

**MINUTES OF THE JUNE 9, 2009 MEETING OF THE AGRICULTURE COMMITTEE  
OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY**

The Board of Directors (the "Board") of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held an Agriculture Committee Meeting at 7:30 a.m. on June 9, 2009 at the James R. Thompson Center, Room 9-036, Chicago, IL 60601.

**Committee Members present:**

Edward H. Leonard, Sr, Chair  
Michael W. Goetz  
Bradley A. Zeller

**Committee Members absent:**

**Additional Board Members  
participating:**

William A. Brandt, Jr.  
Terrence M. O'Brien  
Dr. Roger D. Herrin

*Call to Order*

Mr. Leonard, Chair of the Agriculture Committee, called the meeting to order at 7:48 a.m. with the above committee and board members present.

*Project Approvals*

Mr. Rich Frampton, Director of Funding Managers and Vice President, presented the following Beginning Farmer Bond Project for the committee's approval:

**No. 1:            A-FB-TE-CD-8242 – Tye and Jill Adair**

Request for final approval of the issuance of Beginning Farmer Bonds in an amount not-to-exceed \$137,500 for the purchase of 31 acres of farmland. This project is located in Macomb, Illinois (McDonough County).

Mr. Frampton stated that this was a direct purchase by Thompson state bank with the 25-year amortization schedule. Mr. Zeller moved to recommend approval to the Board. Mr. Goetz seconded his motion. Assistant Secretary Nystrom-Boulahanis took a roll call vote and the committee unanimously recommended approval.

*Discussion of the Participation Loan Program*

The IFA Participation Loan Program is funded by the IFA's general fund. The Participation Loan Program is used to fund projects in the agriculture sector, consistent with IFA's statutory objectives.

The program originated with a predecessor entity of the IFA. Going back to 1996 the Illinois Development Finance Authority (IDFA) made seven (7) loans. As of April 2009, IFA has \$26.2 million in outstanding participation loans. To date, \$1.3 million of those

loans are in default. IFA maintains 5% of the entire loan portfolio in reserve and 100% of defaulted loans.

Mr. Zeller asked: What does being in default mean? Have we exhausted every method possible to get the loan current?

Mr. Brandt asked: Do we rely on the bank for that?

Mr. Frampton responded: When a bank signs an agreement for a participation loan, they agree to subordinate any future or existing loans to IFA.

Mr. Brandt clarified: The bank is not subordinated in the actual participation loan; just in any past or future loans, such as a line of credit.

Mr. Frampton: That is how our outside counsel structured the agreement.

Mr. Brandt: Who is the outside counsel?

Mr. Frampton: \_\_\_\_\_

Mr. Frampton explained that any prior loans are automatically subordinated by the agreement and any future loans will be as well. This allows the borrower to