

STRATEGIST

WINNING IDEAS FOR EXTRAORDINARY RESULTS

K
KENNEDY AND COE, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

(From L-R) Susan Leasure, Mike Snyder and Bob Schuster (Kennedy and Coe) at Associated Advertising Agency's office in Wichita, Kansas.



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More than a helping hand: Outsourcing financial management one step at a time

“We appreciated the diligence and spot-on thinking. Great objectivity.”

– Mike Snyder,
Associated Advertising Agency

Business owners and key executives need sound financial management and strategy to keep any business financially healthy and growing. Internal resourcing by way of a CFO or accounting manager can be a good start that sometimes leads to a much different end.

Smaller companies, especially, can find it difficult to get all the financial expertise they need in one person. Business continues to become more complex, not less.

Mike Snyder, CEO of Associated Advertising Agency in Wichita, Kan., knew that he didn't want to confine the agency's financial and strategic options to one person. So, he turned to Kennedy and Coe to diversify the agency's resources and risk.

“We've worked with Bob Schuster and the team at Kennedy and Coe for more than four years now, and we have built a relationship of trust and respect,” says Snyder.

Every journey starts with a single step

Associated initially ordered up the standard financial fare: tax preparation and an annual audit. But, as time progressed Kennedy and Coe showed expertise and insight beyond the call of duty.

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CEO Insights

What makes a business successful?



Kurt Siemers

A colleague recently asked me the question, "What is the most important trait of a successful business? Is it leadership, customer service, vision, ability to adapt, product line or something else?" There certainly has been a multitude of wonderful books written on the

subject by authors much more qualified than I am. However, this has not stopped me from drawing my own conclusions about the question after spending nearly 40 years observing many successful and unsuccessful businesses.

The "right" answer is that there are numerous traits that need to exist for a business to be successful, particularly over the long-term. If I limit myself to the single most important trait, the one thing I would absolutely want in place would be bright people who are passionate about what they do every day. This holds true for a sole proprietorship or a business of 1,000 people. Bright, passionate people are contagious with their beliefs and their actions. They look to each other to find the best leaders among them, whether those leaders have the title of leader or not.

To put passion in play in the most productive way, the business is well served by creating a clear vision and sharing that vision with each person in the company. Equally important is to communicate this vision to the company's customers. If everyone understands the vision, has a passion for the vision and the expertise to achieve it, then each person will be inclined to focus their own energy and expertise working toward that vision. For the company to be successful over the long-term, I believe it is best if that vision is focused on the well-being of not only the customers but also of the passionate people who serve those customers. When I reflect on companies that were once successful and then lost that success, it has often been a result of people within the company trying to take the company in different directions simply because they did not share the same vision. The results of that push-pull conflict are predictable; the company loses focus, quits serving its customers at the level necessary to keep the customers loyal

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Outsourcing financial management

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"We appreciated the diligence and spot-on thinking. Great objectivity," says Snyder.

At that point, Snyder charged Schuster with evaluating and coordinating the management of the agency's Employee Stock Ownership Plan (ESOP). Steve Callahan at Kennedy and Coe plays a sizable role in the agency's valuation, articulation of employee benefits as they relate to the ESOP and tax planning.

"It's a cumbersome process, because the IRS changes the rules all the time," says Susan Leasure, executive vice president at Associated. "But Steve stays on top of all the latest regulations and makes sure we are doing things the right way."

Snyder then threw one more iron in the fire: strategic planning.

"Even the best employees run and hide from the big decisions that push them past their comfort zones. But as hired guns, Kennedy and Coe can't do that. They stand and fight. And it's never personal or oriented towards personal gain ... just straight objectivity with a next-step attitude," says Snyder.

The strategic issues addressed include evaluating existing and new product and service lines, organizational structure – especially sub-chapter "S" conversion from a "C" corporation – and how to approach mergers and acquisitions.

Schuster and Snyder schedule quarterly meetings to evaluate the agency's operational, financial and strategic landscapes and make adjustments along the way.

The "outsourced" CFO

One day Snyder approached Schuster and asked if Kennedy and Coe would take over the entire CFO function.

"An internal CFO can be a substantial investment for a company our size, and for that investment, there has to be a return, and we've had trouble getting that return," says Snyder.

"Seeing the superior performance of Kennedy and Coe in other areas, we realized that we could benefit greatly if we outsourced the entire position to them."

"So we did and haven't skipped a beat," says Snyder. "It's an extremely 'leveraged' approach that I can't say enough good things about."

According to Schuster, the advantages are three-fold.

