Sather Agriculture LP

Confidential Information Memorandum

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Disclosure Note

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This Information Memorandum is not, and under no circumstance is to be construed as, an offering of securities. It is intended solely to provide prospective investors with background information concerning Sather and Sather's proposed investment in farmland.

Sather Agriculture LP

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APPENDICES

Appendix A

Sather Agriculture LP Investment Letters

Appendix B

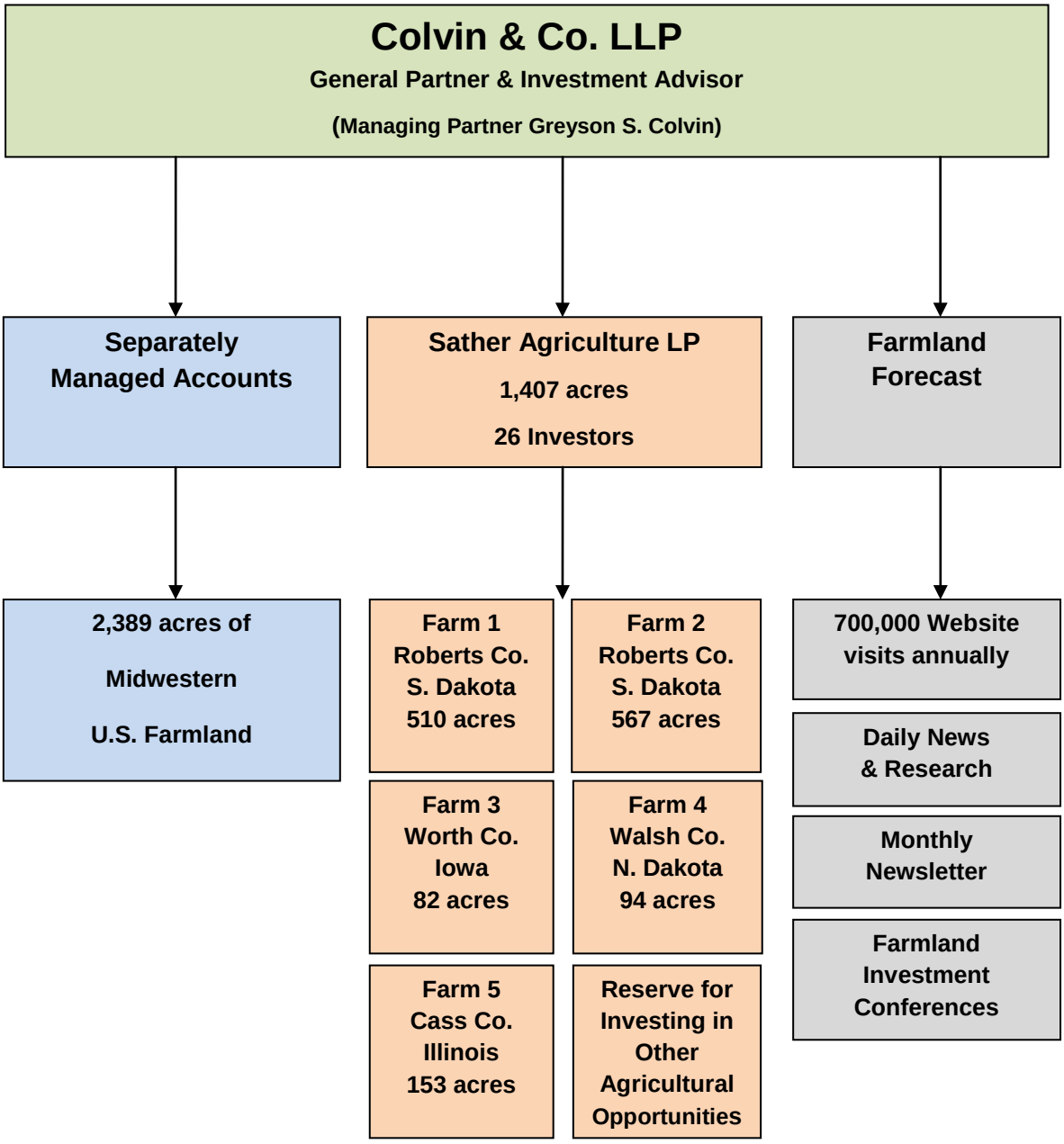
Identifying Farmland

Glossary of Terms and Acronyms

156 Farm Report	This report is a Farm Service Agency record. This record typically comes in an abbreviated form that explains information about the size, history, & yields of a farm.
ASFMRA	American Society of Farm Managers and Rural Appraisers
Average Parcel Rating	The overall rating for the entire property. Each land class' rating is weighted and used to determine this average rating.
CRP Cropland	Conservation Reserve Program. DCP Cropland can be placed into this program and the owner receives payments from the program and cannot farm the area. This contact usually lasts 10 years.
CSR	Corn Suitability Ratings provide a relative ranking of all soils mapped in the state of Iowa based on their potential to be utilized for row-crop production. The CSR is an index that can be used to rate one soil's potential yield production against another over a period of time. It is on a 100.0 point scale.
Double Cropped	This is land where two crops per year can be grown.
Gross Acres	The total acreage of including roads, staging areas, reservoirs and vacant land. Gross acres are used for valuation and financial purposes in this Information Memorandum.
GRP	Grassland Reserve Program. Grasslands can be placed into this program and the owner receives payments from the program and cannot farm the area. This contract is fairly new and hasn't been noted how long it lasts.
HEL	Highly Erodible Land. If land is classified as HEL, then the land has been deemed highly erodible by the government. HEL land is not very good farmland because it will typically have to be put into farming programs that limit it. Many times, HEL land will be required to have conservation tillage done and extra work to it, thus lowering its cash rent potential.
