



Michael W. Frerichs
ILLINOIS STATE TREASURER



INVEST IN ILLINOIS

2020 YEAR IN REVIEW



TABLE OF CONTENTS

Letter from the Treasurer	03
Program Overview	04
How Do Linked Deposits Work	06
History and Evolution of Linked Deposit Programs	07
Program Enhancements	07
Investing in the Illinois Economy	09
Ag Invest	09
Business Invest	13
Community Invest	16
Invest in Illinois 2021 Initiatives	20
Rate Methodology	21



LETTER FROM THE TREASURER

I am pleased to present our Invest in Illinois 2020 Year in Review Report. Within this report, you will learn about the positive economic impact our Invest in Illinois programs have provided to farmers, small businesses, individuals, and communities throughout Illinois.

As the state's Chief Investment Officer, the Treasurer's Office has a tremendous opportunity to generate investment earnings while simultaneously creating economic growth and prosperity. The Treasurer's Office is particularly focused on championing, growing, and investing in underserved areas of Illinois, including rural small towns, suburban communities, and large city centers.

Invest in Illinois is a collection of programs offered by the Treasurer's Office that provides impact investment deposits to lending institutions to provide low-cost loans to farmers, businesses and individuals for community and economic development.

In 2020, the Treasurer's Office deposited more than \$338 million in financial institutions throughout Illinois under the Ag Invest, Business Invest and Community Invest programs. This report provides details of how these deposits were utilized to support, grow and invest in Illinois communities.

Due to the COVID-19 pandemic, my office launched the Small Business COVID-19 Relief Program in March 2020, providing up to \$500 million in deposits to participating financial institutions to assist small businesses and nonprofits negatively affected by the pandemic. Through this program, we were able to provide bridge loans to nearly 2,200 small businesses and consumers in Illinois, including the food service and hospitality industry, retail trade, construction, transportation, health care and consumer lending.

As State Treasurer, it is my goal to continue offering impact investment deposits to farmers, businesses, and individuals in underserved areas, assisting those impacted by the COVID-19 pandemic, and promoting economic growth in communities throughout Illinois.

For more information on our Invest in Illinois Programs, please visit https://illinoistreasurer.gov/Invest_in_Illinois/Overview.

Onward,

Michael Frerichs
Illinois State Treasurer

PROGRAM OVERVIEW

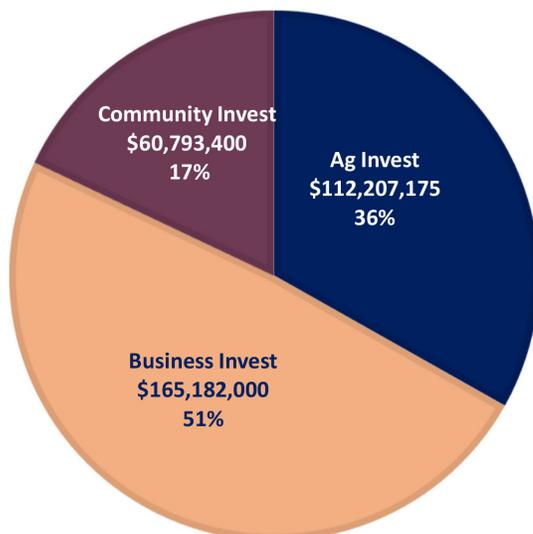
WHAT IS INVEST IN ILLINOIS?

Invest in Illinois is a collection of programs offered by the Office of the Illinois State Treasurer (Treasurer) - (1) Ag Invest, (2) Business Invest, and (3) Community Invest – that provides impact investment deposits to lending institutions to facilitate loans to farmers, businesses, and individuals to promote community and economic development. By providing access to State investment capital at a lower rate, Invest in Illinois incentivizes financial institutions to lend to groups marginalized by limited loans or high-interest rates at a lower cost to borrowers.

The Treasurer has committed \$500 million in impact investment deposit funds to be placed with local financial institutions that seek to provide lower rate loans in their communities.

As of December 31, 2020, the Treasurer had active deposits totaling more than \$338 million in financial institutions throughout Illinois under the Ag Invest, Business Invest and Community Invest programs.

INVEST IN ILLINOIS - 2020 TOTAL DEPOSITS





Ag Invest – an agriculture-focused impact investment program providing loan opportunities for Illinois farmers & agri-businesses to start, expand or add value to their farm operations.

Business Invest – a business-focused impact investment program providing low-cost loans to businesses in underserved areas and small businesses/nonprofits negatively impacted by the COVID-19 pandemic.

