

AgStar

Today



SPRING 2011



SPRING PLANNING ISSUE

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Building strong communities, one project at a time

HARMONY RIVER LIVING CENTER: A partnership between Hutchinson Area Health Care and AgStar’s Rural Capital Network

America is aging. In fact, the number of people age 65 and over in the United States is projected to grow at a rate of 147 percent in the next 40 years. Unfortunately, a lot of communities across the country aren’t prepared for it.

In many ways, Hutchinson, Minn., is one of those communities. Located an hour west of the Twin Cities, Hutchinson is a rural community with about 14,000 residents. Its only nursing home facility was Burns Manor, a 120-bed facility built in 1947 that has no central air, an unsatisfactory heating system and resident rooms in need of extensive repairs.

Recognizing the need for a better facility, especially as the demand for skilled care increases, Hutchinson Area Health Care (HAHC) undertook extensive research to improve Burns Manor. HAHC explored multiple options, including upgrading and remodeling the existing facility, expanding at the existing site and building on a new site.

After a careful cost analysis, HAHC determined that building a brand new facility designed similar to Hutchinson Community Hospital was the best option. HAHC identified a building site near the hospital campus, bought the land and then turned to the task of finding financing.

HAHC pursued traditional, tax-exempt bond financing, but with market turmoil and a credit crisis looming over the nation, getting financing was very difficult—even for such a vital project. The developer on the nursing home project, Senior Housing Partners of Roseville, Minn., asked AgStar Rural Capital Network to talk to HAHC about the project and explore alternative funding solutions.

Supporting agriculture through strong communities.

Bob Madsen, associate vice president of AgStar Rural Capital Network, met with HAHC executives to find out more about their vision for a new nursing home. As part of its commitment to supporting community and economic development, AgStar Rural Capital Network pledged to work with HAHC and find funding for the important project.

“Too often, when there are no other options, organizations sometimes feel boxed in and end up taking whatever financing they can get. It’s almost always more expensive over time and there is a lot of risk involved,” explained Madsen. Additionally, if projects are delayed because an organization can’t secure financing, the project could become more expensive as construction, labor and materials costs rise.

“At AgStar Rural Capital Network, we create flexible financing packages that fit our clients’ needs. When we provide opportunities to organizations outside of agriculture, it helps support and sustain rural communities,” Madsen continued.

Harmony River’s facility model is centered on community units of 17-18 residents, each with its own dining room, therapy and recreation spaces.



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to Terri.Fast@AgStar.com*

Harmony River Living Center

- Located in Hutchinson, Minn.; population 14,000
- Groundbreaking on Oct. 11, 2010; opening in 2012
- Located on 43 acres near Hutchinson Community Hospital
- 108 private rooms; 6 semi-private rooms
- Replaces Burns Manor of Hutchinson
- Designed around the Liberty Model by Presbyterian Homes & Services
- Developer: Senior Housing Partners, Roseville, Minn.
- Construction Manager/Builder: CBS Construction of Champlin, Minn.



AgStar's Rural Capital Network team at the Hutchinson's Harmony River Healthcare groundbreaking. From left: Associate VP, Bob Madsen, VP, John Monson and Associate VP, David Krueger.

Partnering to build a vision.

Financing a new nursing care facility in Hutchinson required creative solutions. AgStar Rural Capital Network introduced HAHC to the U.S. Department of Agriculture (USDA) Community Facilities Program, which provides loans, grants and loan guarantees for construction projects in rural areas. It focuses on funding essential community facilities such as hospitals, public safety facilities, libraries and day cares. A new nursing care facility for Hutchinson was a perfect fit.

The HAHC Foundation began an aggressive fundraising campaign to raise all or a portion of its \$5.1 million equity commitment, which resulted in more than \$1.5 million raised from community donations. AgStar partnered with the HAHC Foundation and USDA to help fund the remaining \$18.5 million for the \$24 million nursing home project.

Helping every step of the way.

“Working with the USDA was something none of us had experience with,” said Cary Linder, Hutchinson Health Care Foundation Executive Director. “It was even a first for our developer. But Bob assisted with communication, walked us through the process and helped with documentation for the USDA application.”

