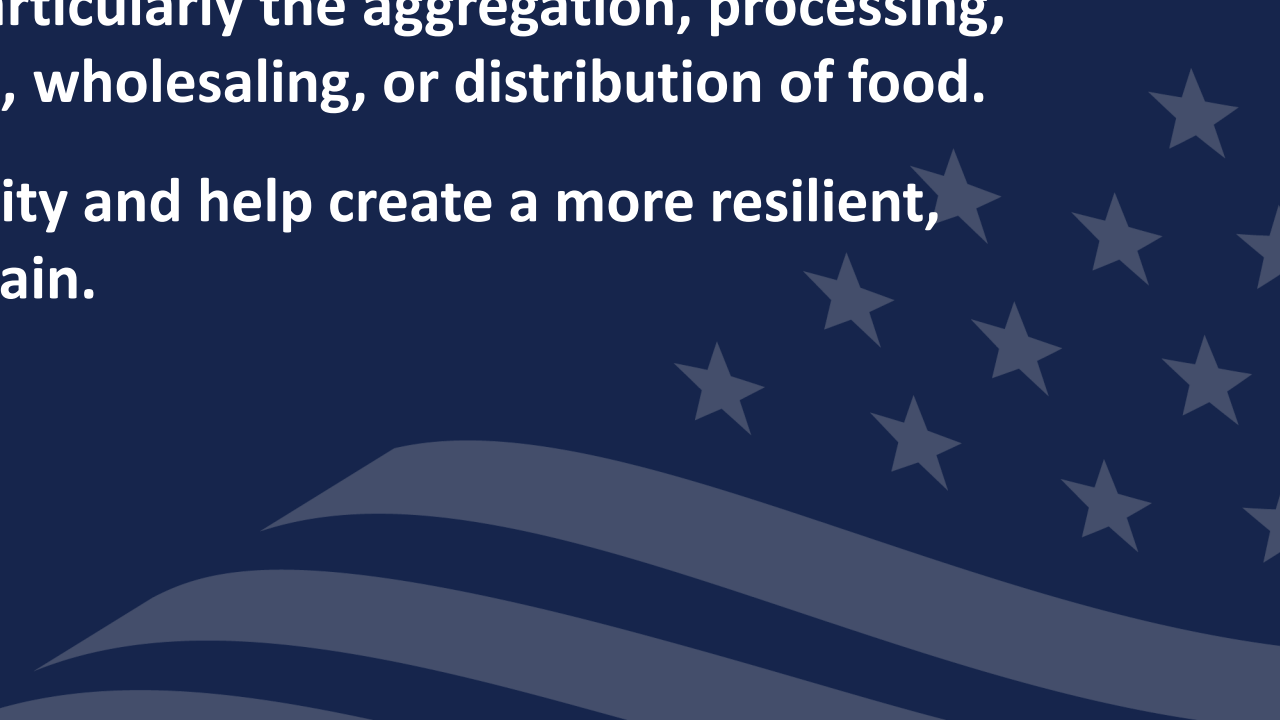




Food Supply Chain Guaranteed Loan Program

Food Supply Chain Guaranteed Loan Program

- **The Food Supply Chain Guaranteed Loan Program (FSC) will provide approximately \$1.4 billion in loan guarantees to commercial lenders.**
 - **FSC will facilitate financing to qualified borrowers and projects for activities in the middle of the food supply chain, particularly the aggregation, processing, manufacturing, storage, transportation, wholesaling, or distribution of food.**
 - **The purpose of FSC is to increase capacity and help create a more resilient, diverse, and secure U.S. food supply chain.**
- 


FSC Program Objectives

Objectives of FSC:

- **Expand access to financing for food systems infrastructure**
- **Increase capacity and help create a more resilient, diverse, and secure U.S. food supply chain**
- **Support USDA's FY 2022 Departmental priority of Creating More and Better Market Opportunities. "The food system of the future needs to be fair, competitive, distributed, and resilient."**
- **Serve as a pilot program to inform the other programs authorized under Section 1001 of the American Rescue Plan Act of 2021**

Rural Development FY 2022 Priorities

USDA Rural Development FY 2022 Priorities:

1. **Assisting rural communities recover economically from the impacts of the COVID–19 pandemic, particularly assisting disadvantaged communities;**
 2. **Ensuring all rural residents have equitable access to Rural Development (RD) programs and benefits from RD funded projects; and**
 3. **Reducing climate pollution and increasing resilience to the impacts of climate change through economic support to rural communities.**
- 

FSC Program

Administration / Governance / Guidance

- **Notice of Funding Opportunity**
[Federal Register / Vol. 86, No. 234 / Thursday, December 9, 2021](#)
- **Program Information / Program Website**
<https://www.rd.usda.gov/food-supply-chain-guaranteed-loans>

FSC Program – Contact Information

Program Email Address: rdfoodsupplychainloans@usda.gov

USDA Rural Business-Cooperative Service Program Leadership:

Mark Brodziski – Deputy Administrator |

Mark.Brodziski@usda.gov

Jeff Hudson – Public Private Partnerships Branch |

Jeff.Hudson@usda.gov

FSC Program – Eligible Borrowers

Eligible Borrowers must meet the following criteria:

An entity organized and operated on a profit or nonprofit basis, an Indian tribe on a Federal or State reservation or other federally recognized tribal group, a public body, or an individual.

A business engaged in or proposing to engage either directly or through contractual, lease or service agreements with another entity or entities including affiliated entities, in aggregating, processing, manufacturing, storing, transporting, wholesaling, or distributing food.

A business engaged or proposing to engage in commercial food product project(s) either directly or through contractual, lease or service agreements with another entity or entities including affiliated entities.

Borrowers engaged or proposing to engage in processing of meat, poultry, processed egg products, and catfish must comply with the requirements of the USDA Food Safety and Inspection Service.

Borrowers engaged in processing of other foods and food ingredients must comply with the requirements of the Food and Drug Administration (FDA).

FSC Program – Eligible Uses of Loan Funds

Eligible uses of loan funds, include but are not limited to:

Loan funds must support the start-up or expansion of activities in the middle of the food supply chain, particularly the aggregation, processing, manufacturing, storage, transportation, wholesaling, or distribution of food, to increase capacity and help create a more resilient, diverse, and secure U.S. food supply chain.

- Purchase and development of land, buildings, or infrastructure.
- Purchase of machinery and equipment including but not limited to manufacturing systems, information technology systems, and commercially available new technologies that promote worker safety or food safety.
- Startup costs, working capital, inventory, and supplies in the form of a permanent working capital term loan.
- No more than 50 percent of the funds of a loan may be used to refinance existing debt, subject to conditions.
- Cooperative stock, the purchase of stock in a business by employees forming an Employee Stock Ownership Plan or worker cooperative, and loans to a fund that invests primarily in cooperatives.
- New Markets Tax Credit (NMTC) structures.

FSC Program – Cooperative Stock/Equity

Cooperative Stock / Cooperative Equity

The cooperative or business entity assisted must be an eligible borrower under this notice and the funds must be used for eligible uses of loan funds under this notice:

- (1) Loans for the purchase of cooperative stock by individual farmers or ranchers in a farmer or rancher cooperative.
- (2) Loans to a fund that invests primarily in cooperatives.
- (3) Loans to worker-owned cooperatives or ESOP

Leveraged loan to a cooperative:

Total of equity loans and leveraged loan to a cooperative cannot exceed \$40 million.

FSC Program – New Markets Tax Credit

New Markets Tax Credit (NMTC) structures

1. Loans directly to Qualified Active Low-Income Community Businesses (QALICB)

- Lender (Community Development Entity with NMTC allocation) must be an eligible FSC lender
- QALICB must be a FSC eligible borrower
- The use of loan funds must FSC eligible purposes