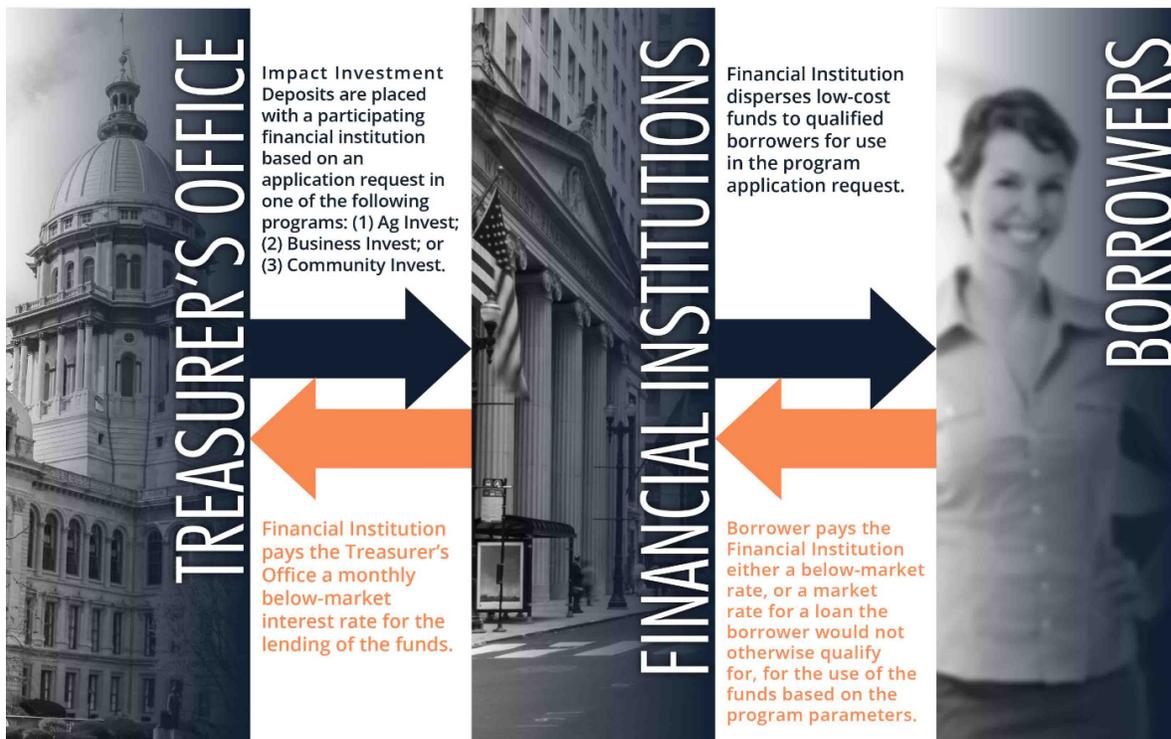
Community Invest – a consumer-focused impact investment program providing low-cost loans to individuals/families in underserved communities and facilitating banking services for legal cannabis-related businesses in Illinois.



HOW DO LINKED DEPOSITS WORK?

Through Community Development Linked Deposit programs, the Treasurer deposits money in approved financial institutions at a below-market rate. Those financial institutions, which include community banks, credit unions, and savings and loan companies, then use that money to provide low-interest loans to qualified borrowers per the guidance and terms of the Treasurer.

The State Treasury earns an investment return on the money deposited, participating financial institutions earn interest on the money lent, and qualified borrowers in Illinois gain access to lower interest loans they can use to expand their business, improve their farm, or develop their local economies and communities.



The goals of Invest in Illinois are simple:

- 1 Provide affordable capital to financial institutions for community and economic development throughout Illinois.
- 2 Generate investment earnings for the State of Illinois.
- 3 Invest in Illinois communities to create jobs, spur economic growth and long-term prosperity.
- 4 Provide access to capital for underserved communities, including low-income communities and communities of color.
- 5 Provide low-interest loans to farmers, businesses and consumers.

LINKED DEPOSITS ARE IMPACT INVESTMENTS

The Treasurer has a opportunity to generate investment earnings while simultaneously creating economic growth here in Illinois. These impact investments are designed to strengthen the economic well-being of all Illinois residents, whether they live in rural small towns, suburban communities, or large city centers. The Treasurer is particularly focused on investing in underserved areas of Illinois, including low-income communities and communities of color. Not only are there great investment opportunities in these communities, but also opportunities to create jobs, stimulate business growth, and spur long-term economic prosperity.

HISTORY AND EVOLUTION OF LINKED DEPOSIT PROGRAMS

For more than 38 years, the Treasurer's linked deposit programs have provided much needed access to capital for agriculture, community and economic development projects. These impact investments have provided economic stability and growth to vital sectors of our economy and over time have expanded into new segments of the evolving marketplace.

The Treasurer continuously reviews its linked deposit programs and adapts them to changing economic and financial conditions to ensure they are meeting the needs of farmers, businesses, consumers, financial institutions, and local communities throughout Illinois.

PROGRAM ENHANCEMENTS 2015-2020

- In 2015, Treasurer Frerichs convened eight roundtable discussions in central and southern Illinois to hear directly from farmers and lenders about the needs and concerns of Illinois agriculture and suggested improvements to the Ag Invest program.
- In 2016-2017, the Treasurer implemented program updates and improvements based upon feedback and recommendations made during these roundtable discussions, including increasing the loan amounts for the Annual and Long Term programs; modifying the Long Term loan terms; increasing the spread for financial institutions; changing the annual operating line of credit from a fiscal year to a calendar year basis; and expanding allowable expenses under these programs.

