necessary paperwork to receive an allocation from the state Volume Cap. If an allocation from the Volume Cap is not available for a particular Bond, the Bond Purchaser and the Beginning Farmer will be so advised.

16. Modified Accelerated Cost Recovery System Limitations -- Bond Purchasers and Beginning Farmers should be aware that federal law limits the application of the Modified Accelerated Cost Recovery System (MACRS) with respect to facilities financed with the Authority's bonds. If an item is financed with the proceeds of a Bond, the Beginning Farmer must use an alternate MACRS method where deductions are computed by applying the straight line method, the applicable averaging convention, and the applicable longer recovery period for such item (12 years for personal property with no class life, 40 years for real property, and the class life for all other property).

NOTE: Beginning Farmers should contact their tax consultant regarding the specific effect this change in the MACRS will have on their operations or Project.

17. Maximum Loan Maturity -- Federal law provides that the weighted average maturity of an Authority bond can be no more than 120% of the average reasonably expected economic life of the project being financed with proceeds of the Bond (except land).

SECTION VII

APPLICATION AND PROCEDURES - SALES CONTRACTS

(NOTE: Section VII applies to transactions involving a sales contract from the Bond Purchaser (the seller) to the Beginning Farmer (the buyer). This section should be disregarded if the Bond Purchaser is making a direct loan to the Beginning Farmer and Section VI should be followed.)

A Beginning Farmer and Bond Purchaser must prepare and submit an Application jointly to the Authority. The following should be noted:

1-19

1. **Application Forms** -- Application forms are available from the Authority. The Application should be completed by the Beginning Farmer and the Bond Purchaser and submitted to the Authority. Applicants are encouraged to contact the Authority staff if they have questions in completing the Application.

A letter must be submitted with the application to explain the Beginning Farmer's background with respect to his or her education and experience in the type of farming operation for which a Bond is sought. The letter should also outline the Beginning Farmer's access to machinery, if the sales contract is for agricultural land; or his or her access to land, if the sales contract is for Agricultural Improvements and Depreciable Agricultural Property. The letter should also state where the Beginning Farmer will obtain operating capital and interim financing if necessary.

2. **Application Period** -- There is no formal or defined application period because the Program is ongoing. A completed Application will be reviewed and considered by the Authority within five business days of its receipt.
3. **Sales Contracts and Security Arrangements** -- The Program involves the Bond Purchaser, Beginning Farmer, and the Authority. After an Application has been submitted and approved, the Bond Purchaser and the Authority will enter into a sales contract and the Bond Purchaser will receive a Bond to evidence the Authority's obligations under the contract. The Authority's right, title, and interest in the contract will then be assigned to the Beginning Farmer, who will assume the payments and other obligations of the Authority under the contract.
4. **Terms of the Sales Contract** -- The Beginning Farmer and Bond Purchaser will negotiate the terms of the sales contract. They must agree on terms such as purchase price, interest rate (fixed or adjustable), payment schedule, down payment, prepayment rights and obligations, security, insurance coverage, payment of taxes, defaults and remedies on default.

It must be clearly stated in the sales contract as to the portion of the payments constituting principal and the portion constituting interest.

In addition to other terms the Beginning Farmer and Bond Purchaser may include in the sales contract, **THE FOLLOWING TERMS MUST BE INCLUDED:**

- (1) This contract will be assigned by the Contract Buyer (the Authority) to (the Beginning Farmer(s)) and may not be reassigned by Beginning Farmer(s) without the written consent of Seller(s) and the Authority, which consent, if given, shall not operate as a waiver of the requirement of written consent on any subsequent assignment. Any attempt by Beginning Farmer(s) to reassign this contract without written consent shall entitle Seller(s) to declare all amounts due hereunder immediately due and payable.
- (2) To evidence its payment obligations under this contract, the Authority will issue its tax-exempt Bond (the "Bond") in an amount equal to the unpaid balance of the purchase price contained herein and bearing interest at the rate of per annum (the "Tax Exempt Rate") with payment terms identical to those contained herein. Beginning Farmer(s) have expressly warranted to Seller(s) that the interest payments received pursuant to the terms contained herein will come to the Seller(s) in the form that will make it not includable in gross income for federal income tax purposes. Seller(s) are relying on the representations made by the Beginning Farmer(s) in this regard and in the event the interest payments are determined to be includable in gross income for federal income tax purposes, then all interest payments will be computed on the basis of interest at the rate of per annum (the "Taxable Rate") and Beginning Farmer(s) shall be responsible to make payment to the Seller(s) for the difference between interest paid at the Tax Exempt Rate and the amount calculated on the basis of interest at the Taxable Rate. This provision shall not apply in the event a Related Person (as defined by the Internal Revenue Code) to the Beginning Farmer (s) holds the Bond.

NOTE: The above provision may be modified if an adjustable interest rate is used.