Land/Soil Class	Land is classified on a number/letter scale with 1 being the best. Letters that come after the number represent types of land as well. A "W" indicates the soil is typically found in wetlands, an "S" indicates the soil is stony and an "E" indicates that it is erodible.
Land Inventory Report	This document is from the Director of Equalization. This report shows historical values of a property along with vital soil information and parcel ratings.
NAP	Non Assured Program. If any land cannot be covered by crop insurance, there are some government programs that can help.
NCREIF	National Council of Real Estate Investment Fiduciaries, an organization that provides statistical data of investment returns for various types of Real Estate, including agricultural land.

NCRP CROP	This will read with either a “C” meaning the land is cropland or an “N” meaning the land is not cropland.
Net Acres	Net acres is a term used to measure actual land in production and is used to measure yields and productivity for certain crops.
Rating	Arguably the most important indicator of land quality, rating is based on a 1.000 scale with 1.000 being best.
Slope	The slope of the land indicates how much elevation change is present in feet.
Soil Acres	The amount of land that is classified with the particular land class.
Soil Adjustment	An adjustment made according to the region the land falls. It is determined by the government.
WBP	Stands for Water Bank Program. Wetlands can be placed, if eligible, in this program and the land owner receives payment from the program and cannot farm the area. This contract typically lasts 10 years.
WRP/EWP	Wetland Reserve Program/Emergency Watershed Program. Wetlands can be placed, if eligible, in this program and the land owner receives payments from the program and cannot farm the area. This contract is permanent.

Figure 1 – Organizational Structure



I. Executive Summary

A. Introduction

Colvin & Co. LLP of Minneapolis, Minnesota is the General Partner of Sather Agriculture LP ("Sather" or the "Partnership"), a Wisconsin based limited partnership that makes direct investments in prime U.S. farmland and other agriculture related investments. Global demand for basic commodities such as corn, soybeans and wheat continues to grow and inventories in many countries are among the lowest on record. The U.S. is well-positioned as a producer of these commodities, particularly in the region of the upper Midwest where prime soils and growing conditions can be found. As an investment vehicle, farmland typically holds value during periods of inflation and over the last 20 years farmland has generated approximately a 10-12% total rate of return.

