The Division of Ag Development has a program to work with local lenders to finance stock purchases in producer involved cooperatives. Stock purchases eligible for this loan guarantee must be for cooperatives approved by the Secretary of Agriculture.

The **COOPERATIVE STOCK GUARANTY PROGRAM** is intended to supplement existing credit, not supplant it. Thus, the Guaranty Program will provide up to a 50% guarantee on the outstanding principal balance with a maximum of $10,000. The maximum length of a loan is 5 years. The interest rate may not exceed the lender's lowest rate for this type of loan.

All applicants must meet eligibility requirements as follows:

ELIGIBILITY:

1) If the applicant is an individual, the applicant must meet the following requirements:
   a) Be a resident of this state prior to closing;
   b) Have principal residence and majority of the farm operation located in South Dakota;
   c) Be age 18 or older;
   d) Have derived at least 60 percent of **GROSS** income in the last tax year from farming/ranching.
   e) Be credit worthy according to the standards of the lender.
2) If the applicant is a cooperative, corporation, partnership, or other legal entity, it must meet the following requirements:
   a) Have the majority of memberships and stock in the entity owned by farmers/ranchers who meet the criteria of 1)a) to 1)e), inclusive, of this section, with other members or;
   b) Stock holders furnishing their proportionate share of the costs.
3) Co-applicants must meet the same criteria.

APPLICATION PROCEDURE:

The applicant must apply to a local lender, since the lender will service the loan. Additional documentation to the application and the South Dakota disclaimer shall include:

1) A financial statement completed no more than 30 days prior to application, signed and dated;
2) Tax forms 1040 and 1040F from the two most recent tax years;
3) A repayment plan/cash flow.

CLOSING THE LOAN:

Upon purchase of stock, Lender closes loan for the cooperative stock purchase and submits loan documentation to the Department of Agriculture.

1. Loan documentation shall include at a minimum:
   a. Copy of promissory note;
   b. Copy of security agreement;
   c. Copy of receipt of purchase of stock or membership agreement;
   d. Copy of effective financing statement; and
   e. Copy of the UCC/EFS search on the client.

Department of Agriculture will send a signed "Certificate of Guaranty" to the lender. After the loan has been paid in full the lender will stamp the Certificate of Guaranty paid and return it to the Department of Agriculture.

PAYMENTS:

Payments are due as agreed upon in the Promissory Note and in accordance with your cash flow.

SECURITY:

The loan may be secured by an Effective Financing Statement and Security Agreement on the cooperative stock purchase or additional security as determined necessary.

RECORDS:

The borrower is encouraged to use and maintain accurate records. Record keeping, financial planning and analysis are essential to the success of this program and to your business.

The provisions for loan servicing and, if necessary, default, are specified in the SAMPLE copy of the Certificate of Guaranty attached to the application. Please review this prior to the application process.

If you have any questions contact the South Dakota Department of Agriculture, Division of Ag Development at 1-800-228-5254, 773-5436 or Michael.Schelske@state.sd.us

Revised: January 2002

SOUTH DAKOTA DEPARTMENT OF AGRICULTURE
LOAN PARTICIPATION AGREEMENT AND
LOAN GUARANTEE AGREEMENT

DISCLAIMER

By entering into the loan participation agreement or loan guarantee agreement neither the State of South Dakota nor the Department of Agriculture warrants or agrees that the borrower is in compliance with environmental requirements, zoning requirements, corporate farming restrictions, or any other federal, state or local law for the project involved or for any other enterprise of the borrower.

Dated as of : _____

_____
Lender

_____
Address

_____
City State Zip

BY:_____
Signature

BY: _____
Signature

State of South Dakota
Department of Agriculture
Foss Building
523 E. Capitol Ave.
Pierre SD 57501