- In 2019, the Treasurer launched two new programs: Business Invest and Community Invest to provide lower rate loans (or loans for which they would not otherwise qualify) to businesses and consumers in underserved communities. In addition, the Community Invest – Cannabis Banking Services Program was launched to support the implementation or expansion of banking services to legal cannabis-related businesses in Illinois.
- In 2020, the Treasurer launched the Small Business COVID-19 Relief Program, making up to \$500 million in deposits available to banks and credit unions throughout the state, at near-zero rates, to assist Illinois small businesses and nonprofits negatively affected by the COVID-19 pandemic.

PROGRAM ENHANCEMENT RESULTS

AG INVEST - LONG TERM

- ✓ Loan terms on long term programs were swapped from 2+3 and moved to 3+2 and allowed longer terms 3+3 and 3+3+3.
- ✓ Increased spread from 3.5% to 3.75%
- ✓ Expanded the use of funds in the long term ag program.
- ✓ Long term loan deposit request increased to \$300,000 per calendar year.

AG INVEST - ANNUAL

- ✓ Increased annual ag deposit limits from \$300,000 to \$400,000 per single farmer and from \$600,000 to \$800,000 per farm operation.
- ✓ Expanded the use of funds in the annual ag program.
- ✓ Offered financing for the purchase of land up to \$400,000.
- ✓ Ag deposit increased 100% in 2017 due to program changes.
- ✓ Produced new website making it easier to navigate and complete applications.

BUSINESS INVEST

- ✓ Allocated over \$500M to support economic and community development growth in Illinois.
- ✓ Launched the COVID-19 Relief Program in early 2020 to provide much needed capital to Illinois businesses disrupted by the COVID-19 pandemic.
- ✓ More than \$70 million (40%) of COVID-19 Relief funding assisted MWVD-owned businesses.

COMMUNITY INVEST

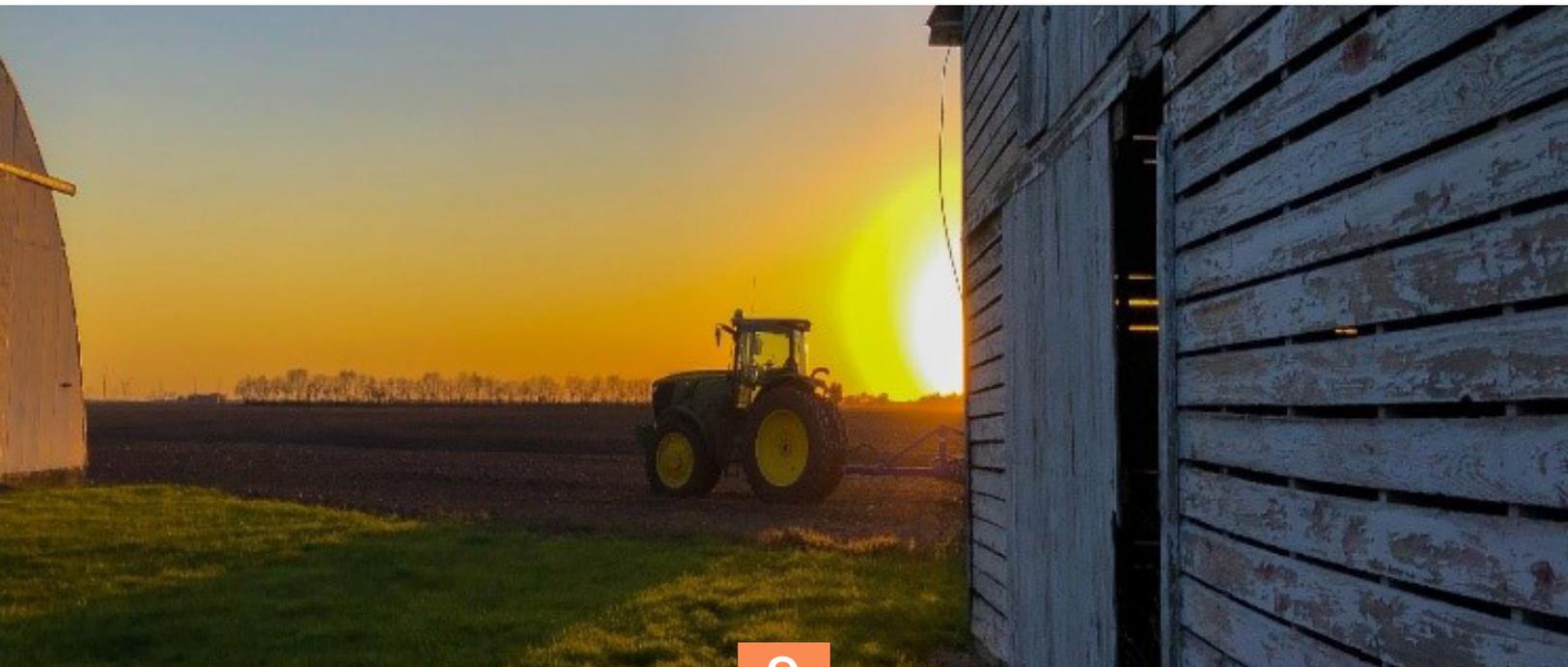
- ✓ Launched Community Invest Opportunity Illinois and Cannabis Banking Services in 2019.
- ✓ Expanded Community Invest program to provide consumers with access to lower interest loans.
- ✓ Cultivation centers and dispensaries were the two largest industries supported through the Cannabis Banking Services program.

