GUIDELINES FOR
OKLAHOMA AGRICULTURAL
LINKED DEPOSIT PROGRAM

Ken Miller
State Treasurer

DEFINITIONS

A. “Eligible Agricultural Business” means any individual, partnership, co-operative, domestic limited liability company, or agricultural domestic corporation engaged in producing, processing or marketing alternative agricultural products or an at-risk farm or ranch business, within the State of Oklahoma in operation which has developed a management plan through the Intensive Financial Management and Planning Support (IFMAPS) program of the Cooperative Extension Service of Oklahoma State University or the Farm Business Management Program of the State Department of Vocational and Technical Education.

B. “Eligible Lending Institution” means a financial institution that agrees to participate in the Oklahoma Agricultural Linked Deposit Program, is eligible to be a depository of state funds or an institution of the Farm Credit System organized under the Federal Farm Credit Act of 1971.

C. “Agricultural Domestic Corporation” means any domestic corporation formed or licensed pursuant to the Oklahoma General Corporation Act or a limited domestic liability company formed or licensed pursuant to the Oklahoma Limited Liability Company Act and meeting the requirements of paragraph 5 of subsection A of Section 955 of Title 18 of the Oklahoma Statutes and meeting the requirements of subsection A of Section 951 of Title 18 of the Oklahoma Statutes.

D. “Gross Income From Farming” means that amount which is derived by adding “Gross Income” Line 11, Schedule F of Form 1040 to “Cost or other basis of livestock and other items you bought for resale” Line 2, Schedule F of Form 1040 of each family member’s prior year’s Federal Income Tax Return.

E. “Gross Family Income” means the combined total for all family members of the amounts listed as “Total Income” Line 22 of Form 1040 minus “Farm Income or Loss” Line 18 of Form 1040, of prior year’s Federal Income Tax Return plus “Gross Income from Farming” (Item D above).

F. “Family members” means immediate family members who are engaged in the farming or ranching operation which is the subject of the linked deposit loan application.

G. “Percent of Gross Income From Farming” means that amount derived by dividing “Gross Income From Farming” by “Gross Family Income” and multiplying by 100.

AT-RISK FARM OR RANCH BORROWER ELIGIBILITY

Residents of Oklahoma whose farm or ranch operation is located in this state must meet the following criteria in order to be eligible to obtain an Agricultural Linked Deposit Loan:

A. Applicant’s percent of Gross Income from Farming must have been 60% or more in at least one of the two previous tax years.

B. The farmer’s or rancher’s consolidated business/family debt-to-asset ratio must be at least 55%.
C. The linked deposit loan for an at-risk farm or ranch business must be used for the purpose of operating the business or for refinancing loans made to operate the business.

D. The farmer or rancher must have a management plan developed with the assistance of the Oklahoma Cooperative Extension Service’s IFMAPS Program or the State Vo-Tech’s Farm Business Management Program. (Certification must be attached to completed application.)

E. The farmer or rancher must complete a linked deposit loan package and have an eligible lending institution willing to apply for the linked deposit and make the loan.

F. Only one linked deposit loan shall be made and be outstanding at any one time to any farmer, providing that the linked deposit loan may be refinanced.

G. No loan shall be made to any officer or director of the lending institution making the loan.

H. The maximum loan amount available for an At-Risk Farm or Ranch Agricultural Linked Deposit Loan is $350,000.

ALTERNATIVE AGRICULTURAL PRODUCTS BORROWER ELIGIBILITY

Residents of Oklahoma whose farm, ranch, or agri-business is located in this state must meet the following criteria in order to be eligible to obtain a Linked Deposit Alternative Agricultural Products loan:

A. The borrower must document and certify in the loan application that the loan will be used for expanding or starting the production, processing or marketing of a product named as an alternative agricultural product in the manner set forth in 2 O.S. 5-83.

B. The borrower must complete a linked deposit loan application and have an eligible lending institution willing to apply for the linked deposit and make the loan.

