



CONTERRA

FINANCING AMERICAN AGRICULTURE

Conterra Ag Capital

Conterra supports American Agriculture through creative financial solutions.



- Providing industry leading agricultural loan servicing and wholesale lending to lending partners nationwide
 - Focused solely on agriculture
 - Experienced team of ag finance professionals
 - Headquartered in Des Moines, Iowa
 - National footprint
 - \$2.8 billion of assets

Conterra Across America

Home office: West Des Moines, Iowa



Field Offices: Missouri, Illinois, North Carolina, Arizona, and Oregon

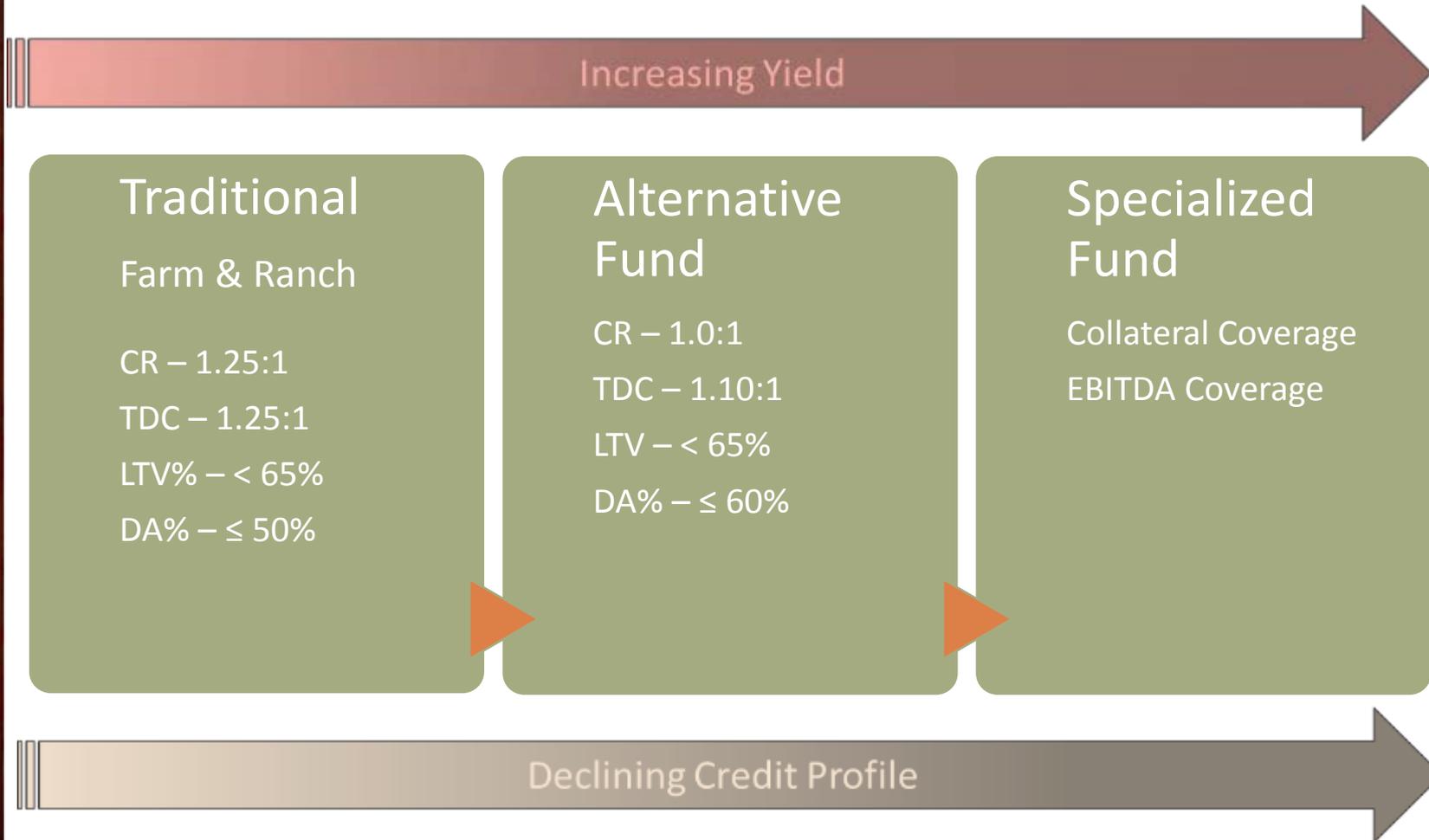
Conterra Ag Capital

Our understanding of agricultural finance has driven us to develop knowledge-based lending programs that offer tailored solutions for borrowers across the risk spectrum.

