

**ACCOUNTING & FINANCIAL MANAGEMENT
FOR
AGRIBUSINESS**

*No two years in agriculture
are the same. If you're going to succeed,
you better know how to adapt.*



*We've been helping agribusinesses
adapt and succeed since 1919.
And, there's always room for
one more at our table.*





Agriculture—the oldest and, in many ways, still one of the hardest fields to sustain success.



In music they're known as "one hit wonders". In agriculture, the equivalent might be a "one year wonder". While success stories can abound in a bumper year, in a downturn, back-to-back repeats can be as scarce as hen's teeth.

"No question it's hard to achieve a good measure of success year after year while riding the cyclical ups and downs of agribusiness. To do that, you must be able to adapt quickly to an ever-changing business environment."

Robert A. Buckley
Holbrook & Manter Principal

"No question it's hard to achieve a good measure of success year after year while riding the cyclical ups and downs of agribusiness. To do that, you must be able to adapt quickly to an ever-changing business environment," noted Bob Buckley with Holbrook & Manter. And it's about adapting to a lot more than just changes in the weather—it's what lies ahead with the economy, markets, customers, competition, technology, rules, regulations, taxes. . . and the list goes on.

Coping with the uncertainties and complexities

Putting food on the world's table isn't easy, not to mention on your own. Many factors can affect the profitability of your business and the welfare of your family. And, many of these factors are very specific to the agricul-

ture industry— regulatory compliance for the USDA, FDA, EPA, OSHA, IRS and State authorities, or following acceptable accounting methods for land, crops, equipment and livestock, for example.

Agribusiness— it's in our DNA.

With Holbrook & Manter, you have the advantage of general accounting and financial management knowhow plus a wealth of agriculture industry expertise. We understand the challenges and opportunities agribusinesses face; and, we have the ability,

desire and commitment to effectively deal with them. We have a full suite of professional services (see pages 10-11) from which you can select, adapt and apply to fit your own situation— you get only the services you need, as you need them, with no contractual commitment.



When we started out in 1919, taking good care of our ag clients was extremely important to us. Today it still is— we're passionate about agribusiness and it remains a very important segment of our client portfolio. Please read on to see what three of our agribusiness clients have to say about us . . .

Ohio Quarter Horse Association



The official mission of the Ohio Quarter Horse Association (OQHA) is to promote the American quarter horse in Ohio. Based in Richwood, Ohio, this organization has been fulfilling its mission each year since 1967 through various equestrian programs and events for its members, horse owners, and onlookers. Oh,

and by the way, every October, OQHA puts on **the biggest horse show in the world** at the Ohio Expo Center in Columbus—the All American Quarter Horse Congress (AAQHC or just Congress).



Says Dr. Scott Myers, OQHA's Executive Director, "the All American Quarter Horse Congress is not only the premier event of its kind anywhere in the world, but it's also the largest

single event held each year in the state of Ohio.



An estimated 650,000 people and 8,000 horses attended Congress last year. And they came from every state in the union plus a host of foreign countries on both sides of the Atlantic. All told, Congress brought on the order of an additional \$180 million into the Central Ohio economy last year."

In 2010, OQHA undertook a search to find an accounting and consulting firm that would better fit what the organization had become and its expectations for more growth and perhaps complexity in its financial affairs. Thanks in large part to the phenomenal success of Congress, OQHA was no longer a small non-profit hidden from view in the Ohio countryside. Indeed, OQHA was now in full public view with millions of dollars galloping across its books. "We chose to go forward with Holbrook & Manter back then" remarked Myers, "and that has proven to be a very wise choice for us."