(3) The Seller(s) acknowledges that this contract will be assigned by the Authority by separate instrument, the Guarantee, Assignment and Assumption Agreement (the "Guarantee") to the Beginning Farmer(s) who will assume the rights, duties, obligations and liabilities of the Authority hereunder and guarantee the payment of principal and interest on the Bond. Seller(s) approves such assignment and assumption and acknowledges that the principal of, premium, if any, and interest on the Bond, the installment payments under this contract and other amounts due and owing to the Seller(s) as holder of the Bond and seller under this contract are special limited obligations of the Authority and, in no event, shall the Bond or this contract constitute an indebtedness of the State of Kansas or indebtedness for which the faith and credit or taxing powers of the State of Kansas are pledged.

5. **Payments Under the Sales Contract** -- The Beginning Farmer's payment obligations and rights and obligations to prepay principal and interest under the sales contract shall be determined by the Beginning Farmer and Bond Purchaser and included in the sales contract.

6. **Assignment or Sale of Bonds** -- The Authority does not place any restrictions on a Bond Purchaser's ability to participate out, assign or sell a bond issued under the Program. Generally, the Bond Purchaser participating in the Program purchases the Bond for the Bond Purchaser's own investment and does not anticipate assigning the Bond to another investor. It should be noted there are laws that prevent certain sales and participations, or at least seriously restrict them. For example, the Kansas Securities Act may impose certain restrictions or requirements if the Bonds are sold to investors other than financial institutions. In addition, there are adverse tax consequences if the Bond is assigned, participated out, or sold to a "Related Person" of the Beginning Farmer. Therefore, a Bond Purchaser should consult with legal counsel to determine if any of these laws or regulations will be violated before selling, assigning or participating out a Bond.

The bond documents allow a Bond Purchaser to assign a loan in whole or in part to any person. The Authority must be notified in writing prior to assignment of the loan.

7. **Fees** -- The Beginning Farmer or Bond Purchaser must pay to the Authority a non-refundable \$100 application fee (submitted with the Application). A bond closing fee equal to 1 1/2% of the amount of the Bond, but not less than \$500, must be paid to the Authority by the Beginning Farmer or Bond Purchaser at closing. The bond closing fee and other closing costs, up to 2% of the Bond amount, may be included in the purchase price reflected in the sales contract.

The Authority's bond counsel will review each Bond for legality and tax exemption. Bond Counsel will submit a bill at closing and the Beginning Farmer will be required to pay the bond counsel directly as a portion of the bond closing fee.

8. **Use of Financial and Security Documents** -- The Bond Purchaser should use forms of financial statements and security documents that the Bond Purchaser feels are necessary and appropriate under the particular sales contract circumstances.

BOND PURCHASERS PLEASE NOTE: IT IS THE BOND PURCHASER'S RESPONSIBILITY TO INSURE THAT ANY SECURITY AGREEMENTS, GUARANTEES OR OTHER SECURITY DOCUMENTS, WHICH THE BOND PURCHASER REQUIRES IN A TRANSACTION, HAVE BEEN COMPLETED AND SIGNED, AND THAT ANY FINANCING STATEMENTS HAVE BEEN FILED, DOCUMENTS RECORDED, TRANSFER OR OTHER TAXES PAID, OR ANY OTHER NECESSARY STEPS TAKEN TO PROTECT THE BOND PURCHASER'S INTERESTS. THE AUTHORITY MAKES NO WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE EFFECTIVENESS, VALIDITY OR PRIORITY OF ANY LIENS OR SECURITY INTERESTS WHICH A BOND

PURCHASER HAS WITH RESPECT TO A PARTICULAR PROJECT AND IS NOT RESPONSIBLE FOR THE FILING OR RECORDING OF ANY SECURITY DOCUMENTS.

The Authority also advises that any security documents or guarantees required to be delivered in connection with the sales contract clearly state that they are given as additional security for the indebtedness under the sales contract and to further secure the agreements, covenants and obligations of the Beginning Farmer contained in the sales contract. The security documents and any guarantees should run directly between the Beginning Farmer and the Bond Purchaser.

9. **Bond Purchasers** -- Any lending institution, individual, corporation, government or governmental subdivision or agency, business trust, estate, trust, partnership or association, or any other legal entity may be a Bond Purchaser for contract sales and direct loans.

10. **Loan and Sales Contract** -- In the event the Bond Purchaser will make a loan to the Beginning Farmer (e.g., for Depreciable Agricultural Property) as well as enter into a sales contract with the Beginning Farmer, both of which are to be financed with an Authority bond, it will be necessary for the transaction to comply with the requirements of Section VI and Section VII of this Program Summary.

11. **Assumption of Sales Contract - Substitution of Collateral and Transfer of Property** - The sales contract may not be assumed without the prior approval of the Authority, and then only if the purchaser of the property will qualify as a First-Time Farmer. Equipment and other depreciable property may be exchanged or traded in on similar property, and other property such as breeding livestock may be added or substituted as collateral at the discretion of the Bond Purchaser without the prior approval of the Authority. The benefits of the sales contract must remain with a qualified First-Time Farmer, and no person to whom property is traded or otherwise transferred may obtain the benefits of the Bond.