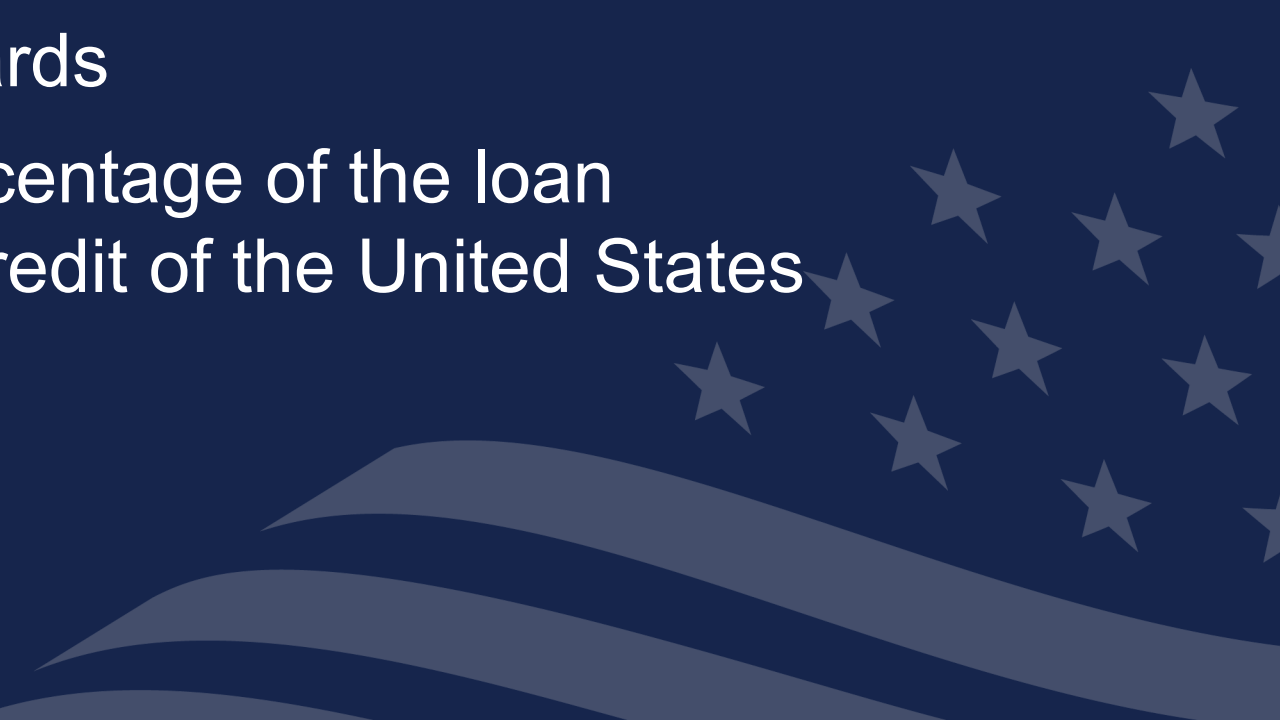
2. Loans to a NMTC leveraged equity structure

- Lender (commercial lender) must be an eligible FSC lender
- Borrower (leveraged lender) affiliate of the QALICB
- Borrower passes the guaranteed loan funds through the NMTC structure to leverage NMTC equity
- QALICB must be a FSC eligible borrower
- The use of loan funds must FSC eligible purposes

3. Loans as companion loan to NMTC structure - Example:

- Real estate development is financed through NMTC structure, and
- Equipment is financed with a FSC guaranteed loan

Food Supply Chain Guaranteed Loan

- Loan made by a commercial lender
 - Borrower and guarantors are responsible for repaying the loan
 - Must meet the requirements of the FSC Notice and the lender's underwriting standards
 - USDA guarantees a certain percentage of the loan supported by the full faith and credit of the United States
- 

FSC Program – Full Faith and Credit

Full faith and credit – A loan note guarantee issued under this notice constitutes an obligation supported by the full faith and credit of the United States and is incontestable except for fraud or misrepresentation of which a lender or holder has actual knowledge at the time it becomes such lender or holder, or which a lender or holder participates in or condones.

1. Any loss sustained by the Lender on the guaranteed portion of the guaranteed Loan, including principal and interest, evidenced by the notes or assumption agreements and secured advances for protection and preservation of collateral made with the Agency's authorization.
2. To any Holder holding a valid Assignment Guarantee Agreement, 100 percent of any loss sustained by such Holder on the guaranteed portion of the guaranteed loan it owns and on interest due on such portion less any servicing fee.