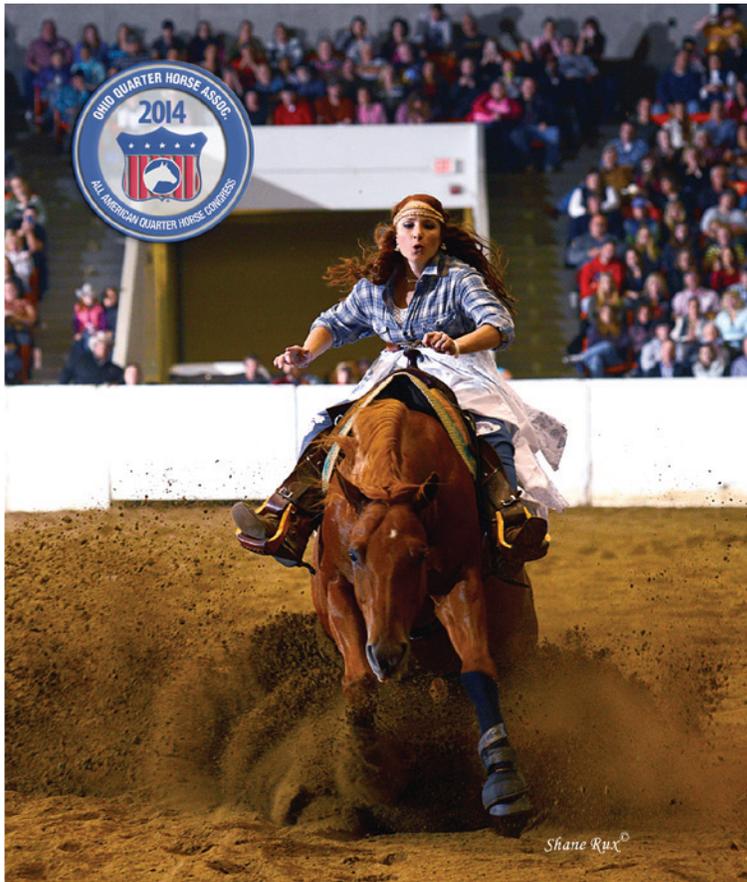
Holbrook & Manter handles all of OQHA's tax preparation and filings. In more recent times, 501(c) not-for-profit organizations have come under greater scrutiny over sources and uses of funds. Prior to 2008, an annual return was not generally required from an exempt organization accruing less than \$25,000 in gross annual income. Now these organizations must file

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Dr. Scott Myers
Ohio Quarter Horse Association

yearly or risk losing their exemption; also, being exempt does not excuse an organization from maintaining proper records and filing any required annual or special-purpose tax returns.

More than just crunching the numbers and preparing tax filings, H&M takes the lead with OQHA in providing advice and counsel regarding compliance so as to not place OQHA's tax-exempt status in jeopardy. Myers allowed that "Holbrook and Manter gets and stays engaged with us; they're very accessible and you get the answers you need back quickly. They're very prompt and professional and



they're right there with us walking us through the process and making it clear and understandable as we go along."

More changes appear to be on the horizon for OQHA to include H&M's role with the organization. Under



a recently negotiated new agreement, the All American Quarter Horse Congress will remain at the state fairgrounds with a new 1,000-stall barn and

pavilion being added using \$15.5 million in state money as an inducement for the AAQHC to stay put. Scott Myers observed "We greatly appreciate the significant investment the state is making in the fairgrounds and we look forward to continuing to work with our state partners as the fairgrounds undergo \$39 million in improvements over the next two years". He also noted that he anticipates a broader role for H&M in accounting, compliance, and auditing services.

In summing up the relationship as he sees it, Scott Myers said "Holbrook & Manter has a small firm feel with all the resources of a large firm. With many organizations, as they get bigger they become less able to give their clients a high level of individualized attention. But not so with H&M. Over the years they've grown and so have we but the quality of service has remained steadfast— prompt, competent, and professional."

Lee Farms

The Lee family started farming in central Ohio in 1833— three years before Samuel Colt invented the revolver and Arkansas became the 25th state. Four generations later, Lee Farms is a highly regarded agricultural enterprise in Union County (Marysville), Ohio with

brothers Greg and Ryan Lee leading the way. Mindful of their roots and the legacy entrusted to them, the Lee brothers are quick

to point out that they are simply crop farmers running a family business who've learned how to persevere and prosper through the boom and bust cycles that are part and parcel of the agriculture business in America. Today, Lee Farms primarily produces soybeans, food grade corn and seed, some wheat, and specialty seeds.

