

THE AGRICULTURAL LENDING INSTITUTE

June 21-25, 2010

University Business Center at the
Craig School of Business – California State University, Fresno
Fresno, California



THIS SEMINAR IS DESIGNED FOR
Agricultural Lending Professionals
and
Accountants, Attorneys,
Farm Managers, Rural Appraisers

PRESENTED BY
Ag Lenders Society of California
and the
University Business Center
at the
Craig School of Business
California State University, Fresno



Photos Courtesy of Roy Martin

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First Year Program

Monday, June 21

7:30-7:45 AM Registration and Continental Breakfast

7:45-8:00 AM

Introductory Remarks (General Session)

Curt Covington, Senior Vice President, Agribusiness Banking, Bank of the West; Adjunct Faculty Member, Department of Agricultural Economics, California State University, Fresno

8:00–10:00 AM

Session I

Mastering the Principles of Accounting – Beyond the basics of financial statement analysis

Curt Covington, Senior Vice President, Agribusiness Banking, Bank of the West; Adjunct Faculty Member, Department of Agricultural Economics, California State University, Fresno

This session will cover the following:

- Define and employ financial accounting principles
- Financial statement articulation – tying together the balance sheet, income statement and statement of cash flows
- Correctly convert a cash based tax return to an accrual based income statement
- Reconciling changes in working capital and net worth
- Building and understanding a statement of cash flows
- An integrated approach to financial statement analysis

10:00–10:15 AM Break

10:15–12:00 PM

Session I

Mastering the Principles of Accounting (continued)

Curt Covington

12:00–1:00 PM Lunch

1:00–3:00 PM

Session I

Mastering the Principles of Accounting (continued)

Curt Covington

3:00–3:15 PM Break

3:15–5:00 PM

Session II

Lending “Inside the Box” – Ideally, every loan must be repaid from one of three sources: cash flow, conversion of collateral or guarantees. The proper loan structure depends on correctly identifying the source of repayment.

Curt Covington, Senior Vice President, Agribusiness Banking, Bank of the West; Adjunct Faculty Member, Department of Agricultural Economics, California State University, Fresno

This session will cover the following:

- Sustainable vs. Non-sustainable cash flow
- The collateral continuum – exploring covenants and conditions that can improve the lender’s position in liquidation
- Types and uses of guarantees
- Determining the effective net worth of a guarantor
- Banking in the “right box” - structuring an asset based loans vs. cash flow loans

5:00–7:00 PM

Wine & Cheese Welcome Reception

Hosted by Baird Holm LLP, Attorneys At Law

Tuesday, June 22

8:00–10:00 AM

Session III

A Framework for Business Analysis – Building on Sessions I and II, the instructor furthers the discussion.

Dean W. Duelke, President, Deannco Financial Enterprises

This session will cover the following:

- Financial Statement Interrelationship
- Loan repayment Sources

10:00–10:15 AM Break

10:15 AM–12:00 PM

Session IV

Common Lending Practices and Tools – Building on Session III

Dean W. Duelke, President, Deannco Financial Enterprises

This session will cover the following:

- Cash Flow vs. Collateral Lending
- Balance Sheet vs. Collateral Lending
- The “Quicksand of Lending”

12:00–1:00 PM Lunch

1:00–3:00 PM

Session V

Operating and Term Loans – How do they differ, what to look for and why

Dean W. Duelke, President, Deannco Financial Enterprises

This session will cover the following:

- Operating loans – the 1,2,3 of credit
- Tools to monitor and control operating loans
- Maintaining real equity in the loan
- Servicing term debt – seven key factors
- When and why depreciation may not be a good repayment source

3:00–3:15 PM Break

3:15–5:00 PM

Session VI

Linking Liquidity and Profitability – What Level of profitability is adequate?

Dean W. Duelke, President, Deannco Financial Enterprises

This session will cover the following:

- Determining adequate levels of profitability to sustain liquidity
- The difference between committed and un-committed profits
- Seven steps to evaluating the financial health of your borrower

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June 21-25, 2010

Wednesday, June 23

8:00 AM–10:00 AM

Session VII

Ahead of the Curve, Or Behind the Eight Ball? – Early detection, plan development and management of problem loans

Clive Humphrey, Moody's Analytics UK Ltd.

