

Single Project Underwritten Financing Program Guidelines

Need

The Colorado Agricultural Development Authority (the "Authority") presently has program guidelines with respect to its Individual Lending Program, and has had and expects in the future to have program guidelines with respect to pooled loan financings which are or will be secured by various credit enhancement mechanisms, such as FDIC insurance, bond insurance or letters of credit and surety bonds. None of those program guidelines, however, address the situation where a qualified borrower (under state legislation) may come to the Authority requesting the issuance of a substantial principal amount of bonds which it intends to have publicly sold by an underwriter or investment banker which it has independently retained.

Eligible Projects

In order to be considered for financing under these Program Guidelines, the following criteria must be met:

- (1) The proceeds of the bonds must be used to finance an "agricultural enterprise" under the Colorado Agricultural Development Authority Act, 35-75-101 et al., C.R.S. (the "Act").
- (2) The proceeds of the bonds must be loaned to an eligible "borrower" under the Act, i.e., an enterprise engaged in agriculture or agriculture processing.
- (3) The size of the financing must exceed \$750,000.
- (4) Bond proceeds cannot be used to refinance indebtedness, unless the indebtedness to be refinanced is tax-exempt debt (i.e., a "refunding").
- (5) The financing must amortize on a substantially level debt service basis, i.e., no balloon payments.
- (6) The applicant must have a signed underwriting agreement with an investment banker or underwriter whereby the latter agrees to sell the bonds in conformity with this agreement.
- (7) the underwriter must use an offering circular or official statement in form and substance satisfactory to the Authority in conjunction with its sale of the bonds.
- (8) The underwriter must hire counsel acceptable to the Authority to perform adequate disclosure work, and such counsel must render a "10b-5 opinion" in form and substance satisfactory to the Authority and its bond counsel, and addressed to such parties.
- (9) The borrower must agree to indemnify the Authority from all liability in connection with the issuance of the Bonds, including but not limited to securities law liability.
- (10) An application in the form provided by the Authority, which addresses the items described on page 3, must be submitted to the Authority, and approved by the Authority,

its bond counsel and its financial consultant.

- (11) The bonds must be issued pursuant to a resolution, a loan agreement and a trust indenture, which will be drafted in form and substance satisfactory to the Authority by its bond counsel, Kutak Rock. Kutak Rock will also be responsible for rendering the bond opinion and an opinion as to the tax exemption for interest on the bonds.
- (12) The Project and the financing must comply in all respects with these Program Guidelines.

Application Criteria

The Authority will provide a standard form of application to be used in conjunction with these Program Guidelines. Such application will require the applicant to address at least the following points, and/or require submission of the following materials:

- Borrower name, address
- Legal counsel
- Underwriter contact
- Residency of borrower

The Authority reserves the right to request further information as it may deem necessary and no application will be considered complete until all such further information has been submitted.

Upon submission of the application, the applicant shall also pay to the Authority the Application Fee hereafter described.

Review Process and Preliminary Approval

The Authority shall either reject or preliminarily approve an application not sooner than 30 days nor more than 60 days after receipt of a completed application.

In determining whether to approve a project, the Authority shall consider, among other matters, the nature of the project and the extent to which it will promote the public purposes of the Act, compliance with the Program Guidelines, legalities and tax exemption of interest, as recommended by the Authority's bond counsel, and security and creditworthiness, as recommended by the Authority's financial advisor. The Authority reserves the right, however, to reject any project financing at its discretion.

If the Authority shall determine to proceed with a project, it shall indicate its preliminary approval thereof by the adoption of an "intent resolution." Such resolution shall indicate the Authority's intent to proceed with the financing, subject, however, to final approval of the terms of the bonds, preparation of satisfactory documentation and to execution by the applicant within 10 days of preliminary approval of a Preliminary Agreement.