C. The farmer or rancher must have a management plan developed with the assistance of the Oklahoma Cooperative Extension Service’s IFMAPS Program or State Vo-Tech’s Farm Business Management Program. (Certification must be attached to complete application.)

D. Only one linked deposit loan shall be made and be outstanding at any one time to any farmer, providing that the linked deposit loan may be refinanced.

E. No loan shall be made to any officer or director of the lending institution making the loan.

F. The maximum amount available for an Alternative Agricultural Linked Deposit Loan is $1,000,000.

TERMS OF LINKED DEPOSITS AND LOANS

A. The Linked Deposit commitment shall not exceed two (2) years, but may be renewed for up to an additional five (5) renewals not to exceed two (2) years each at the option of the State Treasurer for a total duration of twelve (12) years. Priority will be given to new eligible participants and to eligible participants who have had linked deposit loans for less than eight (8) years.

B. No renewals will be allowed unless the amount of principal has been reduced by a minimum of five percent (5%) and all interest paid to date from the time of the prior loan or renewal.
C. Upon approval of the Agricultural Linked Deposit Program Application, the State Treasurer shall notify the lending institution and the borrower. Upon approval the State Treasurer may place certificates of deposit with the eligible lending institution at up to three percent (3%) below the comparable Treasury rate as determined and calculated by the State Treasurer. The lender may add up to 5.5% (550 basis points) to the State Treasurer’s reduced deposit rate as a maximum rate to the borrower. This rate represents the maximum margin, service charge and/or mark-up which can be added by the lending institution to the deposit rate. However, the lending institution must reduce the lending rate applicable to each specific agricultural borrower by at least the same percentage rate reduction that is given to the lending institution.

D. Funds for Farm Credit Service lenders are made available through Federal Farm Credit bond purchases by the Treasurer. Interest calculations are the same as in Section C above.

E. The interest rate on the loan must be fixed for the life of the deposit. The life of the loan, however, may exceed the life of the deposit.

**DUTIES OF THE LENDING INSTITUTION**

In connection with its participation in the Agricultural Linked Deposit Program, a lending institution must:

A. Determine the creditworthiness of the prospective borrower through application of generally accepted lending standards prior to recommending that a linked deposit loan be made.

B. Verify the prospective borrower’s asset values, liabilities, debt-to-asset ratio, residency, percent of gross income from farming and intent for use of funds.

C. Complete an Oklahoma Agricultural Linked Deposit Program Application and submit it to the Treasurer’s Office.

D. Pledge acceptable securities to secure the uninsured portion of any linked deposit.

E. Certify that to the best of his/her knowledge, all information is true and correct on the application.

F. If more than one lending institution will be involved in lending money to the borrower, attach separate copies of pages 5 – 7 with information for each lending institution and the amount of funds each lending institution would receive. Attach addendum(s) if needed.

**APPLICATION SCHEDULE AND NOTIFICATION**

A. Upon receipt of a completed Agricultural Linked Deposit Loan Application, the State Treasurer shall forward the application to the State Department of Agriculture.

B. Following approval of the application and prior to the commitment of linked deposit funds, the lending institution shall pledge securities as described in paragraph (D) of “Duties of the Lending Institution” of these guidelines.

C. The lending institution may request a postponement of funding for thirty (30) day intervals to be approved at the discretion of the State Treasurer.

D. Approved Farm Credit Service applications will be funded by a bond purchase once per month.
PERIODIC DEPOSIT BALANCING

The lending institution shall submit to the State Treasurer’s Office, once per quarter, a completed quarterly report acceptable to the Treasurer, along with the appropriate amount of deposit interest and principal paid on the loan. Principal balancing with Farm Credit Service Lenders shall be in a manner agreeable between the Farm Credit Bank of Wichita and the State Treasurer.

Funds

The amount that the State Treasurer may invest in all linked deposit programs authorized by law shall not exceed the lesser of Two Hundred Million Dollars ($200,000,000.00) or fifteen percent (15%) of all monies available to the State Treasurer for investment as calculated by taking the average of the quarter-end amount for the previous four (4) quarters.