12. **Public Hearing and Governor's Approval of Bond Issuance** -- In compliance with state law, the Authority must notify the city or county in which the Project is located, no less than 30 days before the closing, that it intends to provide the financing. The local government may stop the financing by adopting a resolution or ordinance disapproving the Project within 15 days of the giving of the notice by the Authority. Federal law requires the Authority to hold a public hearing on the issuance of the Bond before the closing, public notice of which will be published at least 14 days in advance in a newspaper of general circulation in the city or county in which the Project is located. State law requires the Authority to publish notification of the issuance of bonds 14 days prior to any bond hearing in the official county newspaper where such bonds will be used and in the *Kansas Register*. The Authority will hold hearings and approve all financing documents at their monthly board meeting. Once the Board has approved the documents, a bond closing can be scheduled.

13. **Modified Accelerated Cost Recovery System Limitations** -- Bond Purchasers and Beginning Farmers should be aware that federal law limits the application of the Modified Accelerated Cost Recovery System (MACRS) with respect to facilities financed with the Authority's bonds. Beginning Farmers should contact their tax consultant regarding the specific effect this change in the MACRS will have on their operations and Project. For a discussion of the MACRS limitations, see paragraph 16 in Section VI of this Program Summary.

14. **Maximum Terms of Sales Contract** -- Federal law provides that the weighted average maturity of an Authority bond can be no more than 120% of the average reasonably expected economic life of the Project being financed with the proceeds of the Bond. (There is no maximum for land.)

SECTION VIII

FEDERAL TAX EXEMPTION OF AUTHORITY BONDS

1. **General Tax Exemption of Bonds** -- Under federal tax law an Authority bond is classified as a Qualified Small Issue Bond. Therefore, if all the provisions of the state and federal law continue to be complied with by the Beginning Farmer and Bond Purchaser, the interest on an Authority bond will not be included in the Bond Purchaser's gross income for federal income tax purposes. In addition, interest on the Authority bond will be exempt in the State of Kansas from all state, county and municipal taxes, including income, inheritance and property taxes; except that such interest will be included in the calculation of "Net Income" for purposes of computing the Privilege Tax imposed by sections of K.S.A. 79-1107 and 79-1108.
2. **Federal Alternative Minimum Tax** -- Notwithstanding the preceding paragraph, interest on Authority bonds, which is otherwise tax-exempt, shall be directly includable in the calculation of a bondholder's "alternative minimum taxable income" under Section 57(a)(5) of the Internal Revenue Code of 1986. Pursuant to the American Recovery and Reinvestment Act of 2009, during 2009 and 2010, interest on private activity bonds, including Beginning Farmer bonds, is not taken into account in determining adjusted current earnings for the purpose of the computing the alternative minimum tax.
3. **Deduction for Interest Incurred to Carry Tax-Exempt Bonds** -- The Authority bonds are NOT "qualified tax-exempt obligations" within the meaning of Section 265(c)(3) of the Internal Revenue Code of 1986. Accordingly, financial institutions will not be allowed any deduction for that portion of the financial institutions interest expense which is allocated by law to the purchasing or carrying of the Authority's bond.

NOTE: The effects of the taxes and deductions discussed above will vary with each Bond Purchaser and, with a given Bond Purchaser, from year to year. Bond Purchasers should consult their tax consultants as to the specific effects of these provisions in their case.

SECTION IX

RIGHT TO AUDIT

The Authority shall have, at any time, the right to audit or monitor records of the Bond Purchaser and the Beginning Farmer relating to a bond to insure a qualified user used the bond proceeds for qualified purposes.

SECTION X

DEFINITIONS

"Agricultural Improvements" As defined in Section I, (2) of this Program Summary.

"Agricultural Land" As defined in Section I, (1) of this Program Summary.

"Beginning Farmer" An individual that engages in farming or ranching or wishes to engage in farming or ranching and qualifies as a first time farmer.

"Bond Purchaser" Any lending institution, individual, corporation, business trust, estate, trust, partnership or association, or any other legal entity, that is the purchaser of an Authority bond under the Program in connection with a contract sale or loan to a Beginning Farmer.

"Depreciable Agricultural Property" As defined in Section I, (3) of this Program Summary.

"Farm" A farming enterprise that is recognized in the community as a farm rather than a rural residence. The term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches and all lands used for farming, orchards, ranges, fish farms, nurseries, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities.

"Farming" The cultivation, operation or management of a farm.

"First-Time Farmer" An individual who has never had any direct or indirect ownership interest in substantial farmland in the operation of which he or she has materially participated. Ownership interest or material participation by an individual's spouse or minor child will be attributed to the individual, as well.

However, the federal tax law also provides that an individual's prior ownership interest in farmland will be disregarded if:

- a. Such farmland was disposed of while the individual was insolvent; and
- b. Section 108 of the Internal Revenue Code applied to the indebtedness with respect to such farmland; that is, the individual was not required to recognize any income for federal tax purposes from the cancellation of the indebtedness on the farmland.

"Indirect Ownership" If an individual holds a minimal interest in a family farm corporation, a limited partnership, a trust, or any other type of entity which in turn owns substantial farmland, and the individual materially participates in the operation of such farmland, then the individual will not qualify as a First-Time Farmer.

"Related Person" According to the IRS, includes grandfather, grandmother, father, mother, brother or sister (whether whole or half blood), child, grandchild, or spouse. It also includes certain corporations and partnerships.

