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A QUARTERLY NEWSLETTER BY DAKOTA MAC

May 2024

THE SWEET TASTE OF HONEY

In the 1980s, a Smith Barney commercial featuring actor John Houseman had two of my favorite sayings: The first one was, "Old fashioned hard work is the difference between getting stung and getting a taste of the honey." And, "At Smith Barney, they make money the old-fashioned way; they EARN it." The EARN was emphasized and stretched in John's raspy, recognizable British accent.

When you think about your operation, I hope you take pride in what you have worked hard at, been disciplined, demonstrated resiliency, and earned. I'm not saying I wouldn't accept a billion dollar lottery prize if I held the ticket, but would it feel as good as earning it?

In many ways, 2024 has gotten off to a great start for Dakota MAC. Regarding growth, we are ahead of projections and have grown our portfolio by over 10% from a year ago. Another achievement is our latest (and greatest) renewal as a Preferred Lender with Farm Service Agency, which helps us take even better care of our clients. These are just a couple of earned accomplishments and fruits of our labor.

But what's on the horizon? One of my co-workers said something to me the other day, and it really impacted me when she said, "The easy button for approving loans has been taken away." Has the "easy button" been taken away for agriculture?

One of the key indicators for making sound credit decisions is analyzing the earned equity change from year-to-year for an operation, which requires depreciation on certain assets such as machinery and equipment and does not include appreciation in assets, including ag real estate. I get it. It's easy to fall in love with land prices or machinery prices going up. I, too, can fall into the trap of checking my 401k balance only after a rally on Wall Street and

BY JEFF WOLFGAM
DAKOTA MAC MANAGER
& SENIOR VICE PRESIDENT



conveniently not checking when the opposite happens. The key is understanding how much of your worth has truly been earned and how much is due to appreciation in the market. When evaluating your financial year, is how much you made the same as how much you earned?

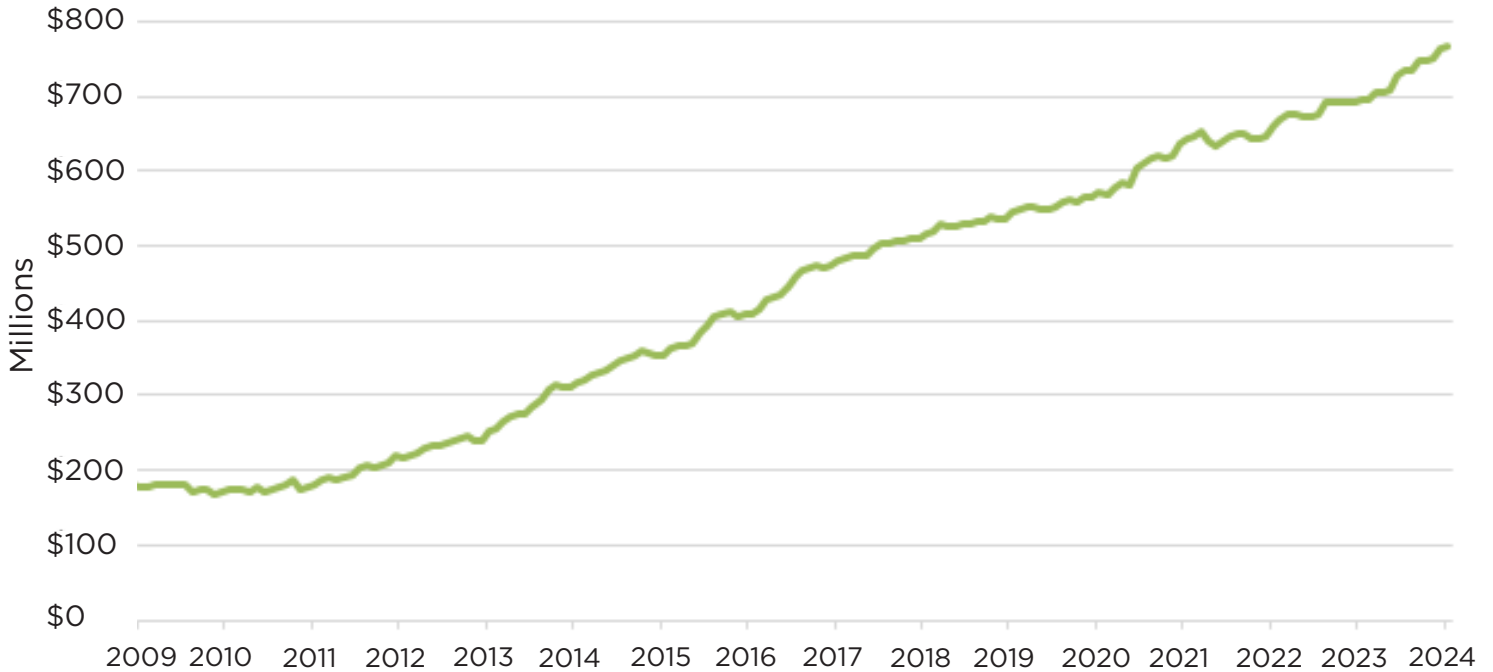
Ag land has not only been a great investment but has also allowed clients to leverage and WISELY borrow money against it. Speaking of this, we have been reaching out to our existing clients, offering them to borrow funds in a second lien position while preserving their existing mortgage or deed of trust, which often contains a lower interest rate, especially if the loan was made between 2020 - 2022. The results have been outstanding, and in many cases, they have not only reduced their interest costs but also increased their liquidity, improved their cash flow, and provided better structure of their balance sheets. This option is created due to their principal reduction with their existing loan (earned) and the appreciation in their real estate (not earned).