Penalty

Whoever knowingly makes a false statement concerning a linked deposit loan application shall be prohibited from entering into the linked deposit loan program, and may be subject to fines and imprisonment under 18 U.S.C. § 1014 and 18 U.S.C. § 1341.

Assistance

For assistance in completing applications, please contact the Linked Deposit Department at (405) 521-3191. Fax no. (405) 521-4994. Mail completed applications to: Linked Deposits, Office of the State Treasurer, 2300 N. Lincoln Blvd, Room 217, Oklahoma City, OK 73105.

For assistance in completing a management plan, you may contact the Oklahoma Cooperative Extension Service’s IFMAPS program at 1-800-522-3755, the Department of Vocational and Technical Education at (405) 271-2555, your local OSU Cooperative Extension Office, or your local Vo-Tech.
APPLICATION
(Please type or print.)

BORROWER Please check appropriate box: (To be completed by business applicant.)
New ( ) Renewal ( ) Readmittance ( )

A. Name and address of Oklahoma Agricultural Business

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

C i t y            Z i p  C o d e         C o u n t y

Owner: ____________________________________________________________

Name            T e l e p h o n e  N o .

B. General Information

1. Does the applicant have headquarters in Oklahoma? Yes ( ) No ( )

2. Is the applicant an officer or director of the lending institution making the loan? Yes ( ) No ( )

3. Does the applicant currently have a Linked Deposit Loan (either Ag or Business)? Yes ( ) No ( )
   If yes, under what name? ____________________________________________

4. Has applicant previously participated in the Linked Deposit Program (Ag or Business)?
   Yes ( ) No ( )
   If yes, under what name? ____________________________________________

5. Is this a new loan or a refinancing of existing debt? New ( ) RF ( )

6. Is the applicant apply as

   $ __________________ At Risk Farm or Ranch (complete section D)
   $ __________________ Alternative Agriculture (complete section E)
C. What is the Amount of Linked Deposit Requested?

$_________________ At Risk Farm or Ranch (not to exceed $350,000)
$_________________ Alternative Agriculture (not to exceed $1,000,000)

* The State Treasurer is not a lender of funds. Information vital to creditworthiness of the agricultural business or other matters of confidentiality should not be included in this application process. Therefore, only a certification from either IFMAPS or Vo-Tech is required with the application and not actual financial information.

D. At Risk Farm or Ranch Applicants Only

1. Does the applicant have a percent of Gross Income from Farming of 60% or greater for at least one of the two previous tax years?  Yes ( ) No ( )

2. Does the applicant have a consolidated debt/asset ratio of 55% or greater?  Yes ( ) No ( )

3. Does the applicant have a financial management plan developed with the Intensive Financial Management and Planning Support (IFMAPS) Program of the Cooperative Extension Service of Oklahoma State University or the Farm Business Management Program of the Oklahoma State Department of Vocational and Technical Education*?  Yes ( ) No ( )

Is certification of the financial management plan attached?  Yes ( ) No ( )

E. Alternative Agricultural Product Applicants Only

1. Does the applicant intend to use linked deposit loan funds to begin or expand the production, marketing, or processing of eligible alternative agricultural products?  Yes ( ) No ( )

2. Does the applicant have a financial management plan developed with the Intensive Financial Management and Planning Support (IFMAPS) Program of the Cooperative Extension Service of Oklahoma State University or the Farm Business Management Program of the Oklahoma State Department of Vocational and Technical Education*?  Yes ( ) No ( )

Is the certification of the financial management plan attached?  Yes ( ) No ( )

3. What percent of the business is considered alternative?  __________ %

F. This Agricultural Business is:

__________ Individual
__________ Partnership
__________ Co-operative
__________ Domestic Limited Liability Company
__________ Agricultural Domestic Corporation (See definition below.)
__________ Other. Please describe the nature of the business. __________________________________________

An “agricultural domestic operation” means any domestic corporation formed or licensed pursuant to the Oklahoma General Corporation Act or a limited domestic liability company formed or licensed pursuant to the Oklahoma Limited Liability Company Act and meeting the requirements of paragraph 5 of subsection A
of Section 955 of Title 18 of the Oklahoma Statutes and meeting the requirements of subsection A of Section 951 of title 18 of the Oklahoma Statutes.