- Traditional Lending
- Alternative Lending
- Specialized Lending



Financing Options



**A list of abbreviations can be found on slide 12: Underwriting Guidelines*

Farmer Mac Seller and Central Servicer



Farmer Mac Loans

Farmer Mac
Seller

- Loan packaging with no additional fee

Non-Farmer
Mac Seller

- Sell to Farmer Mac through Conterra

Alternative/Specialized Lending



Alternative Lending

- **Conterra has established several funds with a focus on loans that do not meet traditional lending standards**
 - Transitional financing
 - Debt restructures
 - Bridge loans and special circumstances
- **All Conterra Fund loans are held in portfolio and managed by Conterra**



Conterra Fund

The predominant alternative lending program and is intended as transitional finance:

- Loans are secured by first mortgages on ag real estate
 - Can take a subordinate position to Farmer Mac for loans
- Loan size range from \$500,000 - \$10,000,000
- Working capital can be built into the structure
- Analysis weighted on post-close financials and a supported proforma
- Lending partner shares in origination fees and field servicing fees over the life of the loan

Rates and Terms

Conterra Fund loans are individually priced, recognizing the circumstances of each borrower

- Loans are priced to risk
- Up to 5-year terms, variable or fixed rates
- Monthly, quarterly, semi-annual payment frequencies
- Amortizations up to 30 years, level principal payments or **interest-only options**
- All loans require a first lien position on agricultural real estate, or second lien position behind Farmer Mac

Conterra Fund – Underwriting Guidelines

- Current Ratio (CR): 1.0:1
- Debt to Asset Ratio (DA): <60%
- Total Debt Coverage Ratio(TDC): 1.1:1
- Loan to Value (LTV): $\leq 65\%$
- FICO(all borrowers): ≥ 660
- Primary Residence of Total Appraised Value: $\leq 30\%$
- It is preferred the Borrower be a legal entity and the majority of collateral must be owned by the entity
- May include case-specific covenants