This session will cover the following:

- Client monitoring – An objective approach
- Early warning signals from the client's business, financials and internal Bank information
- Immediate response when spotting a warning signal
- Analyzing the cause of the problem
- Client strategies for recovery
- The options open to the bank to maximize recovery

10:00 AM–10:15 AM Break

10:15 AM–12:00 PM

Session VII

Ahead of the Curve, Or Behind the Eight Ball? (continued)

Clive Humphrey

12:00–1:00 PM Lunch

1:00–3:00 PM

Session VII

Ahead of the Curve, Or Behind the Eight Ball? (continued)

Clive Humphrey

3:00–3:15 PM Break

3:15–5:00 PM

Session VIII

Title Insurance – What A Lender Must Know. Lenders think they understand the ins and outs of title insurance, but many don't. They hope the proper coverage and endorsements are in place, but aren't really sure. Now the loan is circling the drain, is it too late?

Drew Theophilus, Baird Holm LLP

This session will cover the following:

- A comprehensive view of title insurance principles and concepts
- A hands on review of all title documents
- Examining customary title exceptions and how to address related issues
- Using a pro-forma title policy
- Common (and sometimes un-common) title endorsements

Thursday, June 24

8:00–12:00 PM

Session IX

Essentials of Field Inspections: Tour of the Farm Laboratory at California State University, Fresno

Roy Martin, Vice President, Manager, Agricultural Field Office, Bank of the West
Grady Woolsey, Vice President, Agricultural Field Office, Bank of the West

This session will cover the following:

- Field inspection terminology
- Equipment valuation methods
- Inspection techniques for row, vine and nut crops
- Management evaluations

Casual attire & closed toe shoes are recommended.

12:00–1:00 PM Lunch

1:00–3:00 PM

Session X

Crop Inspections, Methods and Reporting, Crop Budgeting

Roy Martin, Vice President, Manager, Agricultural Field Office, Bank of the West

This session will cover the following:

- Variations in inspections
- Methods of reporting
- Crop budgeting process in detail
- The budget/inspection correlation

3:00–3:15 PM Break

3:15–4:00 PM

Session X

Crop Inspections, Methods and Reporting, Crop Budgeting (continued)

Roy Martin

4:00–5:30 PM

Session XI

Fundamentally Important Aspects of The Real Estate Appraisal

Allan Barros, Vice President, Appraiser, Fresno Madera Farm Credit Association

This session will cover the following:

- Valuation methodologies
- Which method is the right one to use
- Interpreting an appraisal report
- A practical approach to reading title reports
- How to interpret title exceptions
- What title exceptions should concern you

Friday, June 25

8:00 AM–12:00 PM

Session XII

Capstone – Bringing What You Learned To the Table

Dave Hague, Senior Vice President, Credit Administration, Bank of the West
Jason Karr, Vice President & Senior Relationship Manager, Bank of the West

This week's seminar will culminate with the analysis and presentation of a loan request based on facts found in case study materials and utilizing the skills acquired in the classroom.

12:00–1:00 PM

Lunch and Closing Comments "Earning Your AALP"

Curt Covington, Senior Vice President, Agribusiness Banking, Bank of the West; Adjunct Faculty Member, Department of Agricultural Economics, California State University, Fresno

Roy Martin, Vice President, Manager, Agricultural Field Office, Bank of the West

Rene Lastreto, II, President, Agricultural Lenders Society of California

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Second Year Program

Monday, June 21

7:30–7:45 AM Registration and Continental Breakfast

7:45–8:00 AM

Introductory Remarks (General Session)

Curt Covington, Senior Vice President, Agribusiness Banking, Bank of the West; Adjunct Faculty Member, Department of Agricultural Economics, California State University, Fresno

8:00–10:00 AM

Session I

A Review of Key Credit Issues with Dean Duelke. This session will summarize and recap basic concepts from his year one class.

Dean W. Duelke, President, Deannco Financial Enterprises

This session will cover the following:

- Identify adequate repayment sources
- Focus and evaluation of liquidity and profitability
- Profit dependent loans vs. Book value dependent loans
- Cash vs. Accrual accounting; impact on determining cash flow
- Tools in developing a credit decision

10:00–10:15 AM Break

10:15 AM–12:00 PM

Session I

A Review of Key Credit Issues with Dean Duelke. (continued)

Dean W. Duelke

12:00–1:00 PM Lunch

1:00–3:00 PM

Session II

Operational Cash Flow – The what and why of a successfully performing loan begins with a clear understanding of operational cash flows.