B. Factors Driving Demand for Farmland

In recent years, the global economy has become more interdependent and in 2008 the world experienced a dramatic increase in demand for all types of commodities. China, India, and Southeast Asian developing countries were a large part of this increased demand though countries in the Middle East, Eastern Europe and parts of Africa have also been experiencing high growth. Colvin & Co. believes this demand will continue to increase in the longer term and that the present is an excellent time to acquire U.S. farmland.

In brief, the following factors are important in driving the fundamental investment rationale for farmland investments.

Factor	Brief Discussion
Land Scarcity	There are approximately 3.5 billion acres of arable land in the world with the potential for adding a mere 5% over the next 20 years.
Food Demand	As incomes rise, demand for proteins will increase with corresponding increases in the need for feed grains. Demand elasticities are high in developing countries. The USDA expects exports to rise to $167 billion in 2021 from $82 billion in 2007.
Bio-fuels	Agriculture and energy markets are now bound together by federal mandates for renewable fuels. An estimate by the USDA predicts that 40% of the U.S. corn crop will be used for ethanol in 2011.
Declining Inventories Worldwide	Inventories of grains, as measured by "Stocks to Use" ratios have been trending down in many countries. In the U.S., there is less than a 21 day supply of corn. In China, declining stocks has created the potential for increasing imports of corn.

Resource Conservation	Agriculture production must be managed as a sustainable resource to feed the world's growing population. Water is a vital resource and is a limiting factor for irrigated agriculture throughout the world.
Low Farm Sector Debt Levels	The U.S farm sector has a healthy Balance Sheet. Current debt to assets ratios are at 40 year lows and 72% of Iowa land is free of debt.
U.S Infrastructure	From transportation and storage networks to the stability of Government programs and the know-how at U.S. Universities, the U.S. farm sector has the ability to grow and efficiently market large volumes of feed and foodstuffs
Inflation Hedge	Many economists expect inflation in the longer term as large federal deficits and the Federal Reserves' easy money policy will create conditions for high inflation. Farmland is highly correlated to inflations and negatively correlated to most other financial asset classes.
Cash returns	Farmland is a performing asset, generating modest cash returns of 4-6%, depending on location and crop.
Sustainable Asset	Farmland, when well-managed, improves in productivity over time.

C. Colvin & Co. LLP, the General Partner

The management team's families have owned and operated farmland across the Midwest for over 120 years, which provides the General Partner a depth of expertise and contacts including farmers, brokers, appraisers, analysts, and lawyers. Colvin & Co. has other activities related to investments in farmland including its Farmland Forecast (newsletter, research, and conferences), Separately Managed Accounts, and is currently raising capital for its second farmland fund, Colvin Farmland LP. Colvin & Co. seeks to combine its expertise in the capital markets and knowledge of the agricultural sector to provide investors the best investment opportunity.

Colvin & Co. competitive advantages relative to other managers is as follows:

1. Depth of contacts in the farming regions of the upper Midwest,
2. Value-oriented acquisition strategy with no third-party brokers,
3. Knowledge of farmland due diligence resources and procedures,
4. Objective to purchase land at 90% of its intrinsic value,
5. The ability to play in a larger geographic area than most farm managers and brokers that tend to focus on local markets, and
6. An active management strategy to ensure the Partnership is maximizing its rental income and other income opportunities.

II. Overview

A. Sather Agriculture LP

Sather was established by Colvin & Co. in 2009 to provide investors with an opportunity to capitalize on the agriculture market. The primary focus of Sather is to carry on the purchase, leasing, and management of a portfolio of farmland located primarily in the Midwestern United States. Sather acquires farmland and other agriculture assets for both income and long term capital appreciation.

Sather seeks to provide investors with the ability to participate in one of the most important sectors of the global economy, often difficult to access with limited availability of information. Sather allows investors the opportunity to have a passive investment in farmland without having to identify and acquire property, manage the property, hire a farmer, and negotiate rental contracts.