Operations with diversification can really shine in this current economic cycle. Part of being diversified can include but is not limited to different commodities, farming in different areas, livestock, or even a reliable off-farm job by a business member. Making smart decisions and working with a lender who offers diversified options for financing can also affect earnings. For example, over 90% of our portfolio fixed their interest rate when rates were at all-time lows, so while others who were tied to a variable rate and saw their interest costs increase sharply, our clients did not see any increase.

I get the pleasure of reviewing all closed loans, and I take great pride and am grateful for you allowing Dakota MAC to earn your trust, respect,

Continued on next page

Dakota MAC Asset Growth



and business. I take ownership, accountability, and responsibility in earning your business daily with more than just a rate or a special that may be here today and gone tomorrow.

Enjoy the sweet taste of the honey – you’ve earned it.

Until the next DIRT.

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NATION'S FIRST PREFERRED LENDER

Twenty-five years ago, First Dakota National Bank and Dakota MAC became the Nation's first Preferred



Lender for Farm Service Agency (FSA) Guaranteed Loans. This title recognizes our experience and expertise in agricultural lending and the FSA Guaranteed Farm

Loan Program. Instead of using the Guaranteed Program as a "last resort" option for clients, we embrace the program and proactively utilize and promote the benefits. Like our Dakota MAC I loans, FSA Guaranteed Loans offer competitive fixed rate options and flexible underwriting options.

The Preferred Lender status with FSA is renewable every five years. Every five years for the last 25 years, Dakota MAC has submitted a new lender's agreement with FSA for approval to maintain the Preferred Lender Status. The main content of this lender's agreement is our credit management system, which is our operational plan for FSA Guaranteed Loans.

This year is a renewal year. Dakota MAC dedicated the past year to evaluating and enhancing our credit management system to bring efficiencies for the bank and our valued clients. Through surveys, focus groups, consultations with FSA, and a meticulous word-by-word review, our credit management system is now finely tuned.

Our staff is happy with the newly updated credit management system that took effect in March of 2024. Some improvements include a new scorecard underwriting option, integrating e-signatures for certain FSA documentation, closely aligning our documentation and verification requirements to those of our non-FSA Guaranteed Loans, and reducing annual servicing documentation for our seasoned and performing clients.

We hope our FSA guaranteed clients and our staff will benefit from these improvements. We aim to reduce the days it takes to move a loan from application to closing. Our commitment to enhancing these processes ensures you a seamless experience as we strive to prioritize your needs and satisfaction.

CONGRATULATIONS ON 25 YEARS!



Please help us congratulate Sarah Hewes on her 25-year anniversary at First Dakota/Dakota MAC. Sarah started on March 1, 1999, as a Vault Teller at our First Dakota North location in Yankton. Then from 2001 to 2006, she was a Closing Specialist and Review Specialist in Dakota MAC. Since 2006, Sarah has been a Credit Analyst and has played an integral role in our Dakota MAC volume growing from \$50MM to over \$800MM.

Congratulations, Sarah! We are glad to have you on our team.

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5-year fixed	7.49%	5-year fixed	7.59%
6-year fixed	8.79%	6-year fixed	8.99%
7-year fixed	8.79%	7-year fixed	8.99%

Rates good through May 31, 2024.
Subject to change.

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