



# OPEN DOOR

## President's Column

In 2005, we saw the reality of being able to serve a broader base of customers more efficiently while offering a wider variety of products and services through the creation of Cofina Financial.

Now in 2006, we look to our business objectives as the navigational tools we follow to ensure that Cofina Financial is the partner with financial solutions to accelerate your success. Over the next few editions of Open Door, I will be highlighting the business objectives we are focused on to help your business achieve its objectives.

### Objective: Commercial Financing Growth

By combining CHS Financial Services and Cenex Finance Association into Cofina Financial, we now have a broader base of expertise in both the grain and farm supply market segments. This business combination also gives us the size and scope needed to meet the financing needs of larger customers and to grow with our current customers as they grow.

While most of the agricultural business sector is financially strong, we continue to work closely with our customers to manage current business risks, such as increased energy, fertilizer, and transportation costs, inventory management risks and higher interest rates. Other



*Legried*

in what is considered a "good" year.

Our loan officers are an extension of your team. They will sit down with you to analyze your cooperative's financial performance and participate in long-range planning to ensure your cooperative is positioned to meet its business goals. As several of our loan officers were cooperative general managers before coming to Cofina Financial, they not only understand, but can anticipate the challenges faced by cooperatives.

In this issue you will read about Cofina Financial's newest commercial client, Horizon Resources. Horizon Resources is the product of the successful merger of two Williston, No. Dak. cooperatives that recognized they would be more successful operating as one company. They chose Cofina Financial as their lender because of our knowledge of the industries and businesses they serve and the personalized service we provide.

market factors like continued margin pressure and ongoing consolidations in farm supply and grain cooperatives continue to affect our customers' businesses, even

I have been with this company just over six months now. What continues to impress me is the dedication and personalized approach that everyone at Cofina Financial brings to the marketplace. The strengths of the predecessor organizations: industry knowledge, loan officer expertise, and a strong understanding of the businesses we work with, continue within Cofina Financial. From my chair, that is a tremendous competitive advantage that I am very proud and pleased to be a part of.

If you are looking for more information on how Cofina Financial can help your business achieve its objectives, please call me. My door is always open. Thank you for your business. ●

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## Cofina Financial is Cooperative's Lender of Choice

The January 2006 merger of two Williston, No. Dak. cooperatives, each successful in their own right, benefits the surrounding communities, cooperative customers, and represents a new commercial customer for Cofina Financial.

Horizon Resources is a fully diversified grain and farm supply cooperative that is now one of the largest cooperatives in the state of North Dakota with sales exceeding \$100 million. Cofina Financial's relationship with one of the merging cooperatives and its demonstration and emphasis on personalized service and industry knowledge were the distinguishing factors in choosing Cofina Financial as the new cooperative's lender.

"It's the whole package of what Cofina Financial brings," says Horizon Resources CEO Jeff Wagner. "We felt they had a strong understanding of the grain and farm supply business and a very personalized approach."

### Horizon Resources

Horizon Resources is comprised of the Farmers Union Oil Company and Prairie States

Cooperative Terminal. The



oil company services the exploration, production and related services of the oil industry in the western half of North Dakota and eastern half of Montana, Wagner says. They also had strong sales on the farm supply side in addition to multiple full scale agronomy facilities.

Prairie States Cooperative Terminal concentrated in grain and agronomy. "Both of these businesses have been here for a very long time," Wagner says. "We knew that if both companies were to continue to grow, we would run into each other. Our main facilities in Williston sit across the street from each other and we serve many of the same customers."

Cofina Financial Senior Loan Officer DuWayne Thompson has worked with Prairie States for the last five years. The cooperative utilized seasonal financing for current assets such as grain and agronomy inventories. Additionally, Thompson helped Prairie States with term financing when it decided to expand its elevator and rail track to accommodate loading 110-car shuttle trains on the BNSF Railway (Burlington Northern Santa Fe). This project was completed October 2004, providing the cooperative with a "state-of-the-art asset to further position itself for long-term viability in the grain business," Thompson says.

"In 2005 Prairie States handled about 10.9 million bushels of grain shipped out of their facility," Wagner says. Horizon Resources expects to see this figure increase for 2006 due to the facility expansion and the excellent durum wheat crop in the region.

