

South Dakota Value Added Finance Authority

711 East Wells Avenue

Pierre SD 57501

Phone: (605) 773-4633

For VAFA Use Only

Project No.: _____

\$100 Fee Rec'd: _____

BEGINNING FARMER BOND PROGRAM APPLICATION

(To be completed by the applicant - print or type all information)

Note: APPROVAL OF THIS APPLICATION DOES NOT CONSTITUTE FINAL Bond APPROVAL. If prior to closing, it is discovered that the Project, in whole or in part, is ineligible for tax-exempt financing, or if the Project should become ineligible, the VAFA may refuse to complete bond processing or reduce the bond amount. **A Bond issuance fee of 1.5 percent of the total bond amount will be due at closing.**

1. Type of application - PLEASE CHECK ONE: Bank Loan Contract Sale Individual Investor

2. Name of applicant _____ Spouse _____

Address _____ City/State/Zip _____

Phone: _____ Email: _____ Age (for statistical purposes) _____

3. Bond Purchaser (Bank, Contract Seller or Individual Investor) _____

Contact Person _____ Title _____

Address _____ City/State/Zip _____

Phone _____ Fax _____ Email _____

4. Purpose of Project (Check and describe how project proceeds are to be used)

Purchase land: Total Acres _____ Tillable Acres _____ CRP Acres _____

Estimated value of house (A dwelling and CRP acres may limit eligibility) \$ _____

Estimated value of out-buildings (Send appraisal if property has a dwelling or out-buildings) \$ _____
(Note: Appraisal must have values for each building separate)

Purchase machinery _____

Purchase Livestock (what and how many) _____

Buildings or other farm improvements of _____

Who owns property where improvements are to be made _____

If constructing livestock buildings, who will own the animals in the building?
(If applicant will not own livestock, send copy of feeding contract) _____

5. Financing of Project (Contributions by applicant, lender or contract seller and VAFA):

	Land Purchase	Livestock Purchase	Machinery Purchase	Farm Improvements	Total Project
Down payment by applicant	_____	_____	_____	_____	_____
Financed by lender or Contract seller-VAFA bond	_____	_____	_____	_____	_____
Other sources	_____	_____	_____	_____	_____
TOTAL COST OF PROJECT	_____	_____	_____	_____	_____

6. Location of Project:

a. List the county, township, range, and section numbers (Example-E ¼ of Section 26 Range 58, Township 125, Any County, SD).

b. Location by road from nearest town: (Example - 4 miles north of Any town, SD on State Highway 14)

Roads must be identified, unless they are unmarked gravel roads, then state as such.

[Empty text box for road location]

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 be the sole owner of the land on which the project will be located? Yes No

If NO, will applicant have a long-term lease for the length of the loan? Yes No

7. Seller of Property [] Phone []
Address [] City/State/Zip []

a. Please indicate if you are acquiring the "Project" from a related person: Yes No

If YES, please explain the relationship.

[Empty text box for relationship explanation]

NOTE: Contract sales are not allowed between the beginning farmer and their grandparents, parents, children or siblings. Cash/bank loans are permitted with these relatives, but VAFA Fair Market Value Certificate and Related Person Certificate must be completed.

b. Please explain if you have begun to acquire or construct any part of the 'Project" for which you are requesting a Loan; if you have entered into any contract or purchase agreement (installment or otherwise) in connection with the construction or acquisition of the 'Project", or have begun off-site fabrication or acquisition of any portion of the 'Project."

[Empty text box for acquisition explanation]

[Empty text box for acquisition explanation]

NOTE: Any payments made more than 60 days prior to approval of the application will not be eligible for bond financing.

8. Previous tax-exempt financed projects: Have you, your spouse, minor children or any related person received tax-exempt financing of any kind in any state? Yes No

If YES, please explain.

[Empty text box for tax-exempt financing explanation]

PROPOSED LOAN TERMS FOR VAFA BOND

(Complete Questions 9-11 With Your Lender, Contract Seller or Individual Investor)

9. Current personal financial statement (not more than 60 days old) for the beginning farmer, his/her spouse and minor children is enclosed: Yes No

Net worth of beginning farmer (including spouse and minor children): \$ []

10. Application fee (\$100) submitted: Yes No

11. Proposed loan or contract sale terms:

a. Conventional Rate if Bond was not used: Fixed: [] percent (%) OR Variable: [] percent (%)

b. Tax-exempt interest rate: Fixed: [] percent (%) OR Variable: [] percent (%)

If variable rate, indicate index used: (Example - 80% of bank's prime rate, such prime rate is 11% to be adjusted semi-annually).