"Substantial Farmland" is any parcel of land unless the parcel is smaller than 30 percent of the median size of a farm in the county where the parcel is located.

CONCLUDING NOTE: The Authority recognizes some of the provisions in this Program Summary may be confusing to the Beginning Farmer or Bond Purchaser. The Authority will provide whatever assistance it can in answering questions or completing documents. All information is available in other formats if necessary. Beginning Farmers and Bond Purchasers are encouraged to visit with the Authority staff early in the application process to make the entire transaction as simple as possible. The Authority's telephone number is (785) 357-4445.

After the Authority has approved the application, a set of documents (including a promissory note) will be sent for completion by the Beginning Farmer and Bond Purchaser. Following completion of these materials and upon receipt of those materials by the Authority, the bond documents will be prepared by the Authority staff for signatures of the Beginning Farmer and Bond Purchaser.

KANSAS DEVELOPMENT FINANCE AUTHORITY

555 S Kansas Avenue Suite 202
Topeka, Kansas 66603
Phone: (785) 357-4445 Fax: (785) 357-4478
www.kdfa.org

APPLICATION BEGINNING FARMER LOAN PROGRAM

Note: APPROVAL OF THIS APPLICATION DOES NOT CONSTITUTE FINAL APPROVAL. K DFA does have a present intention to issue its Bond to fund the Beginning Farmer's loan or sales contract. However, K DFA may refuse to complete processing of documents or reduce the permitted amount of the Bond, if, prior to closing, it is discovered that the Project, in whole or in part, is ineligible for tax-exempt financing or, if, due to changes in Federal or State law or regulations, the Project should become so ineligible. A \$100 non-refundable application fee must accompany this application. A closing fee equal to 1 1/2% of the principal amount of the Bond or a minimum of \$500 must be paid at closing to K DFA.

TO BE COMPLETED BY BEGINNING FARMER -- Print or type all information and complete all questions.

Name _____ Spouse _____

Address _____ City _____ Zip _____

Telephone (_____) _____ Age (For Statistical Purposes) _____

1. (a) Estimated purchase or construction price of the proposed Project: \$ _____
- (b) Amount of Project cost you intend to finance: \$ _____
- (I) Do you intend to finance the K DFA Bond Closing Fee with the Proceeds of the Bond? Yes _____ No _____
- (ii) If yes, please identify amount of other fees \$ _____
- (c) Amount of your down payment (if applicable): \$ _____
- (d) Identify other finance programs or loans you intend to use if applicable: _____

2. Description of anticipated use of proceeds ("Project") - (Example: 80 Acres of Grassland or Tractor) - Attach additional sheets if necessary.

<u>Item</u>	<u>Estimated Total Cost of Item</u>	<u>Amount to be Financed with Bond Proceeds</u>	<u>Actual Expected Useful Life</u>	<u>New</u>	<u>Used</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

3. Location of Project:

(a) Give section number(s) and township NAME(s) and county NAME(s) for land, buildings, or other immovable property; for machinery, breeding stock or other movable property give the same information with respect to the headquarters of the Beginning Farmer's farm operation: (Example- Section 26, Anywhere Township, Any County, KS)

(b) Location by road from nearest town: (Example - 4 miles north of Anytown, KS on State Highway 75) Roads must be identified, unless they are unmarked gravel roads, then state as such.

(c) If the project consists of the construction or acquisition of buildings, structures or other immovable property (including remodeling of or additions to existing structures), will the Beginning Farmer (including spouse or minor children) be the sole owner of the land on which the project will be located? Yes _____ No _____. If no, please identify the owner(s) or co-owner(s) of the land, give the Social Security Number(s) or Federal Employer Identification Number(s) of the owner(s) or co-owner(s) and describe the length of any lease the Beginning Farmer has on such land (including any renewal options):

1-25

4. Dwelling -- Does any part of the project consist of a building which has been or could be occupied as a dwelling and which is intended to be occupied as a dwelling in the future? Yes _____ No _____. If yes, estimated value of the dwelling (including garage or similarly related structures): \$ _____.

(If yes, please attach an appraisal showing present fair market value of the dwelling and related structures and the present fair market value of the remaining buildings. If time does not permit an appraisal to be obtained before the Application is submitted, an appraisal should be submitted as soon as possible thereafter. The appraisal can be a short appraisal from a lender.)

NOTE: A DWELLING MAY LIMIT THE ELIGIBILITY OF THE PROJECT FOR FINANCING. Consult the K DFA before making an offer to buy a project containing a dwelling.

5. Seller of Project (if known): _____
Seller's Address: _____
City _____ State _____ Zip _____
Relationship to Beginning Farmer (if any): _____.

6. Have you, your spouse, or minor children ever directly or indirectly owned any land?
Yes _____ No _____.

NOTE: The following are examples of indirect land ownership:

- a) ownership of a beneficial interest in a trust which in turn holds land.
- b) ownership of shares in a family farm corporation which owns land.
- c) a remainder interest in land which is subject to a life estate in another person.

IF YOUR ANSWER TO QUESTION 6 IS NO - SKIP TO QUESTION 12.

7. If your answer to Question 6 is yes, was the land (while you, your spouse or minor children owned it) part of a farm? Yes _____ No _____.