INVESTING IN THE ILLINOIS ECONOMY

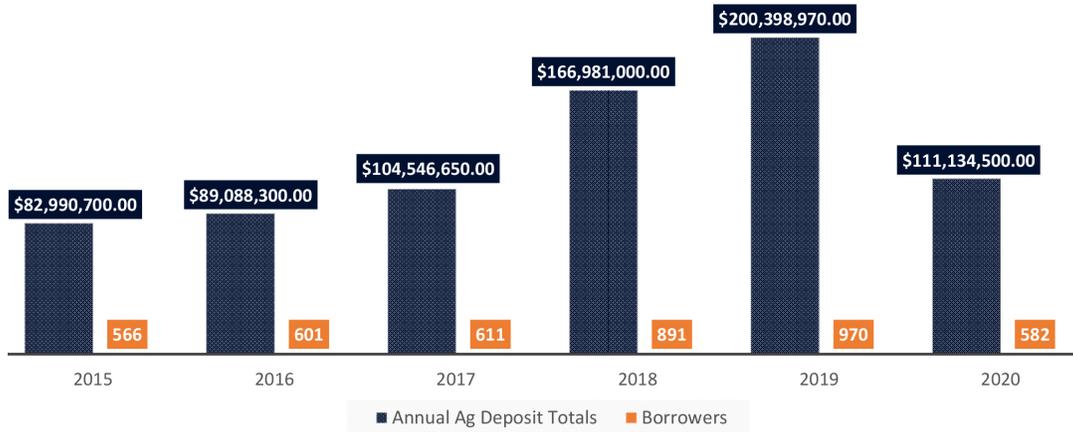
AG INVEST

The Treasurer has facilitated loan opportunities for Illinois farmers for more than 38 years. Ag Invest is the largest and longest running linked deposit program, loaning more than \$4 billion dollars to Illinois farmers since 1983. The Treasurer is committed to our Illinois agriculture partners across the State and continues to improve Ag Invest to ensure we are providing valuable resources to today's farmers.

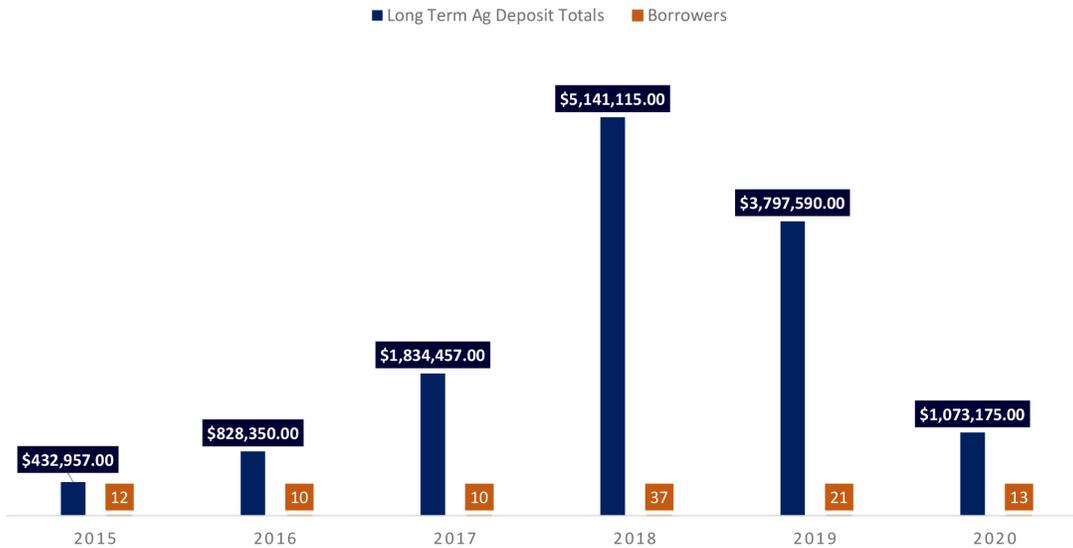
The charts that follow highlight deposit and borrower totals between 2015-2020. As a result of program upgrades instituted in 2016, Ag Invest deposits nearly doubled from \$106 million in 2017 to \$204 million in 2019. However, Ag Invest experienced a decrease in 2020, due in part to the COVID-19 pandemic and the availability of alternative funding through the COVID-19 Relief Program.