The USDA Community Program requires credit underwriting from both the lender and USDA in order to obtain the financing. This due

diligence ensures that borrowing corporations have the money they need to maintain the project, sustain operations and, ultimately, retire their debt. For new facilities, they also ask for a feasibility study conducted by an independent consultant.

The USDA Community Program guarantees up to 90% of the financing provided from financial institutions once project construction is complete and all specifications have been met. Consequently, HAHC worked with AgStar Rural Capital Network to secure short-term financing to fund the development and construction, as well as permanent financing for the project.

“AgStar helped us through what would have been a very complicated process had we taken it on ourselves,” added Linder. “Their experience and expertise made all the difference.”

With financing secured, AgStar Rural Capital Network remains active on the project by monitoring construction and providing feedback. “If a project has a 30-year bond, we enter into a 30-year lending relationship. We’re there through every step of the project and beyond,” said Madsen.

A new concept in elder care: Harmony River Living Center

The new nursing home facility in Hutchinson, Harmony River, is designed around the Liberty Model from Presbyterian Homes & Services. Also known as community or household care, it’s centered on family units of 17-18 residents. Rather

than going to one centralized area of the building for meals and recreation, seniors in each community have their own dining room, therapy and recreation spaces.

“Almost all of our rooms will be private rooms with their own handicapped accessible bathroom and shower. The design of the households will be much more like home rather than the institutional setting we are in now,” said Linda Krentz, Administrator for Burns Manor and the new Harmony River home. “When Presbyterian Homes opened a similar home in Iowa recently, residents became very emotional, saying they had never lived in such a nice place. We’re excited to create this type of setting for our seniors here in Hutchinson.”

In addition to providing skilled nursing care for short- and long-term residents, the new Harmony River Living Center will have an 18-unit assisted living wing for seniors with memory care needs.

“Harmony River means so much to the community,” said Krentz, “and it’s been a very positive journey working with AgStar to get it done.”

Fulfilling the AgStar mission

Financing projects such as the Harmony River Living Center is why AgStar established Rural Capital Network. Since 2006, AgStar has invested in local communities and worked with rural businesses, health care organizations and industry leaders on similar projects to help keep rural communities healthy and prosperous, which benefits everyone who lives and works in them.

To find out more about AgStar Rural Capital Network, visit RuralCapitalNetwork.AgStar.com or contact a Rural Capital Network team member at 1-866-577-1831. ■



Courtesy Hutchinson Health Care Foundation

EXPLORE FURTHER . . .
www.ci.hutchinson.mn.us/
www.hahc-foundation.org/

Strategic planning in a tough economy

HOW CAN YOU MINIMIZE RISK DURING TOUGH TIMES?

News about the economy is everywhere these days. Every time you open the newspaper or turn on the TV, there's another report about employment, housing prices, consumer confidence and manufacturing. Analysts talk extensively about cautious optimism and what lies ahead as things begin to turn around. Fortunately, there is at least one bright spot to the current economic challenges—low interest rates.

Affordable fixed-rate financing.

“With interest rates at historic lows, now is a good time for anyone looking at real estate financing to convert variable rate loans to long-term fixed-rate financing,” explains Steve Rogers, AgStar Financial Services Officer in the Rochester office.

Fixed-rate financing helps you manage your interest risk over time and can save you a considerable amount of money over the life of the loan. What's more, having consistent payments helps you plan ahead and prepare for new opportunities as they come along.

As you consider your financing options, Steve advises looking for a loan that helps you minimize risk for the longest period of time. “AgStar offers long-term, fixed-rate financing up to 30 years, which is generally unheard of in the marketplace. Many lenders choose to offer only shorter term, adjustable rate loans that eventually balloon and require refinancing.”

As with any financial decision, it's important to look at how it will impact your business for the long term. Refinancing your real estate loans is the best way to manage your interest rate and reduce your operation's overall risk, but keep in mind that your existing

loan may have prepayment penalties. It's always good to check with your lender before making a change.