[Empty text box for index used]

c. Term: [] years.

d. Repayments: Monthly Quarterly Semi-Annual Annual Other []

Amount \$ [] Does this amount include interest? Yes No

e. First payment due date: []

[Empty text box for first payment due date]

f. Call options/Balloon as follows: []

Amount of balloon \$ []

NOTE: Balloon will automatically end tax exemption - See Program Summary.

12. Previous and Present Land Owned

a. Have you, your spouse, or minor children ever directly or indirectly owned farmland? Yes No

NOTE: The following are examples of indirect land ownership:

- 1) ownership of a beneficial interest in a trust which in turn holds land.
- 2) Ownership of shares in a family farm corporation, which owns land.
- 3) A remainder interest in land, which is subject to a life estate in another person.

If your answer to 12a is no, skip to question 13.

b. Describe each parcel of land presently or previously owned by county location, size, time period owned, and maximum fair market value while you owned it (if the ownership is indirect, also describe the means of ownership and the total amount and the total amount owned (e.g. "I have a one-fourth beneficial interest in a trust; the trust holds a total of 200 ac res")):

c. Have you, your spouse, or minor children done any of the following:

- 1) performed physical work on the land? Yes No
- 2) Participated in management decisions about operations on the land? Yes No
- 3) Provided regular advice and consultation on the business operations on the land? Yes No
- 4) Regularly inspected production activities on the land? Yes No
- 5) Directly or indirectly advanced funds or paid a substantial portion of the operating expenses for operations on the land? Yes No
- 6) Lived on the land? Yes No

d. 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):

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e. Have you, your spouse or minor children disposed any of the parcels of land? Yes No

IF YES, identify the parcel(s) and the approximate date disposed:

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f. Did you, your spouse or minor children recognize income for Federal income purpose 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:

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13. Management and Labor of Project will be proved by:

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a. Will any of the labor be performed by or management provided by individuals or entities other than the applicant ?

Yes No IF YES, please explain:

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b. Will any portion of the "Project" be used in connection with any new or existing farm partnership, farm corporation, limited liability company, or other formal or informal joint farming venture, including contract feeding agreement?

Yes No IF YES, please explain:

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c. Will any of the applicants work off the farm? Yes No IF YES, Amount of non-farm income anticipated \$

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Where will he/she be employed?

--

Explain any other related details to non-farm income

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d. Please explain what your farming operation will consist of and include the new project:

Crop/pasture acres on owned land:

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Crop/pasture acres on cash rented land:

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Crop/pasture acres on crop-share rented land:

--

Owned livestock operation:

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Contract-feeding livestock operation:

--

Other farm operations:

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CERTIFICATION OF APPLICANT

(To Be Completed By Beginning Farmer)

By signing this application, I, the undersigned Beginning Farmer, have read the following statement and hereby certify:

- | | | |
|---|-------------------------------|--------------------------------|
| 1. I will be a permanent resident of the state of South Dakota at the time of bond issuance. | <input type="checkbox"/> True | <input type="checkbox"/> False |
| 2. I have sufficient training or experience in the type of farming for which this loan is requested. | <input type="checkbox"/> True | <input type="checkbox"/> False |
| 3. The Project shall be used only for farming by myself, my spouse, and/or minor children. | <input type="checkbox"/> True | <input type="checkbox"/> False |
| 4. None of the proceeds of the loans 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. | <input type="checkbox"/> True | <input type="checkbox"/> False |
| 5. I have or will have access to adequate working capital, farm equipment, machinery or livestock (if the loan proceeds are to be used to acquire agricultural land), and I have or will have access to adequate working capital or agricultural land (if the loan is to be used to acquire depreciable agricultural property). | <input type="checkbox"/> True | <input type="checkbox"/> False |
| 6. I agree the loan may not be assumed by another person without the VAFA's prior approval and then only if the purchaser of the property is an eligible applicant for a VAFA loan. I presently plan to retain the property financed by the loan for the term of the loan; however, I understand 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 Lender without prior approval of the VAFA. I also understand that the benefits of the loan, made at the tax-exempt rate from the proceeds of a VAFA bond, must be retained by myself, and no person to whom property is traded or otherwise transferred may obtain the benefits of the VAFA loan. | <input type="checkbox"/> True | <input type="checkbox"/> False |
| 7. I understand and agree that I am responsible for submitting an application fee with this application and a loan closing fee equal to one and one-half percent of the principal amount of the loan to the VAA at the time of loan closing; such fees will be used for expenses of administering the Beginning Farmer Bond Program. | <input type="checkbox"/> True | <input type="checkbox"/> False |