NOTE: The term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal and truck farms, plantations, ranches, nurseries, ranches, greenhouses and orchards or other similar structures used primarily for the raising of agricultural or horticultural commodities.

8. If your answers to Questions 6 and 7 are yes, please describe each parcel of land you, your spouse, or minor children presently or have previously owned by its county location, its size, the time period during which you owned it and its maximum fair market value while you owned it. (If the ownership is indirect, also describe the means of ownership and the total amount owned - Example, "I have a one-fourth beneficial interest in a trust; the trust holds a total of 200 acres"):

9. If your answer to Question 7 is yes, have you, your spouse, or minor children done any of the following:

- a) performed physical work on the land? Yes _____ No _____.
- b) participated in management decisions about operations on the land? Yes _____ No _____.
- c) provided regular advice and consultation on the business operations on the land? Yes _____ No _____.
- d) regularly inspected production activities on the land? Yes _____ No _____.
- e) directly or indirectly advanced funds or paid a substantial portion of the operating expenses for operations on the land? Yes _____ No _____.
- f) lived on the land? Yes _____ No _____.

If your answer to any of Question 9(a-f) is yes, please describe the degree of your involvement in each activity, the frequency of your involvement and the length of time over which your involvement occurred (use additional sheets if necessary):

10. If your answer to Question 7 is yes, have you, your spouse or minor children disposed of any of the parcels of land described in Question 8?
Yes _____ No _____. If yes, identify the parcel(s) and the approximate date of disposal:

11. If your answer to Question 10 is yes, did you, your spouse or minor children recognize income, for federal income tax purposes, as the result of cancellation of indebtedness with respect to any of the parcels disposed of? Yes _____ No _____. If yes, identify the parcel(s) with respect to which income was recognized:

12. Will you provide substantially all of the management and labor in operation of the project? Yes _____ No _____.
If no, explain who will be providing substantially all of the management and labor and what your role and responsibilities with respect to the farm will be:

Answer Questions 13 and 14 if your proposed Project involves acquisition of breeding stock.

13. Have any of the female animals to be acquired ever given birth? Yes _____ No _____.
14. Have any of the male animals to be acquired ever been put to use for breeding purposes? Yes _____ No _____.

Answer Question 15 if your proposed Project involves the acquisition of property other than land or livestock (such as machinery, equipment, buildings or other structures).

1-26

15. Have you, your spouse or minor children ever previously received tax-exempt financing of any kind with respect to "used" property other than land?
Yes _____ No _____.

If yes, describe each "used" item, including the dollar amount of each item's purchase price which was financed with tax-exempt financing (attach additional sheets if necessary):

Note: "Used" property is subject to limitations as to eligibility for financing not to exceed \$62,500. Consult KDFA before committing yourself to buying "used" property.

16. Will any portion of the Project be used in connection with a farm partnership, farm corporation, or other formal or informal joint farming venture?
Yes _____ No _____. If yes, explain: _____

TO BE COMPLETED BY BEGINNING FARMER TOGETHER WITH EITHER THE LENDER, CONTRACT SELLER OR OTHER INVESTOR, WHICHEVER IS APPLICABLE

1. Application fee (\$100) submitted herewith: Yes _____ No _____ (Check, money order or cashier's check payable to "Kansas Development Finance Authority").

2. Lender/Bank _____ Name _____ &
Address: _____

2. Proposed loan or contract terms:

a. Interest Rate: Fixed _____% Variable _____%

If variable rate, the formula used will be: (Example--80% of New York prime, such prime rate as of this date is _____% adjusted annually):

To justify use of the tax-exempt bond, the KDFA Board of Directors will require that the interest rate, negotiated between the borrower and the private lender, must be significantly lower than would otherwise be available on a similar loan absent this program. If at a variable rate, the rate should be tied to a published base rate (such as N.Y. Prime, a specific Treasury obligation rate, or other rate that can readily be determined by consulting the Wall Street Journal, or other nationally recognized financial journal which publishes rate information online). The variable rate can be either a specified percentage of the base rate, or a specified amount less than the base rate. The variable rate may be capped on the downside only if it is also capped on the upside.

NOTE: Lenders, Contract Sellers or Other Investors should review Section VIII of the Program Summary and consult with their tax advisors when appropriate before determining the interest rate.

b. Total Term: _____ years.

c. Repayment:

(i) Frequency (choose one): monthly _____, quarterly _____, semi-annually _____, annually _____,
other (specify) _____;

(ii) Amount (choose one): \$ _____ (principal) plus _____ (interest),
\$ _____ (principal and interest),

(iii) Balloon: Yes _____ No _____ amount of balloon \$ _____;
(Please contact KDFA if a balloon on loan is proposed)

(iv) Call options as follows: _____

d. Lender's Base Agricultural Real Estate Rate? _____%

e. Would a loan or contract for this project and borrower have been made if there hadn't been an opportunity to lower the interest rate? Yes _____
No _____. If the answer to 2d is yes, what interest rate would you have used? _____%

CERTIFICATIONS OF BEGINNING FARMER

In submitting this Application, I, the undersigned Beginning Farmer, have read the following statements and hereby certify and agree that:

1. The Project will be located within the State of Kansas. True _____ False _____.
2. I have sufficient education, training or experience in the type of farming for which this Bond is requested. True _____ False _____. (Attach a background letter describing the education, training or experience of you and your spouse as it relates to farming.)
3. The Project (if Agricultural Land or Agricultural Improvements) shall be used only for farming by myself, my spouse and/or minor children and we will perform the labor and provide the management needed to use the Project for farming. True _____ False _____.