First, Associated is no longer reliant on one person to be an expert in all areas, but has a team of dedicated experts in a range of fields. The second advantage – which is closely tied to the first – is that complex tasks can be assigned to individuals with experience and knowledge to be more productive with their time, which can help prevent wasted resources and effort. Associated also benefits from real-time insights from Kennedy and Coe's other client situations.

"Most CFOs spend a majority of their time with one type of business," says Schuster. "Through us, Associated is exposed to other options and business models. We can bring the best practices to the table that will benefit them the most."

"Kennedy and Coe is a first-rate firm with scores of professionals working in many different areas," says Snyder.

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Strategic partnerships enhance agribusiness client services

Kennedy and Coe's service offering to clients in the agriculture industry is stronger and broader – providing more of a one-stop shopping experience – thanks to collaborations with two companies possessing strong roots and respected reputations in the industry.



Working with Jerry Gulke, CEO of Strategic Marketing Services (SMS), Inc. (www.jerrygulke.com), a well-

known research and information analysis firm, Kennedy and Coe offers clients a variety of marketing strategies and services geared specifically toward agribusiness. Whether it is marketing production, purchasing inputs for value added, or making financial and management decisions, SMS helps define trends and recommend strategies to capture profitable opportunities.

CEO Insights

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to the company, stops making the changes consistent with the vision that is needed to continue to be successful, and the business starts a downward spiral.

When someone is passionate about achieving their vision, they do the things necessary to achieve it. They are driven to make changes they believe are necessary to be successful and stay focused on the future vision. They maintain respect and gratitude for prior successes, but do not limit themselves to re-creating the past.

Certainly those companies with a unique product or service have a competitive advantage over other companies and can be successful primarily because of those offerings. However, without a common vision that is consistent with the passion of the people in that company, the success will probably be short-term.

Our economy today is challenging. Some of you are currently struggling in this difficult environment, while others are currently enjoying significant financial success. Changing economic factors require all of us to adapt to the current environment. If the vision of your company is clear and powerful, this vision will help you keep the long-term implications in mind as you make changes necessary in the short term.

I would encourage each of you to look at your own company and ask:

1. Is the vision of our company clear to all of our employees, and is it powerful?
2. Are our employees passionate about this vision?
3. If the answer to 1 or 2 is no, consider what your company's future might be like if you could answer them affirmatively?

We at Kennedy and Coe would welcome the opportunity to help you develop your vision and work toward it "to enhance your well being"!

Thanks,
Kurt Siemers, CEO

"The globalization of agriculture has opened up new risks and opportunities unlike any we have witnessed in history, making managing price risk and the capital to do so, a new line item in the budget," Gulke said. "SMS has a long-standing client relationship with Kennedy and Coe and views this expanded association as an opportunity to bring value to SMS clients while assisting Kennedy and Coe in the growing need for information and analysis in the area of price risk management."

Another strong Kennedy and Coe agribusiness collaboration is with Silveus Insurance Group (www.cropins.net), which sits at the top of the crop insurance profession. Silveus provides farmers nationwide with new products and unmatched customer service. The company understands that no two farming operations are alike and that each one presents unique challenges and risks depending on variables including location, type of operation and ability to bear risk. Silveus excels at custom-tailoring the protection plan that best fits into an agribusiness' situation and bottom line.



"The wealth of information and services that Kennedy and Coe brings to us through our partnership is as good as it gets", said Tyler Silveus, vice president of Silveus Insurance Group. "With our partnership, we now have the ability to address any financial or risk management concern our clients and prospects have. It is essential for Silveus Insurance Group to surround itself with those in the ag community who share our core beliefs of service, integrity and excellence. In fact, we are not just partners with Kennedy and Coe, we are also clients."

"Our relationships with SMS and Silveus are essential in our ongoing efforts to provide the best, most complete service to our valued clients," said Jesse McCurry, business development specialist with Kennedy and Coe. "If a client has a need that is outside our realm of core competencies, it is important to have an excellent partner to seamlessly enter the relationship and provide the level of service that meets Kennedy and Coe standards. Our customers appreciate that direct recommendation and feel comfortable that their needs will be met."

Seeking the best and brightest

Kennedy and Coe, LLC, is always looking for good people – both entry-level and experienced staff. If you or someone you know:

- is a recent college graduate in accounting or finance, or
- has experience in accounting, banking, consulting or other areas in which we provide our services,

please have them contact us at blue@kcoe.com to learn more about the career opportunities we provide, or check out our Web site at www.kcoe.com.

