



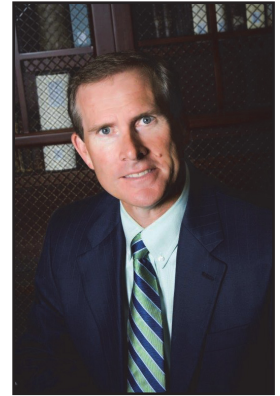
MIDWEST BANK

Winter 2015/2016 Ag Newsletter



Dear Friends,

As many of you may know that in addition to being a banker, I have been a “desk farmer” for the last thirty years. Actually, I was more than a desk farmer when I started out, but in more recent time my farming has been limited to sitting in front of a computer screen and running around getting paperwork completed for our family farm. While I really miss being out on the farm on a beautiful fall day, I can appreciate not having to do chores in January when it is ten below! It is probably doubtful that I would be able to operate our newer machinery anyway.



So I guess I would call myself the business manager for our farm partnership. With the help of my wife Lisa, who does all of the bookkeeping, I manage the finances and help with the marketing. With the death of my Dad early last year, I have also spent a great deal of time with our family attorney, learning more about tax law and estate planning than I really wanted to know. However, without his help we could not accomplish my Dad’s goal, which was to sustain our family farm for the generations to come.

Farming has always been a great way to live life and those of us who have experienced this should count our blessings. There are certainly ups and downs and some hard times when outcomes have not been good, but you rarely see someone who is looking to get out of farming. For this reason we should all be working hard to preserve agriculture and our rural communities.

So how do we go about preserving agriculture in today’s world of budget deficits, political activism and a slowing world economy? This is a very tough question and although answers are hard to come by, we are very fortunate to have some great leadership in Western Illinois agriculture that is dealing with these issues every day.

I am reminded of this twice a year when we host the Ag Roundtable produced by Vanessa Wetterling and Prairie Radio Communications. Not only are the panel members top leaders in the State, they are some of the top agricultural leaders in our Country. We are very grateful to these individuals and to Vanessa and Prairie Radio for supporting agriculture in such a positive way.

Even if we are not in a leadership position, there is still a lot that we can do. First, I think we all have a responsibility to manage our own farm businesses the best that we can. There is still so much opportunity to learn and improve, whether it is with production, marketing, conservation, or financial management. If we do these things well, we can ensure that our farms will be here for years to come.

Second, as I have learned from the Ag Roundtables, we need to tell our story. Unfortunately, there is so much misconception about farming and lack of appreciation for what we do. This is not about being boastful or self-promoting, rather helping people understand some simple facts about how we care for the environment and how we use science to produce the highest quality food in the world. If we do not tell our story, someone else will and it won’t be the version we want to hear.

We all know the importance of the family farm and want to preserve it. We want to preserve it not only as a business, but as a great way of life. I personally am reminded of this every time I sit down at Grandma Bea’s kitchen table with the “real” farmers in my family, including my two year old great nephew, who already has a great love for cows, Grandpa and John Deere tractors.

Chris Gavin

President & CEO

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MEET OUR AG LENDING TEAM

Midwest Bank of Western Illinois takes great pride in being the premier agriculture bank in West Central Illinois. We are independently owned and have been committed to agriculture since 1870. Our expertise is not only reflected in our experienced lending staff, but also in the wide range of products and services we offer.

We offer several loan and leasing options as well as farm management services to assist you. Let us help you with the financial resources you need to grow your profits.

Our Ag lending team is always available to meet with you. As your local community bank, we offer the advantages of local decisions resulting in quick turnaround. Your needs are our priority. We hope you can join us for our annual ag seminar on February 11, 2016 at the VFW in Monmouth.



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MIDWEST BANK PROVIDES FUNDING FOR NEW SENIOR LIVING COMMUNITY IN KNOXVILLE



Petersen Health Care officials announced the company is in the final stages of its development of a new 32-unit Assisted Living community in Knoxville, IL. Work began late last year and will be completed soon.