AG INVEST ANNUAL HISTORICAL NUMBERS



AG INVEST LONG TERM HISTORICAL NUMBERS



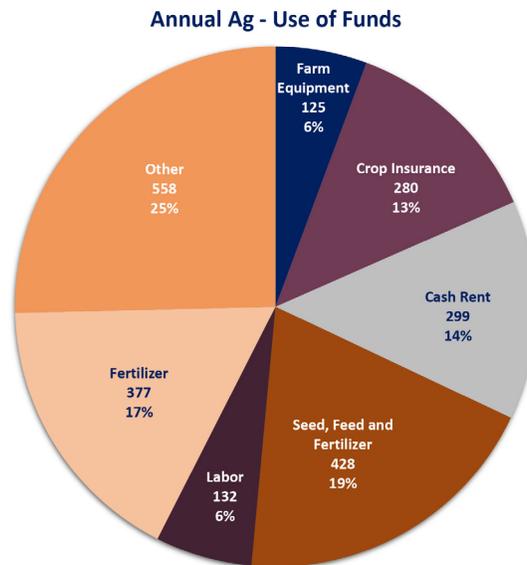
“The Invest in Illinois Program offered by the Illinois State Treasurer has served as an integral funding avenue to assist Bank & Trust Company in creating economic growth in our communities. The three deposit programs – (1) Ag Invest, (2) Business Invest, and (3) Community Invest, have provided Bank & Trust affordable funding to assist in lending to these various economic sectors. The Illinois Treasurer staff’s assistance, along with their online system, makes the process of obtaining state funds seamless. We, at Bank & Trust Company, appreciate the courteous, patient, top-notch service provided by their friendly staff.”

Bank & Trust Company, Litchfield- Bruce K. Vignos

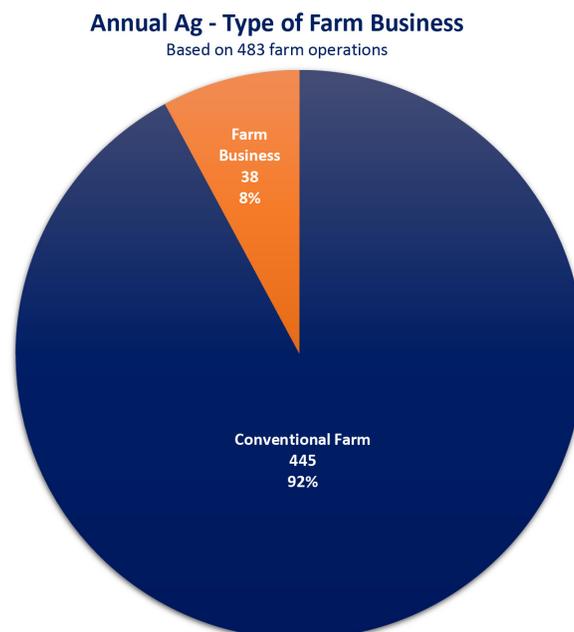
2020 KEY PERFORMANCE INDICATORS

In 2020, Ag Invest made deposits of \$111,134,500 to 582 farmers through the Annual Ag Program and \$1,073,175 to 13 farmers through the Long Term Program.

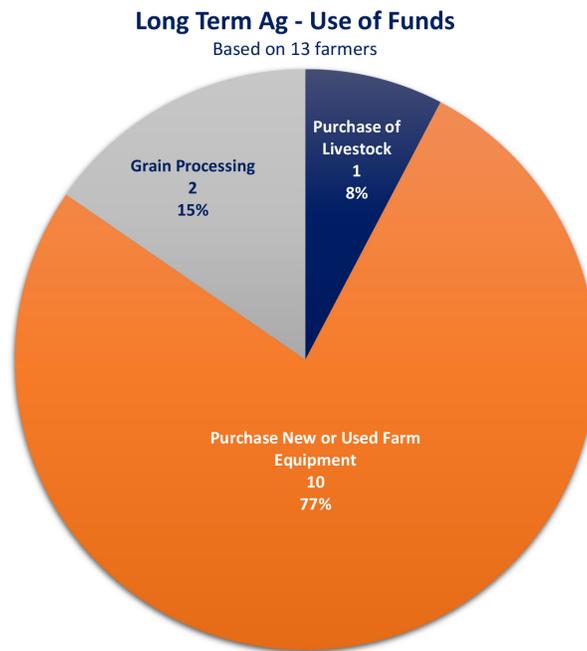
The funds made available under the Ag Invest Annual Loan Program were primarily used to finance seed, feed and fertilizer (36%), cash rent payments (14%); and crop insurance (13%).



The overwhelming majority of funds made available through the Ag Invest Annual Loan Program supported conventional farm operations versus farm businesses.



The Ag Invest Long Term Loan Program was mostly used by conventional farm operations to finance new or used farm equipment (77%), grain processing expenses (15%) and livestock purchases (8%).



BUSINESS INVEST

Launched in 2019, Business Invest is a business-focused loan impact investment program. Through Business Invest, the Treasurer partners with approved financial institutions to facilitate business loans – either lower rate loans, or loans to a business or nonprofit that would not otherwise qualify – to provide capital to underserved communities. This provides an opportunity for the Treasurer to stimulate business growth and economic activity while earning a competitive return for the State.

Business Invest – Community Uplift Program (“CUP”) enables qualified financial institutions that operate in designated areas (i.e., Illinois Enterprise Zones, Opportunity Zones, Low-Income Communities) to access state investment capital at below-market rates, in the form of an impact investment time deposit. Qualifying businesses located in one of the three zones mentioned above qualify. This gives local financial institutions in under-resourced areas access to additional financial resources, which positions them to increase lending efforts, reduce borrower costs, create jobs, and fund more economic development activities.