FSC Program – Borrower Benefits

Benefits of guaranteed loans for Borrowers:

- Longer Repayment Terms
- Full Amortization
- Higher Loan Amounts
- Competitive Interest Rate

FSC Program – Lender Benefits

- ✓ Expand Legal Lending Limits
- ✓ Secondary Market
 - ✓ Sale of guaranteed portion
- ✓ Increase ROI
 - ✓ Sales Premium
 - ✓ Interest Strip
 - ✓ Servicing Fee Collection
- ✓ Mitigate Risk
 - ✓ Guarantee against potential loss
 - ✓ Reduces risk of specialized collateral
- ✓ New Business Development Opportunities
- ✓ Community Reinvestment Act Consideration
- ✓ Local People and Local Access

FSC Program – Lender Eligibility

What lenders are eligible for this program?

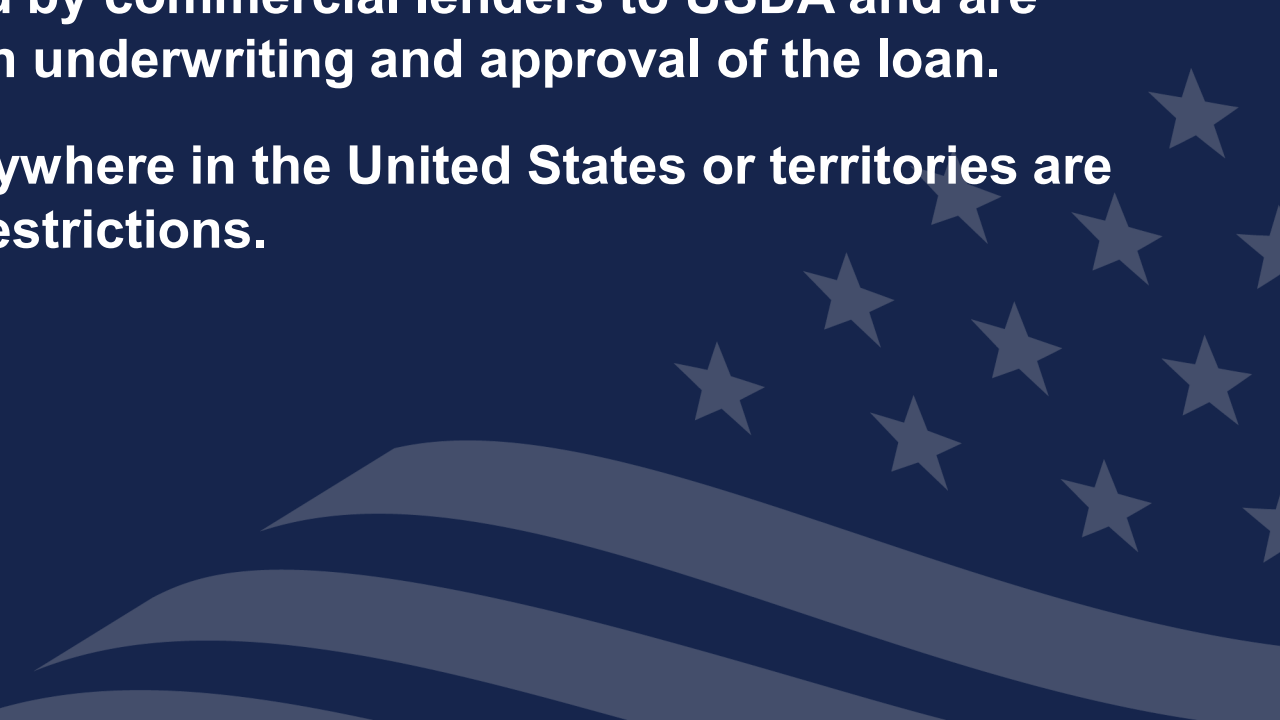
- Lenders that are subject to supervision and credit examination by the applicable agency of the United States or a State including:
 - Federal and State-chartered banks.
 - Savings and loans.
 - Farm Credit Banks with direct lending authority.
 - Credit unions.
- Other non-regulated lending institutions may also be approved by the Agency