Partnership with Conterra

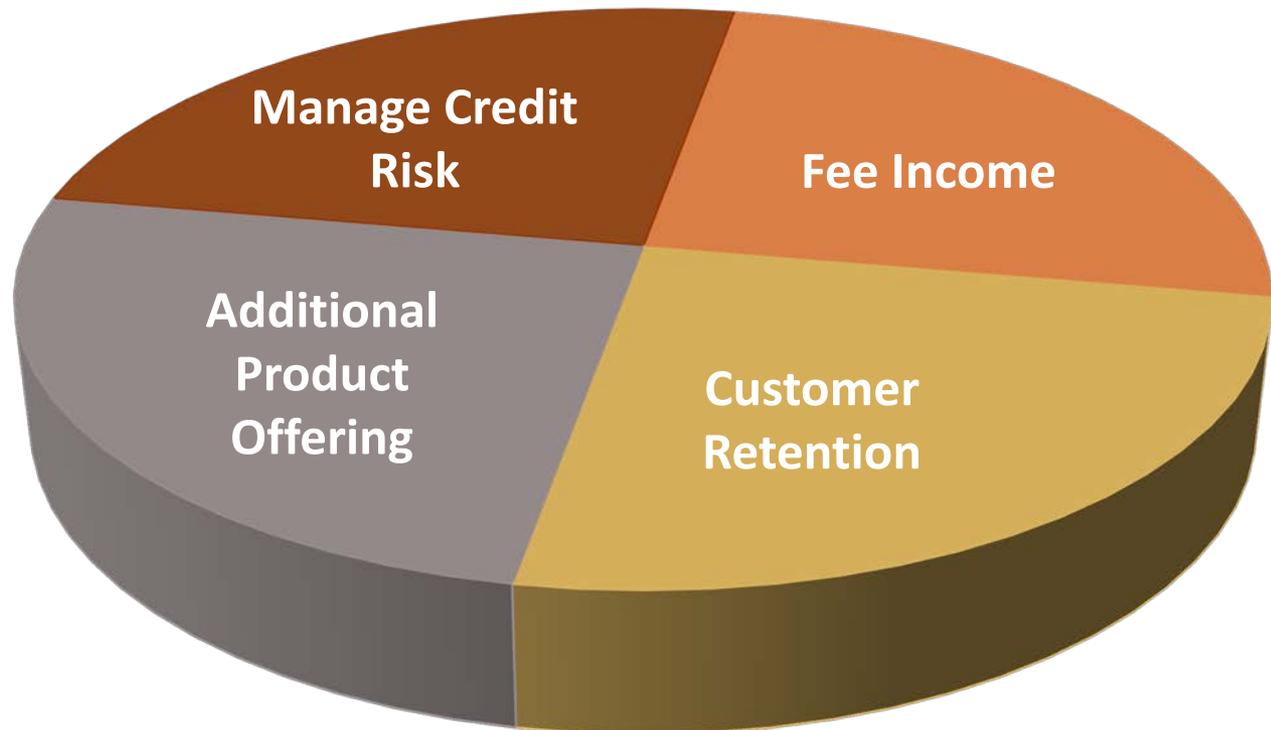
- **Referral Relationship**

- Introduce the borrower to Conterra
- Conterra pays a portion of the origination fee to the lending partner

- **Correspondent Relationship**

- Gather financial information from borrower
- Write narrative
- Collect information per loan covenants
- Inspections (as requested)
- Conterra splits origination fee with the lender and pays field servicing over the life of the loan

How We Enhance Your Business:



Benefits to Lender:

- Manage credit risk and improve portfolio quality
- All Conterra loans are held in portfolio and managed by Conterra
- Conterra finances real estate, lender retains operating loans and other business with the client
- Fee income through shared origination fees and servicing fees
- Online portal that allows lender to monitor the loan's performance
- Custom billing options allow you to stay in front of your customer

How it Works:

1. Lender submits loan application and supporting documents
2. Conterra reviews and underwrites
3. Conterra holds Credit Committee for loan approval
4. Upon approval, a Preliminary Loan Approval (PLA) will be issued by Conterra
5. Borrower agrees to terms and conditions set forth in PLA, signs and returns to Conterra
6. Borrower remits due diligence fee
7. Conterra orders USPAP-conforming appraisal and title
8. Conterra reviews title and appraisal
9. Conterra completes all loan documentation and schedules closing
10. Loan closes in the name of Conterra Agricultural Capital LLC
11. Conterra services loan and sends billing
12. Field servicing fees are paid to Lender upon payment received from Borrower

Required Documents for Application



Conterra Loan Application

- Loan Application
- Proof of Identification
- Credit Authorization Form



Financial Information

- Balance Sheet
- Audited Financial statements (3 yrs min)
- Tax Returns (3 yrs min)
- Proforma Income and Expense



Credit Verifications

- Paystubs or W2 for off-farm income (2 most recent)
- Balance statements from major lenders
- Asset verifications

Access Loan Application and Checklist at www.conterraaq.com
Contact underwriting team for assistance.

Conterra Fund – Loan Example

Midwest Operation (at submission)

- Loan Amount: \$2,381,978
- Loan to Value: 24.34%
- Current Ratio: 0.94
- Debt-to-Asset Ratio: 29.39%
- Avg TDC Ratio: .75
- FICO: 656,716,702,641,734
- Situation: A debt restructure will reduce the annual total principal and interest. This will help relieve cash flow pressures and consolidate outstanding debt, as only an operating note will remain outside of the Conterra note.

Midwest Operation (post-close)

- Loan Amount: \$4,000,000
- Loan to Value: 51.84%
- Current Ratio: 3.63
- Debt-to-Asset Ratio: 29.91%
- TDC Ratio: 2.01
- Terms: 7.25% fixed, 3-year balloon, interest only, semi-annual payment
- Collateral for this loan consists of +/- 2,470 acres.