2008 Farm Program offers changes and challenges

Changes in the nation's Food, Conservation and Energy Act of 2008 will soon impact farmers and ranchers, many of whom may need an inside edge on how to work through those challenges.

Kennedy and Coe's experts are fluent in the new farm bill language and can determine its impact on and the best options for farmers and ranchers.

"This farm legislation took effect on May 22 and is a five-year bill with significant changes beginning in 2009," said Wayne Myers, a manager who specializes in Farm Program Services for Kennedy and Coe. "Our firm is developing outreach to educate our clients with pertinent and meaningful farm bill planning."

According to Myers, there are several program changes producers must know. Permanent disaster assistance has transitioned for catastrophic events to include basic coverage as long as a producer also has individual multi-peril crop insurance. In addition, five types of supplemental revenue-based assistance have been designated for crop production, livestock and forage disasters (LFP), livestock indemnity, trees and emergency assistance for livestock, including honeybees and fish.

Producers will also see changes on payment limitations that will reduce the amount of payout for any one individual. The new system is based on a qualifying entity such as corporation, limited liability corporation, partnership, trust or estate. Due to a new attribution rule, a producer can still draw payment but the Farm Service Agency (FSA) will attribute the earned income down to the owners of the company.

"An entity is limited in the amount it can earn and how it may qualify for payments," Myers said. "Attribution distributes the payment down to an individual social security number and caps each entity payment to \$40,000. Producers may need to consider a restructure or reorganization of their company to handle this change."

Producers will also see changes regarding the years used to meet their adjusted gross income (AGI) financial means test. In 2009, the years used to average AGI will back up one year, meaning the average years used must immediately precede the most final, completed tax year. An example is that for 2009, producers must use 2005, 2006 and 2007 production yields to calculate AGI.

The Average Crop Revenue Election (ACRE) program is also available for producers who make the irrevocable election to give up 20 percent of their direct decoupled payment. A five-year commitment to this program is required, and a formula is used to calculate payments through 2012. The ACRE program is established on state-by-state basis.

And there are still more changes for 2009. Myers said education and awareness of the new farm program will be crucial so producers can be prepared for and benefit from the bill.

"In addition to analyzing supplemental disaster assistance, ACRE and payment limits, we're not just looking at the farm bill but rather taking a holistic approach to the farm by working with other professional advisors on how to minimize tax and further a producer's business goals and objectives. That's what we're good at."

For more information on the new farm program's impact on your operation, contact Jesse McCurry at (316) 685-0222 or jmccurry@kcoe.com.

Outsourcing

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It's all about value

Associated has also realized the economies of value pricing, Kennedy and Coe's new billing structure.

"We know the costs up-front," says Snyder, "and one price covers the entire scope of work, which can be liberating for us."

That's because when clients know what a project or task will cost up-front, they aren't as hesitant to open the lines of communication.

"It alleviates the concern of being charged for a phone call and thereby encourages frequent correspondence," says Schuster. "We are able to communicate more often and develop solutions to issues as they come up ... it's essentially 'unlimited access' that allows us to provide the best service and most value we can to our clients."

Overall, it's been a great change for Associated, Snyder says, because he never feels like the advisory team at Kennedy and Coe is too busy for him. He enjoys their personal friendship and genuineness. He's delighted that Associated can do so much through one trusted source.

"By not having to worry about the money side so much, we can focus more of our time on growing the operational side of the business and serving our clients' needs," he says. "And as we grow, Kennedy and Coe helps us keep more in the bottom line."



Kennedy and Coe meets regularly with Associated to make sure the agency is always moving in the right direction.

Kennedy and Coe promotes three leaders

Kevin R. Mills

Kennedy and Coe is proud to retain long-standing employees such as Kevin Mills, who has been with the firm since 1999. Recently, Mills' commitment to top-quality work in the firm's Garden City Agricultural group has earned him membership of the LLC.

Mills has targeted his specialties to the areas of tax planning, succession planning, estate planning and farm program services – all adding value to the firm.

"Kevin brings a keen ability to understand what factors are most important to the client, then craft financial and tax solutions that accomplish their specific goals," says Lance Woodbury, practice leader for Agribusiness. "His comprehension of agriculture and his business savvy truly make him a trusted advisor to the clients he serves, such that they often seek his counsel prior to making significant business decisions."

Outside of work he is active with the American Institute of Certified Public Accountants and the Kansas Society of Certified Public Accountants. Mills serves as a board member with the Western Kansas Community Foundation.