Petersen Health Care, which has several senior communities in the area, purchased the property of the former Knoxville PEO Home from the City of Knoxville. Doug Currier, VP of Operations for PHC – AL Division, stated that the new construction will include 25 Assisted Living Units as well as 7 Memory Care Units.

“We are proud to be able to bring Assisted Living to Knoxville”, Currier stated. “In the past couple of years, we have developed the industry leading memory care programming and will be implementing this program as part of our development in Knoxville”.

The memory care unit, called Betty’s Garden, will feature state of the art services and features not found in our area. The tenant-focused concept, designed around 24-hour person-centered engagement, will meet the growing need in this area. The specialized programming, combined with a safe and secure environment, provides families with a comfort level formerly not available in our area.

Petersen Health Care has been cooperatively working with the city of Knoxville and has reached an agreement with the City to participate in the established TIF District, allowing the development to take advantage of some incentives offered by the City through incremental amounts of new real estate taxes generated by the new development. “We are very happy that the forward thinking community leaders had the foresight to put together the necessary arrangements to be able to attract new business in the community. This will be advantageous for other new businesses to look at Knoxville for investment opportunities”, Currier added.

Petersen Health Care has been instrumental in the surrounding area with solutions for seniors, offering skilled nursing, assisted living and independent living options for many years. Services at the new community in Knoxville will be focused on Assisted Living, offering all the comforts of home as well as health maintenance, state of the art security and a full range of care services. The community will offer maintenance and worry-free living that allows the tenants to focus on family, companions, leisure and activities. Amenities include a luxurious great room with large fireplace and bay window looking out to the trademark courtyard, a private dining room/library, beauty parlor, laundry room and medical transportation provided by the facility. Home-style meals will be served restaurant style for breakfast, lunch and dinner.



Completion of the 27,000 square foot community is scheduled to be in December of 2015. The facility will provide 20-25 new jobs in the Knoxville area.

Petersen Health Care, with corporate headquarters based in Peoria, was founded in 1974 and operates nearly 100 communities throughout Illinois, Iowa and Missouri.

Doug Currier
VP of Operations, Assisted Living Division
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BIG RIVER PRAIRIE GOLD, LLC BRINGS NEW COPRODUCT TO BIG RIVER RESOURCES' GALVA ETHANOL PLANT



While some would say the ethanol industry is maturing, others within the industry still see it as developing. There are many products that can still be realized from the corn kernel other than ethanol and livestock feed. The above plant houses the processes for one such coproduct – zein protein.

Zein is an alcohol soluble protein that makes up about 40% of the corn kernel's protein and its uses are many. The uses vary from paper coatings and biodegradable plastics to energy bars and candy coatings to pharmaceutical pill coatings and medical implants. Big River Prairie Gold (BRPG) gets its trademarked product name – Amazein™ from the many uses and applications it can fulfill. Zein is odorless, tasteless, water and grease resistant, and unique in its film forming capabilities.

The technology was developed at the University of Illinois with funding provided by the Illinois Corn Marketing Board. Prairie Gold, Inc was formed in 2006 under the auspices of the Illinois Corn Growers Association to further develop and commercialize the technology. A pilot plant was constructed by Prairie Gold in 2009 where the zein processes were perfected and samples of product were made. The samples were used to develop the zein market and to build up a potential customer base.

In 2012, the board of directors of both companies met to discuss the technology. Both companies liked what they saw in each other's capabilities and began earnest discussions about forming a joint venture to commercialize the zein process.

In July of 2013, the two companies formed Big River Prairie Gold, LLC and began engineering the zein facility. KATZEN, International out of Cincinnati, Ohio engineered the process design and Carl A Nelson & Company from Burlington, Iowa engineered the building and site work. The plant's purpose would be to produce product for the food and pharmaceutical industries, as well as, industrial. The plant will become the world's largest producer of zein proteins using a "first of a kind" patented technology.

The zein plant borrows the ethanol plant's ground corn right after it has been milled and will use ethanol produced by Big River's Ethanol plant to extract the zein. The alcohol is mixed with the ground corn and stirred for 90 minutes in a series of three tanks to dissolve the zein. From there the zein is purified using membrane technology and dried and ground to a powder about the consistency of wheat flour. Approximately one pound of protein per bushel of corn is removed.