“We’re pleased Treasurer Frerichs’ COVID-19 Relief Program helped Peoples Bank and Trust, Pana, finance our new Illinois manufacturing facility.”

Brad S, Company Executive, Illinois Small Business



“We are very happy with the process. We asked for \$350,000. We were able to help out 7 small businesses in our area. We had a wide-variety of businesses. We had a golf course/hotel, a home builder, a rock quarry owner, a convenience store, a body shop, and two small manufacturers. We used the funds to arm them with some liquidity to help cover some bills in a slow-time as a result of the COVID-19 pandemic. The process was simple to submit an application, use a FHLB PUD to secure it, and within a week we received the funds and had the money in businesses’ hands to use.”

Milledgeville State Bank -Scott Foltz, Vice President

Business Invest – Illinois Small Business COVID-19 Relief Program is an impact investment loan program under which the Treasurer is making up to \$500 million in deposits available to banks and credit unions throughout the State, at near-zero rates, to assist Illinois small businesses and nonprofits negatively affected by the COVID-19 pandemic. The purpose of this funding is to provide vital economic support to small businesses and nonprofits throughout Illinois to help overcome the loss of revenue they are experiencing.



“The State Treasurer’s program provided us with much-needed liquidity to provide 200 SBA PPP loans for over \$23 million, supporting employment for 3,197 people. We were also able to provide over \$3 million in loan deferments to more than 775 existing customers.”

Peoples Bank & Trust in Pana -John Gardner, President

COVID-19 Eligibility, Terms and Conditions:

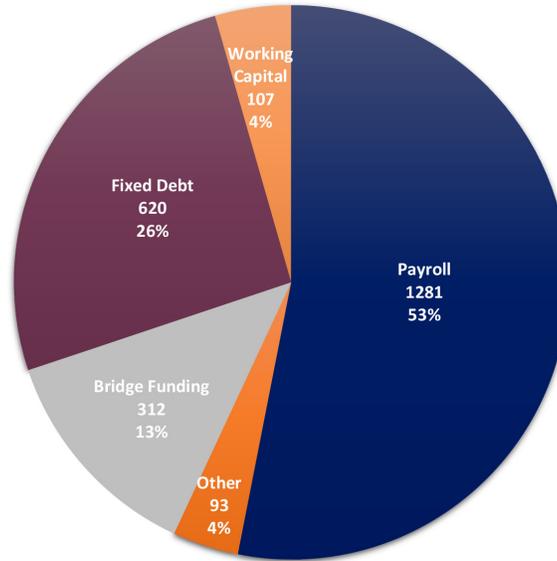
- State funds are deposited with qualified financial institutions for a 1-year term at a near-zero deposit rate of 0.01% (0.0001).
- Deposits can be drawn in \$1 or \$5 million increments, up to a maximum of \$25 million per financial institution, unless an exception is granted by the Office of the Illinois State Treasurer (Treasurer).
- Deposited funds facilitate affordable loans (not to exceed 4.75%) to small businesses and nonprofits to be used to provide bridge funding, pay fixed debts, payroll, accounts payable and other bills.
- Eligible Illinois businesses or nonprofits must: (1) have been shut down or limited due to COVID-19; (2) have less than \$1 million in liquid assets or \$8 million average annual receipts (per SBA standards), unless an exception is granted by the Office of the Illinois State Treasurer (Treasurer); and (3) be headquartered in the state of Illinois or agree to use the funds in Illinois.
- Deposits can be renewed on a basis determined by the Treasurer.
- Financial institutions are required to provide reports to the Treasurer regarding the usage of program funds, including the number and types of loans provided and the economic impact of such loans.

2020 KEY PERFORMANCE INDICATORS

In 2020, Business Invest made deposits of \$165,182,000 to nearly 2,200 small businesses and consumers in Illinois.

A majority of the funds provided under the COVID-19 Relief Program were used to support payroll expenses (53%), followed by fixed debt (26%) and bridge funding (13%).

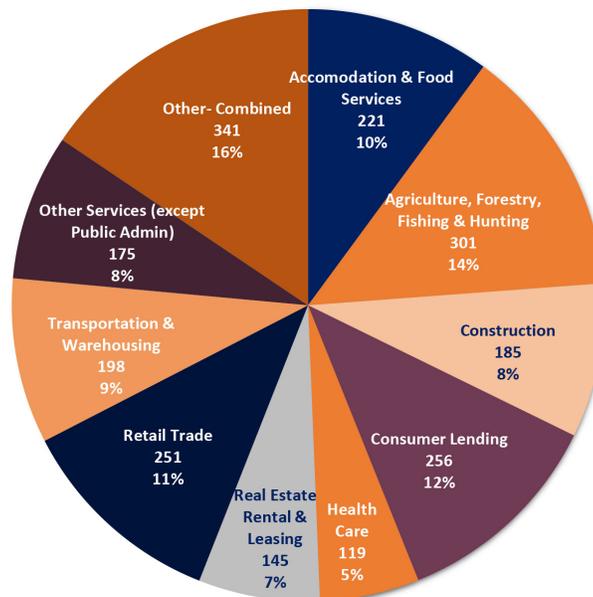
COVID-19 - Use of Funds



The COVID-19 Relief Program provided much-needed capital to nearly 2,200 small businesses and consumers in Illinois, including the food service and hospitality industry, retail trade, construction, transportation, agriculture, health care and consumer lending.