Midwest Operation

Use of Proceeds:

- Refinance Real Estate - \$2,475,697
- Refinance Non-Real Estate - \$1,446,769
- Working Capital - \$18,128
- Closing Fees - \$20,000
- Origination Fees - \$39,406
- Correspondent received 0.50% field servicing fee and a 50/50 split of origination

Midwest Operation

Story:

- Years of profitability had led the applicants to expand their equipment line in order to utilize depreciation to their limit tax liability. The operation was hindered by falling commodity prices and the additional cost of bringing the owner's children into the operation.
- The operation showed sufficient cash flow in 2013 and 2016 to service the proposed debt restructure.
- Two years of losses in 2014 and 2015. Losses were largely attributed to poor wheat yields and an expanding equipment line. Leading their existing operating lender to sweep crop proceeds and not renew the line in 2016.
- 2016 cash flow showed improvement from the previous two years and harvested crop inventories expanded. Similar yields were expected in 2017.
- A restructure of equipment debt onto the real estate created a \$300,000+ reduction in annual debt service obligations.

Midwest Operation

Conditions Prior to Funding

- First lien on real estate
- Appraisal providing a loan-to-value of 52% or below
- Operating commitment from bank with terms acceptable to Conterra
- Other standard conditions and review of entity and trust documents

Loan Covenants

- Borrowers to maintain compliance with all environmental and regulatory laws
- Borrowers are required to receive written approval from lender for all annual capital expenditures, in total exceeding \$50,000
- Borrowers and guarantors to provide lender with annual financial statements within 90 days of year-end
- Other standard covenants

Conterra Fund – Loan Example

Northwest Livestock (at submission)

- Loan Amount: \$2,581,046
- Loan to Value: 56.97%
- Current Ratio: .74
- Debt to Asset Ratio: 58.5%
- Avg TDC Ratio: .86
- FICO: 728, 775, 700, 733
- Situation: There was a large amount of equipment debt for this size of operation. Need to refinance real estate, operating debt and carryover losses. The operation is at capacity for cattle allowing them to maximize their fixed asset base and cash flow post restructure.

Northwest Livestock (post-close)

- Loan Amount: \$2,944,500
- Loan to Value: 65%
- Current Ratio: 1.03
- Debt to Asset Ratio: 59%
- Avg TDC Ratio: 1.67
- Terms: 7.75% gross rate, 3-year fixed, 2-year extension upon credit review, 25-year amortization, semi-annual pay

Northwest Livestock

Use of Proceeds

- Refinance Real Estate - \$2,581,046
- Refi Non-Real Estate -\$314,004
- Closing Fees - \$20,000
- Origination Fees - \$29,450
- Correspondent received 0.25% field servicing fee and a 50/50 split of origination

Northwest Livestock

Financial Highlights:

- Working capital was tight, however, this risk was mitigated by bank's willingness to extend more commitment if needed through a fully budgeted operating line.
- Leverage was also higher than ideal but manageable and is expected to improve as the borrowers pay down the operating loss carryover through a 7-year amortization period.
- The payoff of equipment through the combined loans from Conterra and the bank decreases the demand on the borrower's cash flow, improving the projected TDC.
- Projected income is reasonable as the area is receiving full water allocations and beef prices have increased over the past year.

Northwest Livestock

Conditions:

- A qualified appraisal indicating a LTV of 65% or less
- 1st lien position on subject property
- The collateral to be vested in an entity that will be liable on the note.
- Note is cross defaulted with bank
- The 3-year term has an annual requalification, if Bank pulls out of operating, Conterra's note becomes due and payable.
- Conterra's note is contingent upon the approval of the Bank's renewed operating line and restructure of \$1 million of the current operating line.

Loan Covenants:

- Conterra to receive a copy of the fully budgeted operating line from Bank each year.
- Non-Monetary default will result in a 2.50% interest rate increase.

Conterra Contacts

Paul Erickson

President & CEO

Office: (515) 564-5138

Cell: (515) 480-2702

Paul.Erickson@ConterraAg.com

Nick Stokes

Senior Vice President/Managing Director

Cell: (217) 649-7292

Toll Free: (855) 381-3451

Nick.Stokes@ConterraAg.com

Tom Stenson

Executive Vice President

Cell: (828) 817-1702

Toll Free: (855) 381-3451

Tom.Stenson@ConterraAg.com

TJ Roemmich

VP Credit Administration

Office: (515) 564-5139

Cell: (515) 577-9407

TJ.Roemmich@ConterraAg.com

David Denos

VP Western Region

Cell: (541) 243-3115

Toll Free: (855) 381-3451

David.Denos@ConterraAg.com

(855) 381-3451 | info@conterraag.com | www.conterraag.com



Contact Us For More Information

Visit: ConterraAg.com

Call: (855) 381-3451

Email: info@ConterraAg.com