Sather's investment focus is to generate a steady stream of income and capital gains by identifying undervalued farmland properties that are well positioned to benefit from the global demand for grains. Sather uses limited amounts of leverage and hedging strategies to provide investors with consistent and above average returns.

B. Sather Objectives

Sather was formed for the purpose of investing in farmland and agriculture related opportunities. Sather is focused on developing a diversified portfolio of farmland in the Midwestern United States that grows corn, soybeans, and wheat. Sather uses "cash rent" contracts, which involve a lease at a fixed price per acre per year. These contracts are typically 1 to 3 years long.

In order to capitalize on other agricultural opportunities, Sather also invests in agriculture related companies, commodities, and cash and equivalents. This provides diversity, liquidity, and working capital needs to Sather.

Sather is also authorized to implement hedging strategies to protect its exposure to farmland, which is subject to changes in commodity prices and long-term interest rates.

Sather seeks to invest 80% of its capital in farmland and 20% in other agricultural opportunities, commodities, and cash and equivalents.

C. Sather Performance

Sather currently owns 1,407 acres in Illinois, Iowa, North Dakota, and South Dakota. Since its inception on July 1, 2009, through September 30, 2012, after fees and expenses and based on recent appraisals, Sather has had a net annual return of 118.0% (unrealized).

	For the Quarter 07/01/12 - 9/30/12	For the Quarter 04/01/12 - 6/30/12	Year to Date 01/01/12 - 9/30/12	Since Inception 07/01/09 - 09/30/12
Sather Agriculture LP				
Net Return	18.4%	1.9%	45.7%	118.0%

The agricultural market continues to perform well as strong demand domestically and globally continues to drive grain stocks to record low levels. Farmland values continue to rise as farmers reinvest cash flows back into farmland after back-to-back years of record net farm income. We have observed impressively high cash rent offers across the Midwest confirming that farmer demand to add property to their operation is as strong as ever.

Farmers continue to be the primary buyers of farmland, despite the media highlighting the interest from outside investors. In the state of Iowa, 70% of farmland was purchased by farmers in 2010, 74% of purchases in 2011, and 78% in 2012. Iowa farmland purchased by investors in 2012 was 18%, the lowest since 1992.

Farmland values in the 7th Federal Reserve District rose 22% over the last twelve months according to the Federal Reserve Bank of Chicago's fourth quarter 2011 survey of Farmland Values and Agricultural Credit Conditions Report. Across the District, the value of "good" farmland increased 4% in the fourth quarter compared to the fourth quarter of 2011. All District states posted higher year-over-year increases in farmland values and the largest year-over-year land value increases came from Indiana and Iowa at 27% and 28%.

In the United States Department of Agriculture's, (USDA) biannual report, average values for farm real estate, cropland, and pastures across the United States were up 10.9%, 14.5%, and 4.5% respectively compared to 2011. The USDA reported U.S. cropland value increased by $450 per acre or 14.5% to $3,550 per acre. The largest year-over-year increase in cropland value was reported in the Northern Plains and Corn Belt regions. The Northern Plains jumped 30.4% to $2,360 per acre, while the Corn Belt rose 18.5% to $6,010 per acre. Of the ten regions the USDA uses to breakdown the United States, only one saw cropland values decline over 2011, the Southeast (-3.8%).