COVID-19 - Type of Business

Based on 2,200 small businesses and consumers





COMMUNITY INVEST

Launched in 2019, Community Invest is a consumer-focused loan impact investment program. Through Community Invest, the Treasurer partners with approved financial institutions to facilitate loans – either lower rate loans, or loans to individuals and families that would not otherwise qualify – to provide capital to underserved communities. In doing so, the Treasurer seeks to boost economic activity in Illinois while earning a competitive return for the State.

Community Invest – Opportunity Illinois is a consumer-focused loan program that offers qualified financial institutions that operate in designated areas (i.e. Illinois Enterprise Zones, Opportunity Zones, Low-Income Communities) access to State impact investment capital at a lower rate, in the form of a time deposit. This gives community banks, local credit unions, and savings and loan institutions in under-resourced communities access to additional financial resources, which positions them to increase lending efforts to individuals and families for home mortgages, auto loans, student loans and personal loans.



“As a Banker, I have used the Opportunity Illinois Program multiple times. It is a valuable tool for our Bank. The program itself is very easy to use and the forms are simple to understand and fill out. I have found it very easy to get in touch with Rebecca and her staff and they have immediately answered my questions. I will not hesitate to use this program in the future.”

Longview Bank & Trust, Lynn Gardner, EVP & Cashier



Community Invest – Cannabis Banking Services Program is a community development program that offers qualified banks and credit unions access to state impact investment capital at a lower rate to facilitate the implementation or expansion of basic banking services to legal cannabis-related businesses in Illinois. In turn, this allows cannabis-related businesses, their employees and the ancillary businesses that support them to: (1) make deposits; (2) write checks; (3) enable payroll; (4) permit electronic payments; (5) conduct other related banking services to facilitate cash deposits and the payment of taxes, fees/charges; and (6) execute a number of banking activities promptly and accurately. Furthermore, this also promotes fraud deterrence, anti-money laundering efforts, and crime prevention posed by the possession of significant amounts of cash on business premises.

Through this program, the Treasurer partners with approved financial institutions to provide banking services to a cannabis-related business that would not otherwise have access or have limited access to banking services due to federal government statutes.

- Provides financial institutions a 2-year term deposit with variable monthly rates based on Federal Overnight Excess Funds.
- Supports financial institutions so they will provide cannabis-related businesses with reasonable banking fees.
- Enables cannabis-related businesses access to banking services that help build operational capacity and better serve their communities.
- Promotes the transition of an all-cash cannabis market to a fully banked, regulated, and transparent market.

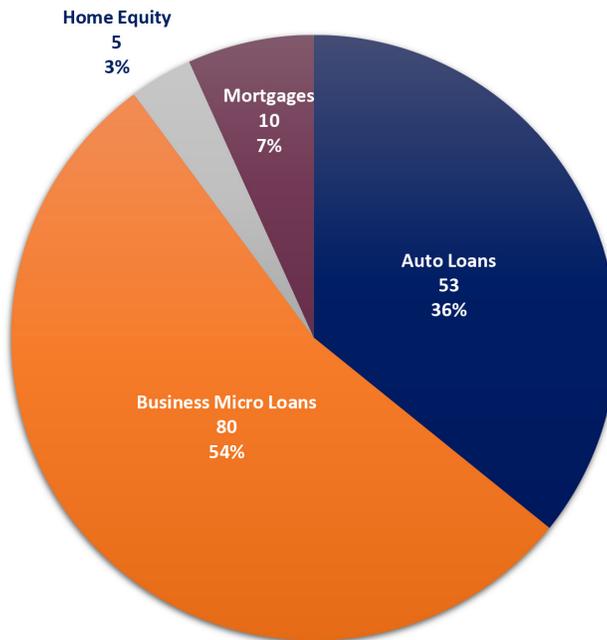
2020 KEY PERFORMANCE INDICATORS

Community Invest has \$60,793,400 active deposits supporting both the Cannabis Banking Services and Opportunity Illinois Programs.

The funds made available through the Community Invest Opportunity Illinois Program were utilized to fund business micro loans (54%), auto loans (36%) and mortgages/home equity loans (10%).

Opportunity Illinois - Use of Funds

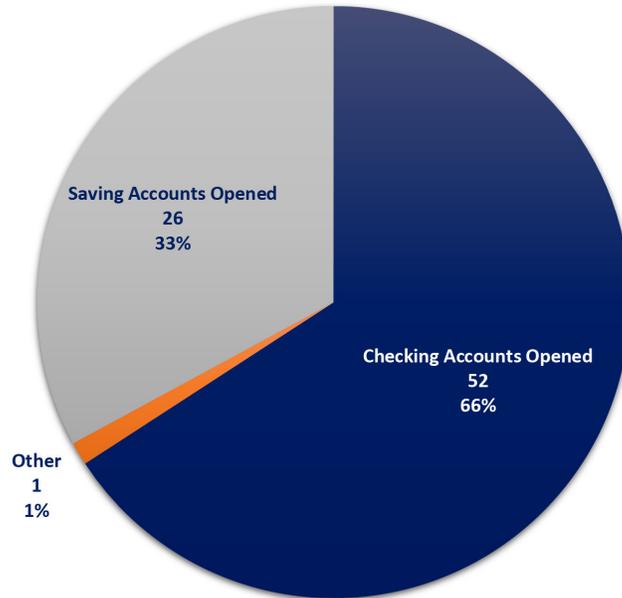
Based on 148 accounts



The Cannabis Banking Services Program has facilitated banking services for 79 cannabis-related businesses in Illinois, including checking accounts (66%) and savings accounts (33%).