FSC Program

Loan Amounts, Rates, and Terms

- **\$40 million maximum loan amount**
 - No minimum loan amount
- **Guarantee Percentage**
 - 90% guarantee if interest rate is fixed for the life of the loan at no greater than current WSJ Prime *plus* 200 basis points.
 - 80% guarantee for all other loans.
- **Interest rates are negotiated by lender and borrower.**
- **Loan terms may not exceed 40 years**
 - See provisions of the NOFO

FSC Program – Key Points

- **FSC will support approximately \$1.4 billion in loan guarantees.**
 - **To date two loans have been approved for a total of \$35 million and the program has a pipeline of \$310 million in loan applications**
 - **Applications for guarantees are submitted by commercial lenders to USDA and are subject to the lender completing their loan underwriting and approval of the loan.**
 - **All rural areas and urban communities anywhere in the United States or territories are eligible as there are not any geographic restrictions.**
- 

FSC Program – Key Points (cont.)

- All rural areas and urban communities anywhere in the United States or territories are eligible as there are not any geographic restrictions.
- No guarantee fees or annual renewal fees.
- Intangible assets can make up no more than 25 percent of the collateral stack
- The lender may request that the loan note guarantee be issued prior to completion of a project's construction.
- The lender may obtain participation in the loan or assign all or part of the guaranteed portion of the guaranteed loan on the secondary market.

FSC Program – Applications for Guarantees

- **The Agency will accept and process applications on a continuous basis.**
- **Lenders may complete either a request for preliminary eligibility review or a full application to begin the process for obtaining a FSC loan guarantee.**
- **All applications under this Notice are subject to the requirements of 7 CFR part 1970 in compliance with the National Environmental Protection Act.**
- **Lenders are encouraged to submit a complete application in a single package; however, the Agency may accept the environmental information required by the Agency and initiate and complete its environmental review in advance of receiving a complete application.**
- **A feasibility study is required for all applications.**

FSC Program – Lender’s Credit Evaluation

The lender is responsible for originating a guaranteed loan in accordance with the requirements of this notice and in accordance with its internal origination policies and procedures to the extent they do not conflict with the requirements of this part. For each application, the lender must prepare a credit evaluation that is consistent with Agency standards found in this notice.

- 1. Character**
 - 2. Capacity**
 - 3. Capital**
 - 4. Collateral**
 - 5. Conditions**
- 
- A decorative background in the bottom right corner of the slide, featuring a pattern of white stars on a dark blue field, with stylized white and light blue waves below them, reminiscent of the American flag.

FSC Program – Capital Equity Requirements

CAPITAL EQUITY REQUIREMENTS SUMMARY

Borrower	Borrower must meet one of the following at the time of the closing of the guaranteed loan:		
	Percent balance sheet equity:	Borrower investment as percent of total eligible project cost:	Balance sheet equity includes owner contributed capital as percentage of total fixed assets:
Existing Business	≥10	≥10	≥10
Borrowers that are new businesses with sales contract(s) adequate to meet debt service and the term of the sales contract(s) are at least equal to the term of the guaranteed loan	≥10	≥10	N/A
Borrowers that are new businesses for a project involving construction and the lender will request the loan note guarantee prior to completion of construction	≥25	≥25	N/A
All other borrowers that are new businesses	≥20	≥25	N/A

The Agency will increase the capital or equity requirement specified above for all guaranteed loans in excess of \$25 million.

FSC Program – Application Intake

All loans will be submitted by lenders via Microsoft Teams. Each lender will be required to acquire level-2 e-Authentication to receive access to the Agency’s Microsoft Teams application intake platform.

1. SAM

Register the DUNS/UEI# at www.sam.gov

2. UEI

A DUNS/UEI number can be obtained at no cost via a toll-free request line at 1–866–705–5711 or online at <http://fedgov.dnb.com/webform>

3. eAuth

Create a USDA E-Authentication Customer Account, <https://www.eauth.usda.gov> . Level 2 access is required.