Mills is a graduate of Kansas State University where he earned a bachelor of science in business and a master of science in accounting. He also has Kansas CPA certification.

Donna Funk

Since joining Kennedy and Coe, Donna Funk has positioned herself as a standout. She is recognized nationally for her expertise in biofuels, one element giving cause to her new title as member of the LLC.

Aside from biofuels, Funk is proficient in the areas of audit, tax and consulting, with specialization in the area of manufacturing, concentrating on multi-state taxation, state income tax credits and inventory management.

Funk is a member of the American Institute of Certified Public Accountants, the Kansas Society of Certified Public

Accountants and the Wichita Manufacturer's Association, of which she is vice president and an executive board member.

"Donna is dedicated to the needs of our clients, providing them with her insight that is nationally recognized in the biofuels industry," says Dave Burger, member-in-charge of the Manufacturing group. "She is a frequent speaker at national biofuel conferences giving us a deep and up-to-date understanding of our clients' industry."

Funk graduated from the University of Kansas with a bachelor of science and a master of science in business and accounting, and has Kansas CPA certification.

Dixie Larson

Dixie Larson has played a key role at Kennedy and Coe since January 2002, serving as director of sales and marketing in the Wichita office. The firm is pleased to announce her advancement to principal in the LLC.

Larson brought her expertise to Kennedy and Coe from a national petroleum marketing software company where she was vice president of sales and marketing and shareholder. Her initiative led her to establish the Association of Marketing Professionals. She is also a member of the Association for Accounting Marketing and serves on the board of the Wichita Independent Business Association.

Larson also represents Kennedy and Coe by serving on committees for the Wichita Area Chamber of Commerce.

"Dixie provides inspirational leadership on a daily basis to our staff," says Kurt Siemers, chief executive officer. "She creates a fun work environment for all of us, and her passion for meeting the needs of clients, coupled with her expertise in leading our sales and marketing group, is invaluable to the growth of our firm."

Larson graduated from Friends University with a bachelor of science in business management.

Tax expert Carole Brady joins staff

Kennedy and Coe takes pride in its recruitment of high-quality, experienced professionals, and Carole Brady is the latest addition to the Wichita team, joining as a senior associate.

Brady brings to Kennedy and Coe experience as a tax auditor and in public accounting. Most recently, she was a manager for a state and local tax practice in Chicago. She adds valuable insight and interpretations on complex tax issues and, throughout her career, has performed various levels of compliance and tax advising services spanning Fortune 500 companies and small businesses.

"With my experience as a tax auditor and working in public accounting, I am able to see both sides of an issue," explains Brady. "My goal is to help clients comply with tax laws so they don't get hit with huge tax assessments."

Brady leads a Kennedy and Coe team in sales and use tax overpayment reviews, liability studies, Nexus studies and due diligence.

"Carole brings 20 years of experience in state and local taxes to Kennedy and Coe, which will aid us in helping guide clients when making operational decisions through this maze of rules and regulations," says Tom Peebles, principal at Kennedy and Coe.

Brady is a member of the Institute for Professionals in Taxation and is a graduate of Purdue University.

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Kennedy and Coe, LLC, is dedicated to implementing strategies that significantly enhance the well-being of our people and the clients we serve.

With eight offices located in Kansas and Colorado, Kennedy and Coe is the leading accounting and consulting firm in the Midwest. Kennedy and Coe is an equal opportunity employer.

If you would like more information on Kennedy and Coe and our services, please call:

Kurt Siemers, CEO
785-825-1561
Salina Office

Dixie Larson, Director of Sales and Marketing
800-303-3241
Wichita Office

www.kcoe.com

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KENNEDY AND COE LOCATIONS

KANSAS

816 Campus Dr.	Garden City, KS 67846	620-275-9670
520 Main, Box 187	Goodland, KS 67735	785-899-3676
420 S. Jackson, Box 327	Pratt, KS 67124	620-672-7476
3030 Cortland Cir., Box 1100	Salina, KS 67402	785-825-1561
3024 S.W. Wanamaker Rd., Ste. 200	Topeka, KS 66614	785-234-6673
1605 N. Waterfront Parkway, Ste. 200	Wichita, KS 67206	316-685-0222

COLORADO

1901 56th Ave., Ste. 200	Greeley, CO 80634	970-330-8860
107 E. Elm, Box 1704	Lamar, CO 81052	719-336-2251



KENNEDY AND COE, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Kennedy and Coe, LLC
1605 N. Waterfront Parkway, Ste. 200
Wichita, KS 67206-2297

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