G. Is 50% or more of the interest in or control of the applicant owned directly or indirectly by a person, partnership, or corporation who owns directly or indirectly 50% or more of or controls a business currently participating in the program? Yes ( ) No ( )
If yes, name of person, partnership, or corporation and name of business:

H. Does an officer or director of the lending institution maintain an ownership or management interest in the applicant? Yes ( ) No ( )
If yes, who

I. Does any employee of the Office of the State Treasurer or a member of the Oklahoma State Board of Agriculture maintain an ownership or management interest in the applicant? Yes ( ) No ( )
If yes, who

J. Provide the Social Security Number for the Owners of an Individual Operation making Application.

                    Owner Name__________________________ Social Security Number____________________
                    Spouse Name__________________________ Social Security Number____________________

If there are cosigners on the note(s), please include name(s) and social security number(s). (Attach addendum if necessary).

                    Cosigner Name__________________________ Social Security Number____________________
                    Cosigner Name__________________________ Social Security Number____________________

K. Provide the following information for all Applicants other than Individual.

1. Tax Identification number of applicant.

2. Social Security Number of person signing application.

3. Name and Social Security Number of all owners of applicant. (Attach addendum if necessary.)

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<thead>
<tr>
<th>Name</th>
<th>% Owned</th>
<th>Social Security Number</th>
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L. Briefly Describe the Business Operation Listed in (A).

Include size; enterprise and/or products; and detail any legal connection that may exist with other farming operations or business.

M. CERTIFICATION AND STATEMENT OF AGRICULTURAL BUSINESS

Under penalty of law, the agricultural business named in this statement has examined this lender’s application form and attests to the accuracy of the data contained herein. Furthermore, the agricultural business certifies that, if accepted, the reduced rate loan will be used exclusively for purposes as described in this application. It is fully understood that any use of the funds, other than that intended, pursuant to Sections 5-81 through 5-89 of Title 2 of the Oklahoma Statutes constitutes an act of fraud.

_____________________________________
Name of Agricultural Business

_____________________________________
Authorized Signature

Subscribed and sworn to me this ___________ day
of ________________________________ .

_____________________________________
Date

_____________________________________
Notary Public

My Commission Expires

SEAL
CERTIFICATION

BORROWER AND LENDER (To be completed by applicant and lending institution)

The undersigned lender and applicant for a new or renewal Agricultural Linked Deposit Loan certify that each applicant is an eligible agricultural business, and that the values used to calculate the ratios of debt to assets have not been changed or manipulated in order to qualify the borrower for the program.

The undersigned lender and applicant for a renewal Agricultural Linked Deposit Loan certify that the amount of principal has been reduced by a minimum of five percent (5%), and all interest paid to date from the time of the prior loan or renewal unless.

Access to records: The lender and applicant agree to maintain required records and supporting documentation for a period of three (3) years following the conclusion of this contract period. The lender and applicant agree to allow the State Treasurer, the State Auditor and Inspector, or their authorized representatives access to the lender’s and applicant’s records, books, documents, accounting procedures, practices or any other items of the service provider relevant to the Agricultural Linked Deposit Loan for purpose of audits, examination, etc.

______________________________________    Signed:  ________________________________
Name of Bank                Borrower
By:  ________________________________    Date:  _________________________________
Date: ________________________________    Witness:   ______________________________
Witness:  __________ ____________________

If renewal application, what is the interest rate being charged on your current or previous linked deposit loan?

_______________________________________    _______________________________________
Authorized Officer of Financial Institution           Borrower Signature

LENDER (To be completed by lending institution.)