The balance of the corn mash is returned to the ethanol plant for production of ethanol, corn oil and distillers dried grains. The whole process takes about two hours from start to finish. The zein generally has a pale yellow color due to the corn's yellow color.

Construction of the zein plant was completed in October of this year and the plant has begun commission and startup activities to produce its products. BRPG hired 8 new employees to run the facility.

Philip Shane, Director of Zein Operations and Marketing
Big River Prairie Gold, LLC

PORTER INSURANCE AGENCY, INC.

131 South Main Street, PO Box 479
Alexis, IL 61412

Phone : 309-482-6111
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Porter Insurance has just finished its 17th year as a subsidiary of Midwest Bank. Our relationship with Midwest Bank has continued to allow both of our clients to have access to product lines that are essential to today's farmers.

Our carrier portfolio includes companies like Auto-Owners, Liberty Mutual, Safeco, SVEA Mutual, NAU, Blue Cross Blue Shield of Illinois and Rain and Hail. This list of companies and our staff's knowledge of their products allows us to offer products such as Farmowners, Commercial and Farm Truck insurance, quality health care and of course Multi-Peril Crop insurance and hail insurance.

Once again the importance of insurance to value came to light with the recent tornado in Cameron. In addition, the importance of the wind endorsement available on a hail policy came into play.

If you are looking for an agency that is truly committed to the agricultural area, I ask that you consider contacting us.

Thank you for your continued support!

Regards,

Kent Porter

kporter@porterinsures.com

www.mbwi.com/insurance.html



Kent Porter
Agent



Cris Hunt
Agent/CSR



Debbie King
Agent



I am once again appreciative of the opportunity to have an article in the Midwest Bank's winter newsletter. As I write this during the week of Thanksgiving, our office is wrapping up the first year of implementing the many diverse and complicated farm programs written in the 2014 Farm Bill.

Many obstacles were met by producers. Phase 1 allowed producers to update their program yields. Almost everyone utilized this option. Phase 2 allowed the selection of either the PLC, ARC-County, or ARC-Individual program. Overwhelmingly, the ARC-CO program was the choice among Warren County producers. Phase 3 included signing both 2014 and 2015 contracts. It is very unusual that FSA ran two program years of contracts after the planting of both crops.

The Warren County FSA Office has recently disbursed 2014 ARC-CO corn payments. Soybean revenue for 2014 does not generate a payment in Warren County. Corn payments were calculated by taking the 216 bushel Warren County 2014 yield times the \$3.70 national average price and subtracting this from the county 2014 guarantee. This totaled \$1.49 per base acre. You are paid on 85% of the base acres and a 6.8% budget sequestration factor was applied. We have started the 2015 marketing year. The same process will be used for payment calculations next fall.

Original program regulations stated that a farm administered in Warren County would be paid using Warren County's payment calculations even though it had land from another county in that farm number. As I write this a change in policy will be implemented to allow 2014 and 2015 farm numbers the option to have the payments recalculated based on where the land lays rather than administrative county. Make sure to review the future national mailing on this issue. It will warrant your review and understanding of the process.

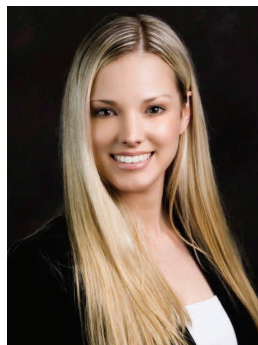
Our nine month commodity loan program should continue to be popular. In talking with producers a large amount of the 2015 crop was put into storage. This creates a cash flow problem as we enter into next spring. Warren County loan rates are \$1.94 for corn and \$5.10 for soybeans. Loans mature at the end of nine months, but may be repaid anytime during the loan period. Loans allow producers to maintain ownership of grain and still provide cheap operating capital.

The Conservation Reserve Program begins its 30th year of existence. A general signup will be held from December 1, 2015 through February 26, 2016. It seems like our current soil rental rates makes this program more attractive.