D. Description of Sather Farms

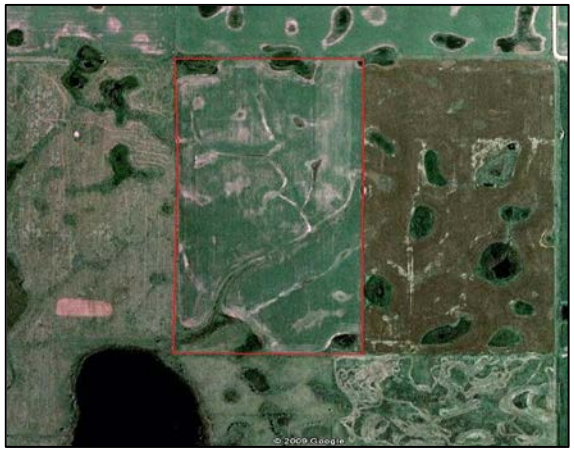
1. Farm 1 - Roberts County, SD

On July 1, 2009, Sather acquired three parcels of farmland totaling 510.5 acres located in Roberts County, South Dakota. Two of the parcels are located in Hart Township; one being a 310.5 acre parcel and the other a separate 120 acre parcel. The third piece, an 80 parcel, is located in Enterprise Township.

510.5 Acres - Roberts County, South Dakota

Parcel 1 – 310.5 Acres

Parcel 2 – 120 Acres



Parcel 3 – 80 Acres

426.3 acres are under contract through 2012 with a farmer based in Roberts County, South Dakota. 77.0 acres are under a Conservation Reserve Program contract, expiring at the end of 2021. All of the parcels are farmed using a corn/soybean rotation.

2. *Farm 2 - Roberts County, SD*

On December, 2, 2009, Sather acquired three additional parcels of farmland totaling 567.1 acres in Roberts County, South Dakota. The first parcel is 161.5 acres and located in Hart Township. The second parcel is 180.9 acres, which 140.9 acres are in Hart Township and 40.0 in Grant Township. The third parcel is 224.7 acres and located Grant Township.

567.1 Acres - Roberts County, South Dakota

Parcel 1 – 161.5 Acres

Parcel 2 – 180 Acres

Parcel 3 – 224.7 acres

All of the parcels are farmed using a corn/soybean rotation and are under contract through 2012 with a farmer based in Roberts County, South Dakota. 13.1 acres are under a Conservation Reserve Program contract, expiring at the end of 2021.

3. *Farm 3 – Worth County, IA*

On August 22, 2011, Sather acquired an 82.0 acre parcel of farmland in Worth County, Iowa. The parcel is solely located in Lincoln Township.

82.0 Acres - Worth County, IA

The land is currently under contract for 2013 with a local operator in Worth County, Iowa. The quality of soil on this parcel makes it attractive for either continuous corn or a corn/soybean rotation.

4. *Farm 4 – Walsh County, ND*

On August 11, 2011, Sather acquired a 94.23 acre parcel of farmland in Walsh County, North Dakota. The parcel is solely located in Walsh Centre Township.

94.2 Acres - Walsh County, ND

The parcel will be farmed using a sugar beet/potatoes rotation and is under contract for a three-year lease ending in 2014.

5. *Farm 5 – Cass County, IL*

On December 10, 2012, Sather acquired three parcels of farmland totaling 152.6 acres in Cass County, Illinois. The parcels are solely located in Chandlerville Township.

The land is currently under contract for 2013 with a local operator in Cass County, Illinois. 52.6 acres are irrigated with a center pivot irrigation system. The soils are ideal for either continuous corn or a corn/soybean rotation.

152.6 Acres – Cass County, IL

III. Review of Farmland Investment Strategies

A. Rationale for Investment in Farmland

Table 1 – Farmland Investment Returns

State	One Year	Five Years	Ten Years	Twenty Years	Fifty Years	Hundred Years
Illinois	22.8%	12.0%	11.8%	8.1%	6.9%	4.6%
Iowa	22.8%	16.2%	14.1%	9.7%	7.6%	4.9%
Nebraska	33.5%	18.4%	13.5%	8.7%	7.4%	4.6%
N. Dakota	26.5%	14.1%	11.8%	7.3%	6.8%	4.2%
S. Dakota	23.9%	13.1%	12.8%	8.5%	7.1%	4.1%
Wisconsin	7.4%	3.7%	7.4%	8.5%	7.4%	4.7%
United States	10.9%	5.8%	8.3%	6.9%	6.5%	4.5%