Dean W. Duelke, President, Deannco Financial Enterprises

This session will cover the following:

- Determining basic cash flow needs
- Strategies for resolving cash flow problems
- Anticipating next year's profit needs
- Testing for sensitivity of profits and cash flow
- Most common pressures on cash flow

3:00–3:15 PM Break

3:15 PM–5:00 PM

Session II

Operational Cash Flow (continued)

Dean W. Duelke

5:00–7:00 PM

Wine & Cheese Welcome Reception

Hosted by: Baird Holm LLP, Attorneys At Law

Tuesday, June 22

8:00 AM–10:00 AM

Session III

Bubbles and Bust – Managing Your Loan Portfolio Through Difficult Times. What is bad for your borrower can be even worse for your bank. Understanding, disclosing, managing and mitigating the different components of risk is the foundation to the loan underwriting process.

Clive Humphrey, Moody's Analytics UK Ltd.

This session will cover the following:

- Defining the six components of business risk
- Interpret and employing risk mitigation techniques
- Relating financial analysis to business risks
- Group and structure risks
- Risk mitigation through direct control, indirect control and Information management

10:00 AM–10:15 AM Break

10:15 AM–12:00 PM

Session III

Bubbles and Bust (continued)

Clive Humphrey

12:00–1:00 PM Lunch

1:00–3:00 PM

Session III

Bubbles and Bust (continued)

Clive Humphrey

3:00–3:15 PM Break

3:15–5:00 PM

Session III

Bubbles and Bust (continued)

Clive Humphrey

Wednesday, June 23

8:00–12:00 PM

Session IV

Essentials of Field Inspections: Tour of the Farm Laboratory at California State University, Fresno

Roy Martin, Vice President, Manager, Agricultural Field Office, Bank of the West
Grady Woolsey, Vice President, Agricultural Field Office, Bank of the West

This session will cover the following:

- Field inspection terminology
- Equipment valuation methods
- Inspection techniques for citrus, tree fruit and dairy operations
- Management evaluations

Casual attire & closed toe shoes are recommended.

12:00–1:00 PM Lunch

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June 21-25, 2010

1:00–3:00 PM

Session V

Dissecting Dairy Financial Statements – Is there life left in the dairy business? What the financials may or may not tell you!

Bob Matlick, Partner in Agribusiness Department, Frazer Frost, LLP

This session will cover the following:

- CSI – a forensic audit of the dairy industry. What went wrong?
- Dairy markets and trends. What's around the corner?
- Changes in accounting practices: what does it mean for bankers?
- How are dairy financial statements different than the rest?
- What is a dairy's break even point?
- The new world – calculating a herd equity burn rate

3:00–3:15 PM Break

3:15–5:00 PM

Session VI

Dairy Budgeting

Roy Martin, Vice President, Manager, Agricultural Field Office, Bank of the West

This session will cover the following:

- Why banks budget? - How to build a dairy budget?
- Cash vs. accrual sources of information
- Income and expense budget details

Thursday, June 24

8:00–10:00 AM

Session VII

“Clause” and Effect – Anatomy of seemingly good deals gone bad.

This session brings together the best legal minds and bank workout specialist as role players to look at several case examples of loans where mistakes were made in due diligence loan structure, deal points, securitization, documentation and client management. This will be an interactive and facilitative session involving the students and the experts.

Moderator: Hal Bolen, Partner, Bolen Fransen & Russell, LLP

Steve Turner, Attorney at Law, Baird Holm LLP

Riley Walter, Esq., Walter Law Group

This session will cover the following:

- Role play between borrower's attorney, creditor's attorney and workout specialist
- Critical loan and credit construction points
- Mistakes made – can they be corrected? If not, what are the consequences?
- Loan workout process

10:00–10:15 AM Break

10:15 AM–12:00 PM

Session VII

“Clause” and Effect (continued)

Moderator: Hal Bolen

12:00–1:00 PM Lunch

1:00–3:00 PM

Session VIII

Writing to the Reader – Effective & Persuasive Credit Work Skills

Clive Humphrey, Moody's Analytics UK Ltd.s

3:00–3:15 PM Break

3:15–5:00 PM

Session VIII

Writing to the Reader (Continued)

Clive Humphrey, Moody's Analytics UK Ltd.

Friday, June 25

8:00AM–12:00 PM

Session IX

Capstone

Peter Nutz, Managing Director, Rabobank International

This week's seminar will culminate with the analysis and presentation of a loan request based on facts found in case study materials and utilizing the skills acquired in the classroom.