For more information on refinancing your real estate loans, or to get advice and counseling based on your unique situation, contact your FSO today. ■

“With interest rates at historic lows, now is a good time for anyone looking at real estate financing to convert variable rate loans to long-term, fixed-rate financing.”



Could this cloud have a silver lining?



Computer winner, Jayme Brochman and AgStar's Mike Gintner.

Voting has its rewards: Stockholder wins laptop from AgStar

Stockholders who participated in our 2010 board election had a chance to win a Lenovo ThinkPad laptop computer. Jayme Brochman was the lucky winner of the prize. "When Mike told me I won, I was really surprised. You never really expect to win something like this. We recently bought a laptop but I can't get it away from my son. Now he'll have one for homework and games and I'll have one for the operation," he joked. Jayme (pictured with his AgStar Financial Services Officer, Mike Gintner) runs a dairy operation in Hampton, Minn. ■

2011 AGSTAR BOARD/NOMINATING COMMITTEE

Leaders Wanted

The Board consists of 15 elected directors and three outside directors. The purpose of the Board is to provide high-quality direction to ensure growth and success of the association. The Board sets policies to guide management in daily operations and serves as a trustee for the investments of the shareholders.*

- Strategic Leadership
- Governance Accountability
- Core Business Knowledge
- Agility
- Client Focus
- Engagement Practices
- Ethics, Integrity & Transparency
- Stewardship

**Board members attend 16-18 meetings and other events, totaling an annual time commitment of approximately 45 days.*

2011 AGSTAR BOARD/NOMINATING COMMITTEE APPLICATION

I am interested in: Board Nominating Committee

Please return by May 4, 2011 to:

Nominating Committee Chairperson,
c/o AgStar Financial Services
1921 Premier Drive, Mankato, MN 56001

Name _____

Address _____

City, State, ZIP _____

Phone # _____ Email _____

County _____

All interested parties will be required to submit a written biography to the Nominating Committee.





The right loan at the right time

A SIMPLIFIED CONSTRUCTION LOAN ALLOWED HOMEOWNERS TO REBUILD AND SERVE AS THEIR OWN GENERAL CONTRACTORS



Bradley and Jill Scott with their son, Lucas and dog, Diesel.

Jill and Bradley Scott were used to hearing the word “no.” When they needed a construction loan in order to build their first home last year, they heard it time and time again from lenders in their area. “Other places wanted 30 percent down and they wouldn’t give us much information,” said Jill. “No one seemed to want to do anything for us.”

The Scotts are a young couple who raise horses on a 10-acre parcel of land adjacent to Jill’s father’s farm. They had almost given up hope of getting a loan until they talked to Jodi Keehr, an AgStar Home Mortgage Services Specialist. Unlike other bank representatives, Jodi was happy to work with Jill and Bradley, telling them the loan would be no problem once she checked their credit and handled the initial paperwork.

Jill said the entire process of applying for the loan, closing and building their 3-bedroom, 2-bathroom modular home went well. “We set a limit for what we were willing to spend and AgStar Home always told us what to expect. Jodi was very helpful and AgStar took care of everything.” In fact, the Scotts, who were expecting their first child when they applied for the loan, were able to move into their new home two weeks before their son was born.

“One of the best parts of working with AgStar Home was having just one closing,” reported Jill. With construction loans, many lenders require two closings increasing closing costs, charging once for the construction loan and once for the mortgage. AgStar Home simplifies the process (and helps clients save money) by collecting closing costs only once.

Financing a fresh start

A single closing was a big selling point for Deb and Jim Finley of Zumbro Falls, Minn., as well. In January 2010, they lost their home in a devastating fire. They moved into the mother-in-law apartment above their garage temporarily, thinking they would save money and live there for awhile before rebuilding. However, inspiration struck when they attended a Rochester home show soon afterward. They decided to take advantage of low interest rates and rebuild right away with the help of Nordaas American Homes (www.nordaashomes.com).

With their insurance settlement to use as a down payment, the Finleys went to the bank that held their original home mortgage to apply for a new loan. Unfortunately, the bank wanted a large down payment and charged a higher interest rate than the Finleys wanted to pay.