We express a sincere thank you to all Warren County FSA customers for their patience and understanding in working with the programs of the new Farm Bill. Also a big thank you to the Midwest Bank as they continue to be an active supporter of the Warren County FSA Office.

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MEET OUR NEW LOAN STAFF



Christy Flynn
Branch Supervisor
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Christy Flynn began working for Midwest Bank in February of 2006 as a part time teller. In 2008 she began opening new accounts and was promoted to supervisor of our Galesburg West Main Branch in 2012.

In 2013 Mrs. Flynn started doing consumer loans and is currently in the process of becoming a mortgage lender.

Mrs. Flynn is originally from Monmouth but moved to Knoxville in 2007 where she resides with her husband Tim and daughter Riley. In her spare time she enjoys watching movies, cooking and traveling.



Brooke Robinson
Credit Analyst
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brooke@mbwi.com

Brooke Robinson has been with Midwest Bank since 2010, but recently joined the Loan Department as a Credit Analyst this fall. She graduated from Warren High School and then went on to get her Bachelors of Science degree in Agriculture at Western Illinois University in Macomb, IL. Brooke obtained her Real Estate Broker's license in March of 2015.

Mrs. Robinson lives outside of Monmouth with her husband Adam. In her free time she enjoys spending time with family, friends, and helping out on the family farm.

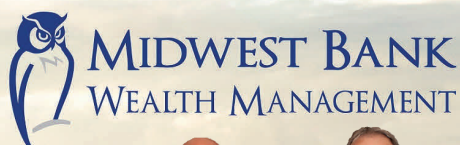
LEASING SOLUTIONS

Midwest Bank understands that each business is unique and we work to deliver a customized approach that best fits your business needs. We would love to partner with you to ensure the long-term success of your business.



MIDWEST BANK





The New Estate Tax Rules and Your Estate Plan

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 included new gift, estate, and generation-skipping transfer (GST) tax provisions. The 2010 Tax Act provided that in 2011 and 2012, the gift and estate tax exemption was \$5 million (indexed for inflation in 2012), the GST tax exemption was also \$5 million (indexed for inflation in 2012), and the maximum rate for both taxes was 35%. New to estate tax law was gift and estate tax exemption portability: generally, any gift and estate tax exemption left unused by a deceased spouse could be transferred to the surviving spouse in 2011 and 2012. The GST tax exemption, however, is not portable. Starting in 2013, the American Taxpayer Relief Act of 2012 permanently extended the \$5 million (as indexed for inflation, and thus \$5,450,000 in 2016, \$5,430,000 in 2015) exemptions and portability of the gift and estate tax exemption, but also increased the top gift, estate, and GST tax rate to 40%. You should understand how these new rules may affect your estate plan.

Exemption Portability Under prior law, the gift and estate tax exemption was effectively "use it or lose it." In order to fully utilize their respective exemptions, married couples often implemented a bypass plan: they divided assets between a marital trust and a credit shelter, or bypass, trust (this is often referred to as an A/B trust plan). Under the 2010 and 2012 Tax Acts, the estate of a deceased spouse can transfer to the surviving spouse any portion of the exemption it does not use (this portion is referred to as the deceased spousal unused exclusion amount, or DSUEA). The surviving spouse's exemption, then, is increased by the DSUEA, which the surviving spouse can use for lifetime gifts or transfers at death.

The portability of the exemption coupled with an increase in the exemption amount to \$5,450,000 per taxpayer allows a married couple to pass on up to \$10,900,000 gift and estate tax free in 2016. Though this seems to negate the usefulness of A/B trust planning, there are still many reasons to consider using A/B trusts.

- Asset appreciation may cause assets in the surviving spouse's estate to exceed that spouse's available exemption. On the other hand, appreciation of assets placed in a credit shelter trust will avoid estate tax at the death of the surviving spouse.
- The distribution of assets placed in the credit shelter trust can be controlled. Leaving your entire estate directly to your surviving spouse would leave the ultimate distribution of those assets to his or her discretion.
- A credit shelter trust may also protect trust assets from the claims of any creditors of your surviving spouse and the trust beneficiaries. You can also include a spendthrift provision to limit your surviving spouse's access to trust assets, thus preserving their value for the trust beneficiaries.