N. Name and Address of Eligible Lender

(Eligible lenders are those financial institutions that have been designated as eligible state depositories by the State Treasurer subject to the requirements of Sections 5-82 through 5-89 of Title 2 of the Oklahoma Statutes. 2 O.S. 5-82 through 5-89 also includes the lending institutions of the Federal Farm Credit System):

_______________________________________________________________________________________
Name

_______________________________________________________________________________________
Address

_______________________________________________________________________________________
City           Zip Code         County

_______________________________________________________________________________________
President/CEO         Telephone Number          Fax Number

Contact regarding this application  ____________________________________________________________
O. Estimation of Interest Rate on Linked Deposit Loan

_________ Estimation of comparable Treasury rate (Actual rate is determined when sent to C.D. department for funding).

Minus _________ Discount (Normally 3%, see Guidelines)

Equals _________ Rate to Lending Institution. (CD or Bond placed in bank)

Plus _________ Margin, service charges, mark-up (maximum 5.5% or 550 basis points).

Equals _________ Estimated loan rate to borrower.

_________ Estimated loan rate to borrower without a Linked Deposit Loan.

Will the Linked Deposit Program save the borrower at 3% (300 basis points)? Yes ( ) No ( )

P. Certification of Financial Institution (Lender)

Under penalty of law, the financial institution (lender) making application under the Oklahoma Agricultural Linked Deposit Program, pursuant to 2 O.S. §§ 5-81 through 5-89, certifies that, according to information contained in the loan application, all sections of this statement and relevant information known to it, the agricultural business is eligible to participate in this Program. The financial institution (lender) hereby acknowledges that determinations of creditworthiness or any other decisions involved in granting loans to the agricultural business whose application is contained herein rests solely upon said financial institution. The financial institution (lender) hereby certifies that the present borrowing rate of the agricultural business whose application is contained herein, and the rate to be charged for the linked deposit loan, are in compliance with the rules and regulations issued by the State Treasurer.

_______________________________________  _____________________________________________
Name of Financial Institution       Authorized Officer of Financial Institution (Please Print or Type)

______________________________________  _____________________________________________
Date                Signature

Q. Application is hereby made by (lender) (hereinafter referred to as applicant) for consideration as an Agricultural Linked Deposit lending institution in accordance with Section 5-81 through 5-89 of Title 2 of the Oklahoma Statutes. It is understood and applicant hereby agrees that, by completing this application process, all applicable provisions of the Oklahoma Agricultural Linked Deposit Program regarding eligible lending institutions will be met. The State Treasurer has the sole discretion in awarding agricultural linked deposits and in determining the manner, form, method and process of such award and placement. This application does not, in itself, guarantee that any agricultural linked deposits will be made to the applicant. This program, including any certificates of deposit or investments existing after awards have been made, may end at the maturity of such Agricultural Linked Deposit certificates of deposit or investments, or upon the direction of the State Treasurer.

The purpose of the Oklahoma Agricultural Linked Deposit Program is to support agricultural business in Oklahoma. The Applicant hereby agrees that Agricultural Linked Deposits placed by the Treasurer of the State of Oklahoma are to be used solely to finance Oklahoma agricultural businesses pursuant to Sections 5-81 through 5-89. To the best of applicant’s knowledge and judgment, the placement of such Agricultural Linked Deposit will contribute to the relative financial need of the agricultural business. Applications may be
rejected at any time and without explanation, and the placement of funds under this program is subject to the cash flow and investment needs of the State of Oklahoma.

The provisions contained in this application are accepted and fully understood by the applicant.

_________________________________________________
Date            Name of Lending Institution

_________________________________________________
City and County

_________________________________________________
President (Signature)

R. Section R does NOT apply to Farm Credit Service lenders. The Treasurer currently requires the collateralization of the uninsured portions of state deposits under the individual assignment method. Accordingly, trust receipts evidencing the pledge of securities must be in receipt of the State Treasurer prior to the Linked Deposits being awarded.

Mail completed application to:

Linked Deposits
Office of the State Treasurer
2300 N. Lincoln Blvd, Room 217
Oklahoma City, OK  73105