"We anticipate a more efficient use of the new shuttle loading facility," Wagner explains. "Inventory needs to be turned over. We're striving to have the grain brought from the farm directly to the shuttle facility. This



allows us to utilize the most efficient facilities in our system and allows the farmers to take advantage of fast and modern facilities."

### Merging Factors

The Member Services division of CHS and Land O'Lakes worked with both cooperatives during the merger, analyzing financial performance, developing a combined business plan for the new entity and providing financial projections to illustrate how the unified business would perform. Cofina Financial provided input to Member Services on debt projections and continued credit quality factors, Thompson says.

"The petroleum and agronomy businesses are seeing quite a variance in commodity prices right now," Thompson notes, so Cofina Financial has provided assistance to the new cooperative regarding the type of seasonal funding they will need. The merger also serves to balance out certain market risks associated with the different business segments, providing further economic efficiencies.

"Seasonal needs for money comes at different times of the year," Thompson explains. "The elevators' peak time for seasonal financing is during January, February and at harvest. The petroleum side sees peak usage during the May, June, July timeframe. That's the time of year that grain tends to slow down. Inventories are moved out and cash needs aren't as high."

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## Cofina Financial is Cooperative's Lender of Choice

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In addition to balancing out seasonal funding requirements, Horizon Resources can maximize efficiencies of operating the agronomy units as one business, enhancing sales, gross margins, and eliminating duplication of personnel and equipment. The Farmers Union brings scalability and personnel expertise in the oil industry to the new cooperative.

### Choosing Cofina Financial

Farmers Union Oil had previously used another lender and were satisfied with the relationship, Wagner says. "We went through an interview process with both lenders, and they both did a great job. Prairie States was a borrower of Cofina Financial and obviously, they had a lot of success with them.

"Brian Legried also came by last summer, and at that time we weren't a borrower," Wagner says. "When you visit with Brian, you understand the passion he has for the business he's in, that we are all in, and he showed me he has a lot of confidence in the Cofina Financial staff – people like DuWayne Thompson."

Wagner emphasized Legried's willingness to "think outside the box". "We're not your typical Cofina Financial borrower," he notes, referring to their oil industry business segment. "Brian and DuWayne both were interested in learning more and understanding that side of our business and the unique situations and opportunities that go with it. Cofina Financial is as involved as you want them to be," Wagner says. "When you need a partner, they are there." ●

## Cenex Finance Association Holds 68th Annual Meeting

The 68th Cenex Finance Association's annual meeting was held December 1, 2005 at the Minneapolis Convention Center, Minneapolis, Minn., with Chairman Lynden Johnson presiding. Approximately 350 members attended.

In the last ten years, Cenex Finance Association returned nearly \$23.3 million in cash to stockholders. For 2005, Cenex Finance Association distributed \$949,241 of cash patronage checks and \$744,613

of stock retirement checks at the meeting, for a patronage refund of 27.5% of interest paid. Cenex Finance Association is a 51% owner of Cofina Financial. ●



## Employee Spotlight

### Rich Ruemmele: Senior Loan Officer

As a Senior Loan Officer, Rich works with commercial cooperatives in northern Minnesota, North Dakota, and Nebraska managing a loan credit portfolio ranging from \$20,000 to \$20 million. He works directly with managers and cooperative directors to analyze financing requirements and design and execute types of commitments ranging from short-term and seasonal financing to long-term loans for expansions, projects and acquisitions. Rich participates in planning meetings, and during loan renewals, helps cooperative staff review and understand their "financial report card" and determine how to meet short and long-range financial goals.

Rich grew up on a dairy farm in Hudson, Wis., and graduated from the University of Wisconsin-River Falls with a B.S. in Ag Education and an M.S. in Agriculture. He began his career working for Cenex with seed, feed and animal health departments before becoming the manager of the Ellsworth (Wis.) Farmers Union Cooperative, a position he held for nine years before joining Cenex Finance Association in 1998. He has also served on the boards of several local cooperatives and governmental units. Rich enjoys hunting, fishing and golfing. Rich can be reached at rich.ruemmele@cofinafinancial.com. ●



Ruemmele



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