“Nordaaas suggested using AgStar Home because they had worked with the AgStar Home team,” said Deb. The Finleys went to the AgStar office in Rochester and worked with Zach Kovash, AgStar Home Mortgage Specialist. He got in touch with the Nordaas salesperson to find out more about the house the Finleys wanted to build and structure the construction loan accordingly.

“In addition to offering a single closing, we really liked that AgStar Home offered flexible financing and would keep our mortgage in-house instead of selling it,” said Deb. Having experienced it before with other lenders, Deb and Jim didn’t want to feel that their loan would be shuffled around from one lender to the next.

AgStar Home has a variety of loan options that let clients buy now and build later or utilize acreage to help improve appraised value. “A lot of banks will only finance the house and up to 10 acres, but AgStar was willing to let us add acreage if we needed to,” explained Deb.

Deb and Jim decided to serve as their own general contractors, which is an option with AgStar Home Mortgage Services, and they found that it was a very smooth process. Deb served as the primary contact with AgStar Home, handling all of the paperwork when invoices would come in from the various contractors. She said, “It was so easy.” ■

For more information on construction loans and to see current rates, visit www.AgStarHome.com or call 866-577-1831

View *from the* Field



by Paul DeBriyn
President and CEO,
AgStar Financial Services, ACA

“Achievement seems to be connected with action.
Successful men and women keep moving.
They make mistakes, but they don’t quit.”

– Conrad Hilton

Achievement. It’s not a word you hear often in the agricultural industry, but a term that should really be used more often. Too often, our Midwestern modesty shines through; we’re quick to minimize our successes or focus primarily on areas in need of improvement. When is the last time you sat back and took inventory of all that you’ve achieved in business, in relationships or in life?

At AgStar, the time following the end of the year is typically spent analyzing the year past and looking forward to the future. Often, this reflection is focused on financial success and we certainly have a strong performance on our side this year. Revenue for 2010 exceeded \$66 million, which will result in a \$36.8 million patronage allocation to stockholders. However, achievement at AgStar is more than just financial success.

Though we too endured challenges during the past several years, we remained committed to our clients and helped producers manage volatility as best as possible. Businesses and producers made necessary adjustments to adapt to the changing environment. Our unwavering commitment to all facets of agriculture remained in place, even when others exited the market. It is these accomplishments and our long-standing commitments in which we take the most pride.

We’re proud to be a farmer-owned cooperative. Our clients are at the heart of our success. We continue to learn from our clients and strive to adjust our products, services and processes to meet the ever-changing needs of the marketplace. Our member-elected Board of Directors continues to provide valuable insight as to how we can best serve your needs. And, our enduring relationships with you, our valued clients, only make the cooperative stronger.

We’re proud to return patronage to our stockholders. In early 2011, we announced the retirement of the 2001 patronage allocations. The entire allocation totaling \$13.9 million has now been returned to stockholders. In total, we’ve returned over \$40 million in patronage dividends. While economic challenges in 2009 delayed this retirement, we were confident in the organization’s ability to persevere and retire patronage within the targeted timeframe. We take great pride in our ability to share profits with our stockholders via our patronage program.

We’re proud to be a trusted partner in our local communities. The 650 team members that make up the AgStar team also live and work in rural America. We take pride in being a part of the communities we serve and are committed to the long-term success of our clients and the communities in which they reside. Last year, the AgStar Fund for Rural America supported a number of agriculture and rural activities, donating over \$474,000. We’ve been a part of rural America for over 90 years and look forward to the many years ahead.

With the hustle and bustle of spring, it’s easy to focus solely on the work at hand. But this year, take the time to reflect on your business, your relationships and recognize your achievements. Look beyond your balance sheet and financial statements. Be proud to be part of an industry that pushes ahead, even when the going gets tough. What are you most proud of?

Thanks for being a part of AgStar, your farmer-owned cooperative. ■



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**APPLY TO JOIN THE BOARD OF DIRECTORS
OR NOMINATING COMMITTEE.**

See details and form on page 5.