

KANSAS DEVELOPMENT FINANCE AUTHORITY

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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. The K DFA Board of Directors may always elect not to approve a bond issue. 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) Does the project include the construction or acquisition of buildings, structures or other immovable property (including remodeling of or additions to existing structures)? Yes _____ No _____ If yes, please describe the buildings, structures or other property. 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):

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).

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, KDFA requires 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 must also specify a minimum & maximum rate.

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 had not 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 _____.
- 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 K DFA 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 K DFA 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 \$543,800, 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 anyone 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 K DFA:

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 K DFA and then only if the purchaser of the property is an eligible applicant for a K DFA 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 K DFA. 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 K DFA 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 K DFA at the time of closing; such fees may be paid from Bond proceeds and will be used by K DFA 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

(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.

_____ 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 _____