1-27
Revised 6/09

4. No other person or entity (other than my spouse and/or minor children) will be a principal user of any part of the Project under any formal or informal arrangement or agreement. True _____ False _____. If false, please identify the user and describe the part and amount of use of the Project:

Note: Occasional or casual use of part of the Project by a neighbor or relative will not make such person a principal user; however, a person who is leasing the land to the Beginning Farmer, or is a co-owner of such land, upon which any immovable portion of the Project is being constructed may be considered a principal user of the Project under Federal law.

5. Neither I, my spouse and/or minor children nor any Related Person, as defined below, has (1) previously received tax-exempt financing from KDFA or any other source for any kind of project or (2) been an owner or a principal user at any time of any other project or facility located in any state which has been financed with Bonds except for the following: (Write "None" or describe project and both the original and current principal balances of the tax-exempt Bonds outstanding with respect to the project. If a KDFA Bond, please list Project No.):

Note: "Related Person" as defined in Section 144(a)(3) of the Internal Revenue Code includes, among other persons: a father, mother, brother, sister, grandparent, grandchild, spouse or child, or a partnership or corporation in which the applicant or any of the foregoing relatives, individually or together, have more than a 50% interest.

6. If any other principal user of any part of the Project is named in Question 4 above or any lessor or co-owner of land upon which part of the Project will be constructed is named in Question 3 (c) of the first part of the Application, then to the best of my knowledge, neither such users, lessors, or co-owners nor any Related Persons to them, as defined above have been an owner or a principal user at any time of any other project or facility located in any state which has been financed with tax-exempt Bonds, except for the following (write "NONE" or describe project and both the original and current principal balances of the tax-exempt Bonds outstanding with respect to the Project):

Note: Federal tax law imposes a \$450,000, indexed for inflation, lifetime limit on the amount of tax-exempt financing for land and depreciable farm property which can benefit any one person or group of Related Persons, as defined above. Application of this limit is easily triggered. If you, your spouse, minor children, your landlord, co-owner of your land, or any one else who will be a user of your Project, or a Related Person (as defined above) to any of these persons has previously received tax-exempt financing of any kind, please describe it below or on a separate sheet and immediately notify KDFA:

7. None of the proceeds of the Bond shall be used for the refinancing or restructuring of any existing indebtedness in whole or in part, working capital, operating purposes or for inventory or supplies for the Beginning Farmer or any Related Person, as defined above. True _____ False _____.

8. I have or will have access to adequate working capital, farm equipment, machinery or livestock (if the Bond is to be used for the acquisition of Agricultural Land) and I have or will have access to adequate working capital or Agricultural Land (if the Bond is to be used for the acquisition of Depreciable Agricultural Property). True _____ False _____.

9. I agree that the Bond may not be assumed by another person without the prior approval of KDFA and then only if the purchaser of the property is an eligible applicant for a KDFA Bond. I presently plan to retain the property financed for the term of the Bond; however, I understand that equipment and other depreciable property may be exchanged or traded in on similar property, and other property such as breeding livestock may be added or substituted as collateral at the discretion of the Bond Purchaser without prior approval of KDFA. I also understand that the benefits of the Bond must be retained by myself, and no person to whom property is traded or otherwise transferred may obtain the benefits of the KDFA Bond. True _____ False _____.

10. Neither I, nor any Related Person (as described above), have commenced any acquisition or construction of any part of the Project to be financed with the proceeds of the Bond, and neither I, nor any Related Person, have entered into any contract or purchase agreement, installment or otherwise, in connection with the construction or acquisition of the Project or any part thereof, or commenced off-site fabrication or acquisition of any portion of the Project. True _____ False _____. If false, explain:

11. I understand and agree that an application fee shall be submitted with this application and that a Bond closing fee of 1 1/2% of the principal amount of the Bond shall be submitted to KDFA at the time of closing; such fees may be paid from Bond proceeds and will be used by KDFA to pay expenses associated with the administration of the Beginning Farmer Loan Program. True _____ False _____.

All of the information I have provided in the application is true and complete.

_____ Date

_____ Signature of Beginning Farmer

_____ Signature of Beginning Farmer's Spouse

1-28

CERTIFICATIONS OF BOND PURCHASER
(To be completed by Lender, Contract Seller or Other Investor)

The undersigned Bond Purchaser has read the following statements and hereby certifies that:

1. All of the proceeds of the Bond will be used for the acquisition, construction, reconstruction, equipping and installation of land, or property of a character subject to the allowance for depreciation under Section 167 of the Internal Revenue Code or other authorized costs.
2. To the best of the Bond Purchaser's knowledge, each of the Certifications of the Beginning Farmer and all other information with respect to the Project or Beginning Farmer set forth in this Application is true and correct.
3. None of the proceeds of the Bond will be used to provide working capital or the financing of inventory, supplies or other operating expenses.
4. The Bond Purchaser requests KDFA to issue and sell its Bond to the Bond Purchaser for the purpose of financing the Project.
5. The Bond Purchaser has not on the date hereof, and shall not prior to the KDFA approving this application, financed or otherwise advanced moneys to the Beginning Farmer or any Related Person in connection with the Project which the Beginning Farmer expects to finance with proceeds of the Bond.