12:00–1:00 PM

Lunch and Closing Comments “Earning Your AALP”

Curt Covington, Senior Vice President, Agribusiness Banking, Bank of the West; Adjunct Faculty Member, Department of Agricultural Economics, California State University, Fresno

Roy Martin, Vice President, Agricultural Field Office, Bank of the West

Rene Lastreto, II, President, Agricultural Lenders Society of California

AGRICULTURAL LENDING INSTITUTE

The ever-changing face of agribusiness poses increasing challenges for lenders, appraisers, farm managers and agricultural consultants. These challenges bring opportunities for professionals who seek to reach a distinguished level of competency and leadership. It is ALI's goal to develop effective leaders in agricultural finance.

The Agricultural Lending Institute (ALI) provides in-depth training that industry professionals need to succeed in agricultural finance. ALI offers a rigorous competency-based curriculum, presented by distinguished faculty with professional expertise in all aspects of agricultural finance.

The program involves two one-week sessions; the courses are designed to be completed over a two-year period. Classes are conducted in a facilitative style employing a case study format as a means of enhancing the principles taught during the week, culminating in the analysis and presentation of a loan request based on facts found in the case study and utilizing the skills acquired in the classroom.

Successful participants will be awarded a Certificate of Completion from California State University, Fresno and the Ag Lenders Society of California.

Accredited Agricultural Lending Professional (AALP)

Upon completion of the ALI program, successful participants will have the opportunity to complete additional requirements for designation as an Accredited Agricultural Lending Professional (AALP). Earning your AALP designation demonstrates to employers, colleagues and clients alike that you are equipped to practice and maintain the highest level of professional conduct to meet the challenges of agribusiness finance.

ALI is a joint project of the Ag Lenders Society of California and the University Business Center at California State University, Fresno.

We would like to thank the following sponsors for their support:

GOLD CONTRIBUTORS



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BRONZE CONTRIBUTORS



FOR MORE DETAILS PLEASE CALL (559) 278-2352 OR VISIT WWW.AGLENDINGINSTITUTE.ORG

Registration Information

for First and Second Year Programs

AGRICULTURAL LENDING INSTITUTE

Registration Fee: \$1,500 (Per Program Year)

The fee is payable in advance and includes tuition, all instructional materials and catered lunch each day during the week. The registration fee also includes a ticket to the Welcome Reception on Monday evening June 21, 2010.

Location

The Institute's courses will be held on the Fresno State Campus at the University Business Center, located at 5245 N. Backer Ave, Fresno CA, 93740.

How to Register

Complete the attached form and make your check payable to **Ag Lenders Society of California**. You can also register online at www.aglendinginstitute.org. Your check and registration form must be postmarked no later than May 28, 2010.

Cancellation Policy

Participants who cancel in writing by May 28, 2010 will receive a refund less a \$25 handling fee. Registration fees are non-refundable after May 28, 2010. Participant substitutions can be made through a written request.

Hotel Information

A *special room rate* of \$85 per night (plus tax and up to four occupants per room) has been reserved for the **Agricultural Lending Institute / University Business Center** event and is subject to availability. Please make your room reservations *no later than June 1, 2010*.

The hotel offers complimentary to/from airport shuttle service and when available to our facility upon advance request. The hotel is within a one-mile walking distance to the University Business Center and is located near restaurants. Enterprise Car Rental is one block east of the Holiday Inn Express.

Holiday Inn Express Clovis
650 W. Shaw Ave.
Clovis, CA 93612
Phone: 559-297-0555
www.hiexpress.com

REGISTRATION FORM

Registration form and payment must be postmarked no later than May 28, 2010.
Each attendee must complete a separate registration form; photocopies are acceptable.
You can also register online at: www.aglendinginstitute.org

Please print clearly or type. The information on this form will be used to generate name badges.

First Year Program **Second Year Program** (must have completed First Year Program)

FIRST NAME

LAST NAME

POSITION

ORGANIZATION

MAILING ADDRESS

CITY

STATE

ZIP

PHONE

EMAIL

SPECIAL DIETARY REQUESTS

Return to: University Business Center-ALI
California State University, Fresno
5245 N. Backer PB5
Fresno, CA 93740-8001
Phone: 559-278-2352
Fax: 559-278-6964
www.aglendinginstitute.org

Address Service Requested

Mark your calendar and plan to attend the
**AGRICULTURAL
LENDING INSTITUTE**
June 21-25, 2010



AGRICULTURAL LENDING INSTITUTE
Program Highlights

- Facilitative Case Study Format
- Taught by Banking Industry Experts
- Timely and In-Depth Subject Matter
- Essentials of Field Inspections
- Real Estate Appraisal & Title Insurance
- Mastering Accounting Principles
- Business Development
- Loan Presentation
- Develop Solid Credit Risk Management Skills
- Develop and Retain Lasting Client Relationships