Fees

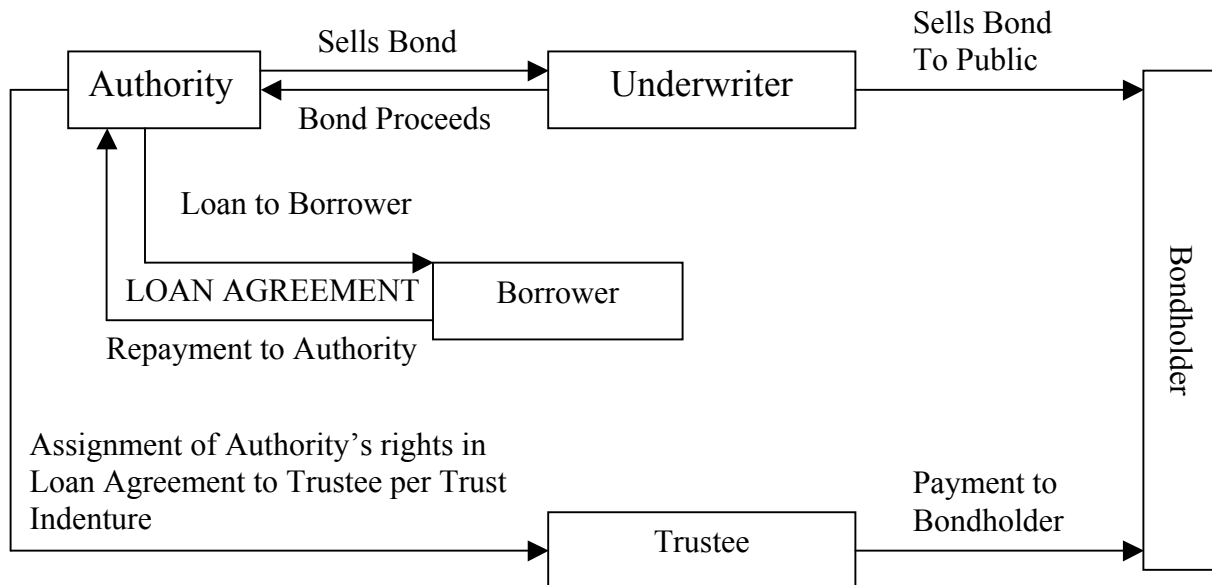
In connection with these Program Guidelines, the applicant shall pay or agree to pay the following fees:

- (1) Application Fee. \$750 non-refundable fee, payable upon submission of an application.
- (2) Initial Fee. An amount equal to 1/4 of 1% of the Bond issue, with a \$10,000 maximum and a \$2,000 minimum, payable at closing of the bond issue. The Application Fee does not represent a credit towards the Initial Fee.
- (3) Annual Fee. An amount equal to 1/8 of 1% of the principal amount of the bonds outstanding, payable on each anniversary date of the issuance of the Bonds.
- (4) Costs of Issuance. All other costs of issuance of the Bonds, including but not limited to the fees and disbursements of bond counsel, printing and recording expenses, and any other out-of-pocket expense incurred by the Authority in connection with the issuance of the Bonds. The fee is payable at the bond closing, except as otherwise provided in the Preliminary Agreement.

The Authority reserves the right to vary the foregoing fees downwards in certain instances, or to make adjustments with respect to the exemption from taxation of interest on the Bonds.

Documentation and Structure of Financing

Schematically, the Bond transaction can be described as follows:



The primary documents are as follows:

- (1) Bond Resolution. Adopted by the Authority; authorized the issuance of the Bonds and approves all other documents.

- (2) Loan Agreement. Between Authority and Borrower. Provides for the loan of bond proceeds to the Borrower, repayment by the Borrower, further security (e.g., security interests, mortgage, etc.) and construction of the Project.
- (3) Trust Indenture. Between Authority and a corporate Trustee selected by the Authority. Provides for details of the Bonds, and assigns all of the Authority's interest in the Loan Agreement to the Trustee for the benefit of the bondholders, except the Authority's right to indemnify, its fees and expenses.
- (4) Bond Purchase Agreement. Between the Authority, the Borrower and the Underwriter. Provides for the sale of the Bonds to the underwriter, including price and conditions. Also provides for indemnity of the Authority by the Borrower.

Summary--Steps and Approximate Timeframe

- (1) Submit application.
- (2) Preliminary Approval by Authority 30-60 days after complete application has been received.
- (3) Execution of Preliminary Agreement 10 days after (2) above.
- (4) Initial meeting of all parties (organizational meeting). One week after (3) above.
- (5) Bond Counsel prepares first draft of documents. Underwriter's counsel approves first draft of official statement. 3 weeks after (4) above.
- (6) Drafting and document sessions. 5-6 week process.
- (7) Preliminary Official Statement printed. Underwriter offers bonds. After completion of (6) above.
- (8) Underwriter has obtained commitments for the bonds. Interest rates agreed to. Authority adopts bond resolution. Bond Purchase Agreement is executed. 2 weeks after (7) above.
- (9) Bonds are printed.. Closing documents circulated. One week after (8) above.
- (10) Closing. Bonds delivered, payment received from Underwriter. 10 days after (9) above.