_____ Date

_____ Printed Name of Bond Purchaser

_____ Printed Name of Bond Purchaser Representative and Title if Applicable

_____ Signature of Bond Purchaser Representative

Street Address _____

City _____

State _____

Zip _____

Telephone (_____) _____

Facsimile (_____) _____

E-Mail _____

1-29

The Kansas Development Finance Authority

Beginning Farmer Loan Program

The aim of the Kansas Development Finance Authority (K DFA) Beginning Farmer Loan Program

...is to assist new and certain existing farmers and ranchers with financing their agricultural businesses and, as a result, start or keep them in farming. By making loans available at below market interest rates, K DFA is helping farmers who will become valuable assets for the State of Kansas. The program can be used for beginning farmers/ranchers in purchasing agricultural land, farm buildings, farm equipment and breeding livestock.

K DFA's Individual Agricultural Development Bond Program (Beginning Farmer Loan Program)

- K DFA is authorized to issue bonds on behalf of eligible beginning farmers or ranchers. Because the income, received by private lenders, from the bonds is tax-exempt, the beginning farmers can borrow through K DFA at below-market rates.
- The Tax Reform Act of 1986 has changed the eligibility requirements in the Individual Agricultural Development Bond Program. An individual must be a "First-time Farmer" to be eligible for assistance under the program.

A "First-time Farmer" is an individual who has never had a substantial ownership interest, either directly or indirectly, in farmland in the operation of which the individual has materially participated with the following exception.

Any parcel of land is "substantial farmland" unless the parcel is smaller than 30 percent of the median size of a farm in the county where the parcel is located. The 30 percent median farm size for the state runs from a low of 9 acres in Wyandotte County to a high of 315 acres in Rawlins County (see Median Farm Size Table which is updated periodically).

- First-time Farmers must be individuals. Loans to corporations, partnerships, LLC's or other entities are ineligible.
- K DFA issues a tax-exempt Private Activity Bond and lends the proceeds to the Beginning Farmer. The bond is sold to the farmer's bank, a contract seller or other investors, with the loan and its collateral pledged as security for the bond. Loan payments

are usually made directly to the bond purchaser. It should be noted that a third party may guarantee the repayment of the loan.

- Under the program, the farmer negotiates with the local lender, contract seller or other investor to arrange the loan, including interest rate, length of loan, repayment schedule, security and collateral needed. This program gives the lender an opportunity to lend money at an interest rate below the conventional interest rate due to the tax-exempt status of the bond that KDFA sells to the lender. KDFA does not guarantee these loans.
- KDFA cannot approve loans for refinancing existing debt or working capital.
- A beginning farmer must have adequate working capital and education or experience in the type of farming operation for which the loan is sought. Such information will usually be supplied to KDFA through a background letter submitted by the lender.
- Federal law limits the bond amount to an aggregate base amount of \$450,000, indexed annually for inflation per person for a lifetime use. Therefore, this is the maximum aggregate indexed bond amount that can be issued for any one applicant.
- Of the \$450,000 base limit, the entire amount may be used for Agricultural Land (includes pasture land), Agricultural Improvements and Depreciable Agricultural Property, and up to \$62,500 may be for used equipment or breeding stock.
- KDFA charges fees to the borrower for the Program. These include a \$100 non-refundable application fee that is submitted with the application and a 1 ½% loan closing fee.

Beginning Farm Loan Checklist

If you can answer "true" to all of the following questions, you may be able to obtain a loan at a "below market" interest rate to finance your farming projects.

- | | | | | |
|--------------------------|------|--------------------------|-------|--|
| <input type="checkbox"/> | true | <input type="checkbox"/> | false | I feel that with a "little extra help" with my financing, I could be successful in farming. |
| <input type="checkbox"/> | true | <input type="checkbox"/> | false | I want to purchase either agricultural land, agricultural improvements, depreciable agricultural property or a combination of these projects |
| <input type="checkbox"/> | true | <input type="checkbox"/> | false | I have never had a direct or indirect ownership interest in substantial farmland. |
| <input type="checkbox"/> | true | <input type="checkbox"/> | false | I need a loan of \$450,000 or less to purchase land or to purchase or construct buildings and improvements on land, or to purchase depreciable agricultural property. Not more than \$62,500 will be used to purchase <u>used</u> depreciable agricultural property. |
| <input type="checkbox"/> | true | <input type="checkbox"/> | false | I do not intend to refinance existing debt with money borrowed through this program. |

The Financing Process

The borrower seeking financing obtains an application form from his/her local lending institution, extension agent or from K DFA's office.

The borrower and lender complete the application and negotiate terms of the loan.