All of the information I have provided in the application is true and complete, I understand this application and any of the documents prepared or submitted in connection with it or the loan referred to hereon are "public records" and are subject to examination, copying, publication or other dissemination by any person.

Date	<input type="text"/>	Beginning Farmer Signature	<input type="text"/>
Date	<input type="text"/>	Spouse Signature	<input type="text"/>

This application cannot be reviewed unless the VAFA has received ALL of the following:

- | | |
|--|---|
| <input type="checkbox"/> \$100 application fee | <input type="checkbox"/> Background letter from applicant and lender |
| <input type="checkbox"/> Current personal financial statement witnessed by a bank officer and signed by all applicants | <input type="checkbox"/> Completed application form signed by both parties |
| | <input type="checkbox"/> Certificates if sale if from close relative - Pgs. 5,6,& 7 |

CERTIFICATION OF BOND PURCHASER
(To be completed by Lender, Contract Seller, or Individual 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.
2. To the best of the bond purchaser's knowledge, each of the Certifications of the Applicant and all other information with respect to the project or applicant set forth in this application is true and correct.
3. The proceeds of the bond will not be used to provide working capital or finance inventory, supplies or other operating expenses for the applicant or any related person, or be used to refinance or restructure and portion of existing indebtedness.
4. The Bond Purchaser requests the Authority to issue and sell its bond to the Bond Purchaser for the purpose of financing the project to the extent thereof.

Bond Purchaser or Bank Name

Signature of Bank Official, Contract Seller, or Individual Investor

Print or Type Name and/or Title

Date

Phone Number

Email

RELATED PERSON CERTIFICATE
(To Be Completed Only If Seller Is Grandparent, Parent Or Sibling)

The undersigned Seller(s) owns the following Agricultural Land, Agricultural Improvements, and/or Depreciable Agricultural Property (the "Project"):

which is being sold to (the "Beginning Farmer") and is being financed with proceeds from an Agricultural Development Revenue Bond to be issued by the South Dakota Value Added Finance Authority.

The Seller hereby:

- 1) Provides a copy of an appraisal that confirms the fair market value of the project is \$
- 2) Certifies that the Project is being sold to the Beginning Farmer for its fair market value; and
- 3) Certifies that subsequent to such sale:
 - A. If the Project is being operated by a formal or informal partnership or joint venture, the Seller will have no more than a 10 percent interest in such operation;
 - B. If the Project is being operated by a corporation, the Seller has no more than a 10 percent stock or ownership interest in such corporation;
 - C. If the Project is being operated by a trust, the Seller has no more than a 10 percent beneficial interest of such trust;
 - D. The Seller will not be a user of more than 10 percent of the Project; and
 - E. The Seller will not have any other direct or indirect ownership or use of the Project.

IN WITNESS WHEREOF, we have hereunto set our official signatures as of the day of , 20

Seller Signature
(Signature of Seller)

Print/Type name of seller

Spouse Signature
(Signature of Spouse)

Print/Type name of spouse

FAIR MARKET VALUE CERTIFICATE
(To Be Completed Only If Seller Is Grandparent, Parent Or Sibling)

The undersigned on behalf of (the "Lender") in

Connection with the sale from (the "Seller") of

Agricultural Land, Agricultural Improvements and/or Depreciable Agriculture Property as identified:

to (the "Beginning Farmer").

To be financed with the proceeds of an Agricultural Development Revenue Bond to be issued by the Value Added Finance Authority, hereby certifies that:

- 1) The attached appraisal establishes the fair market value of the Project to be \$
- 2) The purchase price being paid by the Beginning Farmer to the Seller for the Project is \$

IN WITNESS WHEREOF, I have hereunto set my official signature as of the day of , 20

Lender/Bank Name

Signature of Loan Officer

Print Loan Officer Name/Title