4. Enrollment form for Microsoft Teams guest access (lender-specific)

Submit [4281-16 – Account and User Creation Form](#) to rdfoodsupplychainloans@usda.gov

FSC Program – Web Resources

FSC Website - <https://www.rd.usda.gov/food-supply-chain-guaranteed-loans>

- **Fact Sheet**
- **NOFO – Federal Register Notice**
- **FAQs**
- **Lender enrollment to the application system**
- **Application Guidance for Lenders and Borrowers**
- **Events—upcoming and recordings**

Other Guar. Loan Programs: <https://www.rd.usda.gov/onerdguarantee>

USDA Meat and Poultry Supply Chain Programs: <https://www.usda.gov/meat>

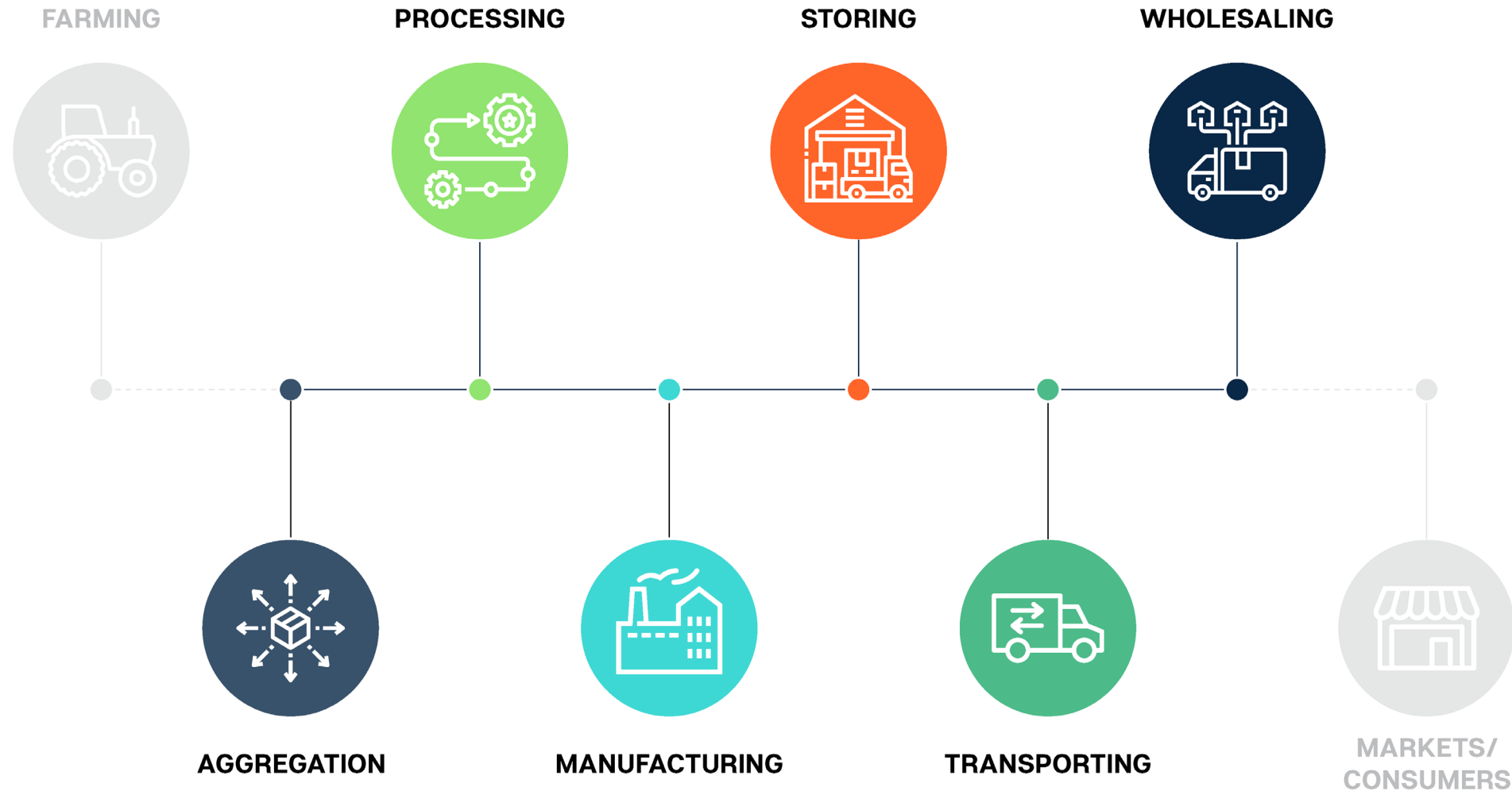
USDA Food Supply Chain Guaranteed Loan Program (Recap)