The application, background letter and application fee of the borrower is submitted to K DFA.

K DFA will consider the application for approval shortly after its receipt. If approved, K DFA will issue a letter of intent to issue its bond. **(PLEASE NOTE - THIS IS NOT A FINAL APPROVAL AND DOES NOT BIND K DFA TO THE ISSUANCE OF A BOND.)**

When the documentation and all terms of the bond issue are finalized, the borrower and lender may request that the K DFA Board consider adoption of a bond resolution authorizing the issuance of the bond. K DFA must conduct a public hearing on the proposed financing (public notice of the public hearing must be given at least 14 days before the hearing is conducted). K DFA may then consider adoption of a bond resolution. The public hearing and adoption of a bond resolution may, but do not have to occur at the same Board meeting.

After K DFA's adoption of the bond resolution, all parties may execute the relevant bond and loan documents and close the bond issue. K DFA will issue a tax-exempt bond which is purchased by an investor (usually a lending institution, a contract seller or other investor) with terms identical to the loan terms. The proceeds of the bond issue will then be used to fund the loan to the borrower.

About K DFA

The Kansas Development Finance Authority (K DFA) was created by the 1987 Kansas Legislature to finance capital improvements and improve access to long-term capital financing for state agencies, political subdivisions, public and private non-profit organizations and businesses. K DFA is authorized, subject to certain restrictions, to issue revenue bonds and various other debt instruments for the purpose of financing agricultural business enterprises.

K DFA is governed by a Board of Directors, consisting of five public members appointed by the Governor subject to confirmation by the State Senate. The Governor also appoints the K DFA President who serves at the pleasure of the Governor and who is an ex-officio, non-voting member of the Board. Not less than three members of the Board must be representative of the general public, and not more than three members may be members of the same political party. K DFA employs a permanent full-time staff.

FOR MORE INFORMATION

CONTACT YOUR LOCAL BANK, COUNTY EXTENSION OFFICE OR

BONNIE GAUNTT AT K DFA

785.357.4445 or bgauntt@kdfa.org

1-32

MEDIAN FARM SIZE TABLE

<u>COUNTY</u>	<u>MEDIAN FARM SIZE (ACRES)</u>	<u>30% OF MEDIAN FARM SIZE</u>	<u>COUNTY</u>	<u>MEDIAN FARM SIZE (ACRES)</u>	<u>30% OF MEDIAN FARM SIZE</u>
Allen	180	54	Linn	150	45
Anderson	171	52	Logan	920	276
Atchison	154	47	Lyon	138	42
Barber	444	134	Marion	238	72
Barton	300	90	Marshall	310	93
Bourbon	160	48	McPherson	240	72
Brown	200	60	Meade	627	189
Butler	94	29	Miami	73	22
Chase	318	96	Mitchell	410	123
Chautauqua	230	69	Montgomery	120	36
Cherokee	130	39	Morris	280	84
Cheyenne	480	144	Morton	546	164
Clark	480	144	Nemaha	240	72
Clay	260	78	Neosho	156	47
Cloud	391	118	Ness	546	164
Coffey	160	48	Norton	560	168
Comanche	580	174	Osage	120	36
Cowley	160	48	Osborne	500	150
Crawford	140	42	Ottawa	264	80
Decatur	800	240	Pawnee	394	119
Dickinson	188	57	Phillips	320	96
Doniphan	180	54	Pottawatomie	174	53
Douglas	74	23	Pratt	233	70
Edwards	386	116	Rawlins	1050	315
Elk	282	85	Reno	160	48
Ellis	300	90	Republic	315	95
Ellsworth	320	96	Rice	245	74
Finney	600	180	Riley	160	48
Ford	400	120	Rooks	504	152
Franklin	98	30	Rush	380	114
Geary	217	66	Russell	274	83
Gove	640	192	Saline	160	48
Graham	320	96	Scott	534	161
Grant	397	120	Sedgwick	95	29
Gray	440	132	Seward	336	101
Greeley	522	157	Shawnee	78	24
Greenwood	260	78	Sheridan	820	246
Hamilton	475	143	Sherman	480	144
Harper	347	105	Smith	400	120
Harvey	148	45	Stafford	320	96
Haskell	640	192	Stanton	528	159
Hodgeman	723	217	Stevens	320	96
Jackson	120	36	Sumner	178	54
Jefferson	110	33	Thomas	715	215
Jewell	445	134	Trego	455	137
Johnson	43	13	Wabaunsee	189	57
Kearny	495	149	Wallace	653	196
Kingman	240	72	Washington	310	93
Kiowa	380	114	Wichita	875	263
Labette	140	42	Wilson	210	63
Lane	640	192	Woodson	280	84
Leavenworth	78	24	Wyandotte	27	9
Lincoln	314	95			

Updated 06/09

FOR MORE INFORMATION
CONTACT YOUR LOCAL BANK, COUNTY EXTENSION OFFICE OR

BONNIE GAUNTT
KANSAS DEVELOPMENT FINANCE AUTHORITY
555 S KANSAS AVE SUITE 202
TOPEKA KS 66603
PHONE (785) 357-4445 FAX (785) 357-4478 E-MAIL: bgauntt@kdfa.org