Notes Ryan Lee, “when it comes to the commercial farming business, the laws of gravity hold true; what goes up inevitably comes back down. During an extended downturn due to yields and/or prices, the weaker businesses— the ones that aren't well managed— don't survive, which in turn helps rebalance the marketplace. Those remaining, prepare for the next growth period. Of course, the challenge is to know how to excel and perform well during the downturns and make hay when the sun shines.”

Holbrook & Manter was first brought into the family's business affairs almost a century ago. Lee Farms has been in the H&M client fold ever since. However, there was time a few years ago when the brothers launched a small startup business, unrelated to farming,

and went elsewhere for accounting services. Says Greg Lee, “that's when we came to really appreciate there are tax preparers who come out of the

woodwork each spring and then there are full service firms like H&M that do their homework present alternatives, and make informed recommendations. It was just the opposite with this new outfit; they waited until the last minute, plopped a tax return on our desk, and said ‘there you go’. Suffice it to say, that was the end of that brief relationship.”

The Lees have come to place a high value on H&M's long term view of planning that bridges both individual and collective family needs across the generations. Notes Ryan, “Bob (Buckley at H&M) has done a great job looking at the big picture for us and tying all the intergenerational pieces together. Greg and I are so focused on the day-to-day business that it's invaluable to have someone like Bob and his team helping us with long range financial planning. When you have, for



Front Row: Gary and Marcia Lee with six granddaughters (L to R), Cori, Alli, Jenna, Gabrey, Camri, and Cassidy. Back Row (R to L): Christi and Greg Lee with daughters McKinzi and Sydney; then Kristin and Ryan Lee.

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Greg Lee
Lee Farms



Ryan Lee, Partner
Lee Farms

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Ryan Lee
Lee Farms

example, property being passed down the line you better have a plan in place that lets you hold on to what you have.

It’s not just how do we minimize our taxes right now; it’s also, well, in 10 years, this is what we might be facing. If you don’t do it right, you can have a rude awakening when property changes hands and the tax bill comes due.”

Greg adds “One of the best things we ever did was to follow H&M’s advice and form a legal partnership. Yes, it’s was a little more complicated and involved some more time and expense up front but it’s been a tremendous help in managing our tax liabilities. We’ve come to appreciate, it’s not a matter of if you’re going to pay taxes, it’s how much and when. In the beginning, understanding the complexities of partnership accounting and keeping capital accounts was pretty foreign to us. But, since this business is very capital intensive for machinery, equipment, facilities and such, we had to do it— the potential for negative tax consequences was too big not to. H&M was patient, answered all of our evolving questions, and guided us through it back then; now it’s almost second nature.”

Ryan pointed out that “with the income swings we can see, you’ve got to constantly be on your toes in this business. While we’re on a cash basis for tax accounting, we still manage the business on an accrual basis; so, when you’re switching back and forth, it’s especially important to have a great accounting team like we have in H&M by your side.”



Greg and Ryan Lee’s kids (L to R): Cori, Jenna, Alli, Cassidy, Sydney, Gabrey and Camri.

Ryan explained that “You never know when an opportunity is going to pop up. For instance, we might be thinking about purchasing a large asset and trying to understand the financial ramifications so we’ll get hold of H&M and have a ‘what if” discussion. Having this kind of input on a timely basis is really important when you come to one of these forks in the road. Some of these opportunities only come by once in a lifetime and if you can’t be confident and quick in making a move, it may never happen H&M has always been there for us when we need them.”



Greg Lee, Partner, Lee Farms

The Lee brothers also have a high regard for H&M’s versatility and resourcefulness in tackling whatever comes up. “When Ryan asked me about the tax implications in grain futures hedging, we had to get help from another H&M office” remarked

Bob Buckley. “But even if we don’t have the expertise in-house, we’re not going to keep a client dangling; we’ll go wherever we need to go to find the resources we need to get the job done for our clients,” said Buckley.

