

# Coordinated Value-Added Assistance Loan Program



## Guidelines

**Purpose:** To provide loan opportunities to companies and individuals in Kentucky who create contract production opportunities for other agricultural producers.

Projects under \$1M will be required to be a participation loan following the terms below.

Projects over \$1M may be direct loans with interest based on the Wall Street Journal prime rate. Direct loans cannot exceed 20 years.

### Terms for participation loans:

1. Maximum KAFC participation on loans for projects under \$1M will be limited to **\$150,000 or 50% of the project**, which ever is less.
2. Borrower may have multiple KAFC Coordinated Value-Added Assistance loans but is limited to a total outstanding balance of no more than \$150,000 in this program.
3. Interest rate on KAFC portion of the loan will be **2% a.p.r.** for the life of the loan. KAFC reserves the right to adjust the rate on any new loans as market conditions change.
4. Lender must agree to service the loan for no more than **0.75% (75 basis points)** on the KAFC portion of the loan for the life of the loan. The fee will be added to the KAFC rate to determine the blended rate.
5. Maximum term of the KAFC portion cannot exceed **15 years or the useful life** of the asset. Loans for real estate can be amortized over 25 years with a 15 year balloon.
6. Lead lender is required to prepare and submit the loan application. Lender must be committed to provide additional financing as outlined in the completed application.
7. Participating lender must be a financial institution with offices in Kentucky.
8. KAFC will consider subordinating debt to participating lender. No future debt can be incurred on mortgaged property without notification of KAFC.
9. Loan must be secured with both fixed assets and the personal guarantee of the borrower.
10. Applicant must submit a 3-year business plan showing an emphasis on serving the agricultural community, a reasonable return, and an ability to retire the KAFC debt.
11. Start up ventures may be required to submit a feasibility study documenting that this business does not unduly compete with other existing businesses providing similar products or services.

12. There must be a commitment by a participating lender who will work with the borrower to capitalize the initial investments outlined in the 3-year business plan. The lender will continue to evaluate additional credit needs of the applicant as presented, however, any additional credit will be at the discretion of the lender and according to the lender's normal credit underwriting policies.
13. Project must be located on property in Kentucky.
14. Applicants must acquire all relevant permits and the project must meet all required construction codes. Property must be in compliance with all environmental regulations.
15. Construction projects must begin within 6 months of loan approval and must be completed within 1 year of loan approval.
16. Participating lender and/or borrower will provide interim financing during construction of project. K AFC will transfer loan proceeds upon satisfactory completion of project.
17. Preference will be given to applicants headquartered in Kentucky.
18. Any principal and interest payments made by borrower will be shared pro-rata by lender and K AFC unless both parties agree to modified terms. There is no penalty for early repayment of the loan.
19. Only expenses incurred after the Coordinated Value-Added Assistance Loan Application has been received by K AFC will be eligible for consideration under the loan program.
20. K AFC shall review each application and supporting documentation; loan approval will be at the discretion of the K AFC board.

**Eligible Projects for participation and direct loans:** K AFC will provide and/or participate in loans in Kentucky that add value to Kentucky that are expanding their contract opportunities with Kentucky farmers. Funding opportunities will be made available to entities interested in any of the following:

- Acquisition of equipment
- Construction of new facilities
- Expansion of existing facilities
- Permanent working capital
- Renovation of existing facilities
- Only expenses associated with increased contracting opportunities shall be eligible for financing under this program

**Not Eligible:** Operating or refinancing loans