A/B Trust Plans With Formula Clauses If you currently have an A/B trust plan, it may no longer carry out your intended wishes because of the increased exemption amount. Many of these plans use a formula clause that transfers to the credit shelter trust an amount equal to the most that can pass free from estate tax, with the remainder passing to the marital trust for the benefit of the spouse. Review your estate plan

carefully with an estate planning professional to be sure your intentions will be carried out under the new laws.

Wealth Transfer Strategies Through Gifting Because of the larger exemptions and lower tax rates, there may be unprecedented opportunities for gifting.

By making gifts up to the exemption amount, you can significantly reduce the value of your estate without incurring gift tax. In addition, any future appreciation on the gifted assets will escape taxation. Assets with the most potential to increase in value, such as real estate, expensive art, furniture, jewelry, and closely held business interests, offer the best tax savings opportunity.

Gifting may be done in several different forms. These include direct gifts to individuals, gifts made in trust (e.g., grantor retained annuity trusts and qualified personal residence trusts), and intra-family loans. Currently, you can also employ techniques that leverage the high exemptions to potentially provide an even greater tax benefit (for example, creating a family limited partnership may also provide valuation discounts for tax purposes).

For high-net-worth married couples, gifting to an irrevocable life insurance trust (ILIT) designed as a dynasty trust can reduce estate size while providing a substantial gift for multiple generations (depending on how long a trust can last under the laws of your particular state). The value of the gift may be increased (leveraged) by the purchase of second-to-die life insurance within the trust. Further, the larger exemptions enable you to increase, gift tax free, the premiums paid for life insurance policies that are owned by the ILIT or other family members. Premium payments on such policies are taxable gifts, so these premium payments are often limited to avoid incurring gift tax. This in turn restricts the amount of life insurance that can be purchased. But the increased exemptions provide the opportunity to make significantly greater gifts of premium payments, which can be used to buy a larger life insurance policy.


Before implementing a gifting plan, however, there are a few issues you should consider.

Can you afford to make the gift in the first place (you may need those assets and the related cash flow in the future)? Do you anticipate that your estate will be subject to estate taxes at your death? Is minimizing estate taxes more important to you than retaining control over the asset? Do you have concerns about gifting large amounts to your heirs (i.e., is the recipient competent to manage the asset)? Does the transfer tax savings outweigh the potential capital gains tax the recipient may incur if the asset is later sold? The recipient of the gift gets a carryover basis (i.e., your tax basis) for income tax purposes. On the other hand, property left to an individual as a result of death will generally receive a step-up in cost basis to fair market value at date of death, resulting in potentially less income tax to pay when such an asset is ultimately sold.

Caution: *The amount of gift tax exemption you used in the past will reduce the \$5,450,000 available to you in 2016. For example, a person who used \$1 million of his or her exemption in 2012, will be able to make additional gifts totaling \$4,450,000 during 2016 free from gift tax.*

Tip: *Remember that you can still take advantage of the \$14,000 per person per year annual gift tax exclusion for 2015 and 2016. Also, gifts of tuition payments and payment of medical expenses (if paid directly to the institutions) are still tax free and can be made at any time.*

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SAVE-THE-DATE

MIDWEST BANK AG SEMINAR

February 11, 2016 at 9:00AM

VFW #2301 - Monmouth, IL

Lunch will be provided



Guest Speaker Matt Roberts is a native of Bolivar, MO and received his BA in Economics in 1994 from William Jewell College in Liberty, Mo. From 1994 through 1996, Roberts was a commodity and energy derivatives broker for CA Global Futures AG in Vienna, Austria, with clients throughout Central and Eastern Europe. Roberts specialized in the copper and European petroleum markets.

Dr. Roberts received a Ph.D. in Economics from North Carolina State University in 2001. Dr. Roberts is an Associate Professor in the Department of Agricultural, Environmental and Development Economics and an Extension Grain Marketing Specialist at The Ohio State University, where he has been employed since 2001.

Please RSVP to Connie or Stefanie at (309)734-2265 or connie@mbwi.com as seating is limited



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