Novus Ag

“Actually, there’s not much H&M doesn’t do for us. We’re still very much in the formative growth phase of our business and we rely on H&M to be there for us with the guidance and help we need as we go.”

Candyce Shultz
Novus Ag

Take four very successful, seasoned veterans working in different but complementary facets of crop production; add an innovative new business model and a vision; mix in some conviction and a bias for action and what do you have? Novus Ag headquartered in Milford Center, Ohio.



Founders of Novus Ag (L to R): Brian Higgins, Candyce Schultz, Brad Rivers and Doug Hasting

When my son said “Dad, the other guys on the team have their Dads around to work with them but you’re never home” I knew it was time to get off the road and do something else,” said Brad Rivers, co-founder of Novus Ag. “I had toyed with the Novus Ag concept in my head but this was the catalyst to actually get started. I’d already had a favorable experience with Holbrook & Manter handling my Dad’s estate, so I reached out to them again for help. Bob Buckley took the reins and we got under-

That was three years ago. Today we’ve got a pretty solid foothold in the industry with our seeds, fertilizer, protective and nutritional products— pretty much everything a grower needs to get crops in the ground and help them thrive. Some of these are commodities while others, like our specialty nutritional offerings, are proprietary brands. But, even with the commodities, we take a proactive, feet-on-the-ground approach to help progressive-thinking farms get the most out of each acre. Of course, ultimately, our success will be measured by our growers’ success.”

Candyce Schultz, another Novus Ag co-founder, oversees finance, accounting and office administration. She has high praise for H&M’s ability to perform both inside and outside the box. “It’s more than just H&M’s accounting support that impresses me” Candyce shared. “None of us are network engineers, so when we needed to establish a computer network to work with our accounting package and some industry-specific software, Bob (Buckley)

way with strategic business planning and getting the accounting and legal structures in place. We knew about the failure rate for new business start-ups and we were determined to not become one because we didn’t plan smart or put the right foundation to build on in place.



I know H&M is large enough and capable enough that, as our business grows, they are going to continue to be able to meet our needs and expectations.”

Brad Rivers
Novus Ag

offered to help and he proceeded to get H&M’s IT group involved. They did a wonderful job helping us figure out the system components we needed and recommending a firm to do the installation.

Bob also helped us find a good business attorney so that we were able to set up a legal structure to accommodate growth and risk management while providing us the flexibility to keep our options open for the future. He spent a lot of time helping us get this structure set up correctly; that’s been extremely helpful to us. Actually, there’s not much H&M doesn’t do for us. We’re still very much in the formative growth phase of our business and we rely on H&M to be there for us with the guidance and help we need as we go. They give us a lot of help with tax planning— I’m an accountant but I’m not a

tax accountant. I spend a lot of my time looking at numbers and thinking about what we can do to drive better business results— that’s my focus. But, I rely heavily on H&M to make sure we’re doing the things we need to

do strategically to minimize our tax burden and stay in compliance”

Going forward, Candyce foresees a still broader scope of engagement for Holbrook & Manter. “As we have larger banking commitments, we’re going to need auditing services. And,



This piece of equipment from the Novus Ag fleet is used to apply dry fertilizers.

as we grow, there’s going to come a day when I don’t want to do payroll any more. I really value H&M’s specific knowledge about our industry— there are so many aspects about the business and accounting for it that are peculiar to agriculture.” Brad Rivers added, “I know H&M is large enough and capable enough that, as our business grows, they are going to continue to be able to meet our needs and expectations.”

“They took a leap of faith but they also took a very calculated approach to starting a new business” noted Bob Buckley. “They spent a lot of time just looking at all the different avenues and making plans. When it all came together, and you take into account the level and quality of expertise, experience and leadership they have, it was truly an impressive startup,” Buckley observed.



These soybeans have been treated with Jolt, one of Novus Ag’s proprietary performance products.

Looking for specific help? Here are some of the many H&M services available to you:



Deciding whether to take on a major capital expenditure and determining how best to fund it can be a challenge. H&M has the ability to help you evaluate your potential returns on capital investments and funding alternatives to include a review of the associated tax implications for each.