Cannabis Banking - Use of Funds

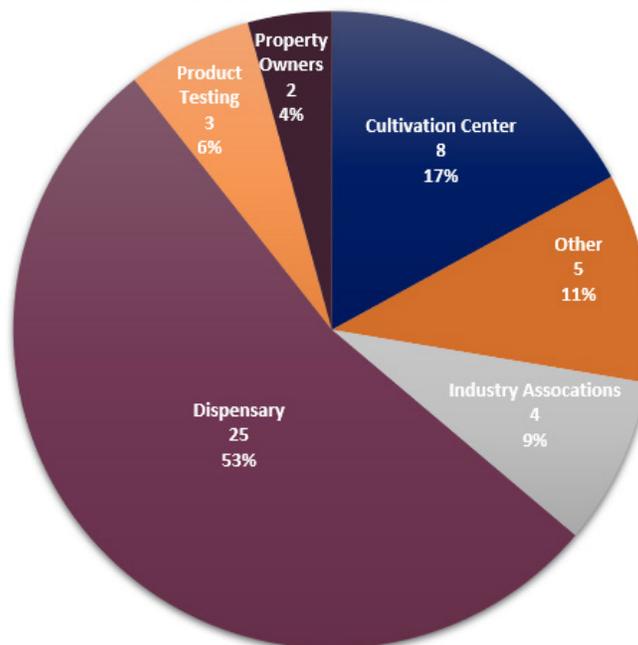
Based on 79 opened accounts



The types of businesses assisted through the Cannabis Banking Services Program were predominately dispensaries (53%) and cultivation centers (17%).

Cannabis Banking - Type of Business

Based on 47 cannabis businesses



INVEST IN ILLINOIS 2021 INITIATIVES

- **Business Invest – Sub-Contractor Accelerator Loan Engine Program (SCALE UP)**
Impact investment program for small diverse businesses that enables qualified financial institutions access to state investment capital at below-market rates to provide loans to diverse, small business construction contractors in Illinois (owned by women, minority persons, military veterans, and persons with disabilities).
- **Community Invest – Financial Support for Nonconforming Mortgages**
Impact investment program to provide qualified financial institutions access to state investment capital at below-market rates to provide liquidity to financial institutions who provide nonconforming mortgages to individuals in their communities.
- **Community Development Loan Guarantee Program**
Loan guarantee program established by statute (PA 101-0657) that allows the State Treasurer to use up to \$10 million in investment earnings to guarantee small business and consumer loans to borrowers in communities of color and low-income communities.
- **Invest in Illinois Advisory Committee**
Assemble an advisory committee made up of stakeholders in Invest in Illinois to provide meaningful input and feedback regarding these programs and to assist with outreach to financial institutions regarding the Invest in Illinois programs.
- **Invest in Illinois Virtual Road Show**
The Treasurer and his staff will leverage technology to conduct a virtual road show of Invest in Illinois programs to financial institutions, farmers, businesses, community leaders, business associations, and other interested parties to promote these impact investment programs.

RATE METHODOLOGY

Invest in Illinois Rate Methodology - The Invest in Illinois rate methodology is based upon various factors, including the market environment and economic conditions. After a prudent analysis and evaluation of the market environment, competitive forces, economic conditions, and intended objectives, the rate methodology was adjusted effective January 2021 as follows:

- 65% of the applicable deposit maturity, 30 day moving average
- C0841Y BFV USD United State Government Agency 1 year
- 50% of the applicable deposit maturity, 30 day moving average
- C0842Y BFV USD United State Government Agency 2 year
- C0843Y BFV USD United State Government Agency 3 year
- Fixed term rates to reset on the 1st calendar day of the month
- 1-year, 2-year, and 3-year fixed terms available, exception Ag Invest-Annual 1-year term
- Rates associated with 3-year deposit terms shall not be lower than 2-year deposit term rates
- \$15 million max per program per financial institution
- \$35 million max per financial institution
- No more than \$25 million total daily deposit draws per day by all financial institutions
- Utilization of Ag Invest: Annual program will not count towards program limits on each financial institution
- Utilization of Ag Invest: Annual program will not count towards total daily deposit draws
- Deposits allocated to financial institutions shall be no more than 10% of institution's deposits
- Collateralization in accordance with prescribed guidelines

Rate methodology is typically reviewed twice yearly. Current rates can be found at illinoistreasurer.gov.



Michael W. Frerichs
ILLINOIS STATE TREASURER