Overview of Program

- **Funding may be used to:**
 - Start up or expand food supply chain activities such as aggregating, processing, manufacturing, storing, transporting, wholesaling or distributing food
 - Address supply chain bottlenecks
 - Increase capacity and help create a more resilient, diverse and secure U.S. food supply chain

Who is Eligible?

Types of Eligible Companies



Who is NOT Eligible?

Entities That Are Not Eligible



**ALCOHOLIC
BEVERAGE**



TOBACCO



**DIETARY
SUPPLEMENTS**



How to Prepare: USDA Food Supply Chain Guaranteed Loan Program

May 17, 2022

Presented by:
Louis Biscotti, CPA

MARCUM
ACCOUNTANTS ▲ ADVISORS

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How You Can Prepare

- ▶ Need for good books and records
- ▶ Engage your accountants
- ▶ What financial statements do you need
- ▶ Assistance with feasibility study information
- ▶ Debt structure and Impact on existing facilities
- ▶ Financial projections, use of proceeds
- ▶ R&D tax credits and cost segregation studies



Good Books and Records

- ▶ Corporate documents
- ▶ Current tax filings
- ▶ Up to date financial information
- ▶ Prior years financial statements
- ▶ Reconciled accounts
- ▶ Drill down capabilities

A photograph of a deli counter with several white trays filled with sliced meats, likely salami or pepperoni. The background is slightly blurred, showing a person in a white uniform working behind the counter.

Engage Your Accountants

- ▶ Extra information is required
- ▶ Start early and cost out the project
- ▶ Best advisors to assist with this type of application

A photograph of a deli counter with several white trays filled with sliced meats, likely salami or pepperoni. The background is slightly blurred, showing a person in a white uniform working behind the counter.

Types of Financial Statements

- ▶ Compiled
- ▶ Reviewed
- ▶ Audited

- Ask your Banker!



Assistance with the Feasibility Study Information

- ▶ Executive Summary
- ▶ Financial Feasibility
- ▶ Economic Feasibility
- ▶ Management Feasibility
- ▶ Market Feasibility
- ▶ Food Supply Chain Factors
- ▶ Technical Feasibility
- ▶ Safety Conditions

A photograph of a deli counter with several white trays filled with sliced meats, likely salami or pepperoni. The background is slightly blurred, showing a person in a white uniform and a red cap working behind the counter.

Debt Structure and Impact on Existing Facilities

- ▶ Short term versus long term needs
- ▶ Lines of credit
- ▶ Existing facilities
- ▶ Breakage fees
- ▶ Term of new loan

A photograph of a deli counter with several white trays filled with sliced meats, likely salami or pepperoni. The background is slightly blurred, showing a person in a white uniform and a red cap working behind the counter.

Financial Projections, Use of Proceeds

- ▶ Be realistic
- ▶ Be sure to support all written assumptions
- ▶ How many years into the future
- ▶ Be sure to address capital needs and debt repayment
- ▶ Great for overall budgeting anyway!

A photograph of a deli counter with several white trays filled with sliced meats, likely salami or pepperoni, arranged in rows. The background is slightly blurred, showing a person in a white uniform and a red cap working behind the counter.

R&D, Cost Segregation

- ▶ R&D Tax Credits
 - ▶ New to the company not new to the world
 - ▶ All costs including salaries of project
 - ▶ Huge opportunity
- ▶ Cost Segregation Study
 - ▶ Allows 5, 10 and 15 year lives instead of 40
 - ▶ Only the walls and roofs

Thank You!



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Food Supply
Chain
Guaranteed
Loan
Program

Benefits for Borrowers

- Longer Repayment Terms
- Full Amortization
- Higher Loan Amounts
- Competitive Interest Rate
- No Demographic Restrictions



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Q & A