Financial Statements

H&M can prepare Profit and Loss, Balance Sheet, Cash Flow and other essential financial statements needed for sound business management and tax compliance.

Business Startups & Redirections

Whether you're just getting started or want to take an existing business in a new direction, having a knowledgeable advisor at your side who has "been there, done that" can prove invaluable.

The costs and tax ramifications associated with establishing a new operation, relocating, or expanding, are often very instrumental in

reaching a well-informed, go or no-go decision. H&M can help— we have the expertise and experience to help you understand the tax incentives, estimate the costs and evaluate all of the strategic implications.

Business Planning, Monitoring & Benchmarking

In business, failing to plan is planning to fail. We help clients develop strategic business plans customized to each individual situation. These plans include meaningful objectives,

measurable goals, and supporting actions to be implemented against a prescribed timetable. Once the plan is in place, H&M can help you create the reports you need to effectively manage the business. We can help you identify, prioritize and organize the information that needs to be measured and monitored in order to best manage your business— performance monitoring using KPI's (Key Performance Indicators) and benchmarking are essential elements of sound financial management practice for agribusinesses. H&M can help you quickly



establish a highly effective, no-nonsense planning, monitoring and benchmarking program that will become a mainstay in the process of reaching

your financial goals and objectives.

Tax Planning, Preparation & Reporting

H&M can help you plan for compliance while minimizing your exposure to various types and levels of taxation. We can also prepare and file returns on your behalf.

Succession Planning & Exit Strategies

What happens to the business when you step aside? It's always advisable

to have a workable plan forward for the company's future leadership and perhaps ownership. Going into these uncharted waters can be difficult, but H&M can "quarterback" you through the process to develop a plan that's consistent with your vision and objectives. We know the tough



questions that need to be asked and how to deal with the responses. We also have individual estate and retirement planning services available for our clients.

Mergers & Acquisitions

Acquire, be acquired, or join forces with another business? At some point these can become real considerations for any business. Whether you are a prospective buyer, seller or somewhere in between, H&M can assist you in evaluating your prospects and consummating the transaction in your best interest.

Capitalization & Debt Management

Deciding whether to take on a major capital expenditure and determining how best to fund it can be a challenge. H&M has the ability to help you evaluate your potential returns on capital investments and funding alternatives to include a review of the associated tax implications for each.

Business Valuations

For various reasons, owners of closely held businesses often want to know the estimated worth of their business (now or in the future). In central Ohio, H&M is known and respected as a

competent, reliable source to obtain an independent business value assessment. Many of the area's leading legal, lending and financial institutions refer their clients to us for valuation services.

Your Family Office

We can provide an overarching management program for all of the family's financial interests that embraces the family's business, investments, banking, and insurance, plus legal, trust and estate planning.

Accounting Software Support

Let H&M help with set up, training and support for Quickbooks, Peachtree or other similar bookkeeping programs.

Family Governance

We can help family-owned businesses achieve family ownership and control continuity through the generations while keeping things in balance with sound business and risk management. This can include our facilitating family meetings to help understand and reach important decisions about the financial well-being of individual family members and the business.

Estate Planning & Wealth Transfer

Going hand in glove with Succession Planning & Exit Strategies (see previous), H&M can help you protect your personal assets and orchestrate their transfer (according to your wishes) while helping you minimize the tax consequences.

Don't See It Here?

Please ask if you don't see it here. As a full service accounting and consulting firm, if you need it, we can provide it. Each client is unique and each support package is tailored to suit.

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Holbrook and Manter's Agribusiness ISA Team Leaders*



*Brian Ravencraft
Principal & Team
Leader*



*Bradley Ridge
President & Managing
Principal*



*Robert Buckley
Principal*



*Justin Linscott
Principal*

*Industry Service Area



HOLBROOK & MANTER, CPAs
PROFESSIONAL SERVICES FIRM

HolbrookManter.com

COLUMBUS
614-494-5300

DUBLIN
614-766-3696

MARION
740-387-8620

MARYSVILLE
937-644-8175