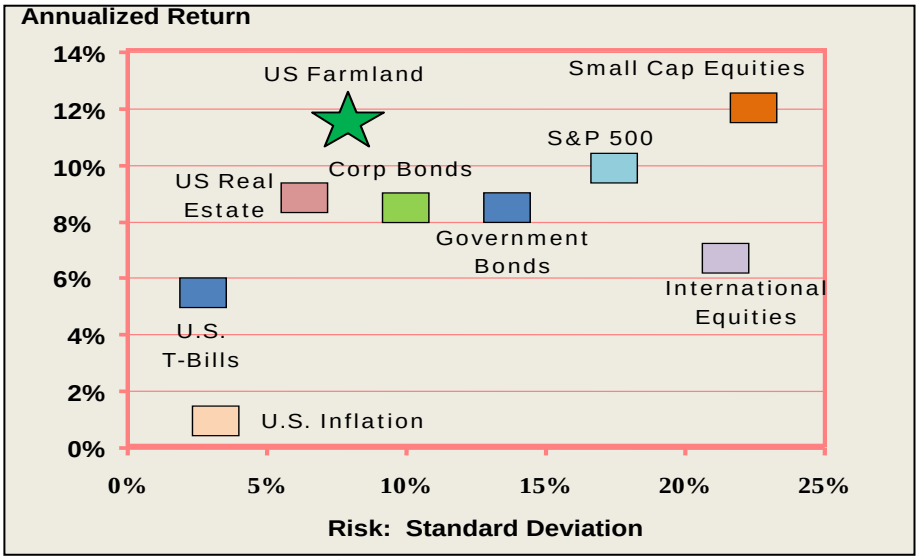
Source: USDA Economic Research Service

Farmland has several favorable characteristics that make it an attractive investment option for private and institutional investors. In Table 1, Colvin & Co. has compiled farmland investment returns for one hundred years in those states where it expects to make the majority of its investments. Long term results have been experienced in Europe and currently land investment on Latin America are gaining interest.

1. Risk/Return

Since the early 1970s, farmland has provided nominal annual returns of 10-12% and real returns after inflation of 6-8%. Returns typically consist of current income from yearly crop sales or lease payments, plus land appreciation. Farmland's historical risk/return profile compares favorably with more traditional assets such as stocks and bonds.

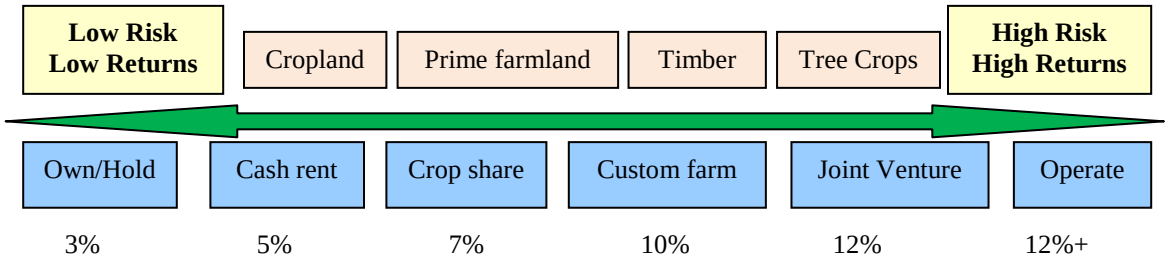
Figure 2 - Historical Analysis of Risk & Return, 1971–2009, All U.S. Farmland



Source: National Council of Real Estate Investment Fiduciaries (NCREIF) and predecessors prior to 1992, other organizations reporting on US Farmland based on USDA return data.

These historical returns are for a farmland portfolio following a moderate risk approach. However, there are various farmland strategies that provide different risk/return characteristics. For example, a portfolio of leased row cropland has a lower expected risk/return profile than a portfolio of operated permanent tree crops or vineyard, which has a lower expected risk/return than a portfolio consisting of international farmland. The chart below shows relative risk and return of certain farmland approaches.

Figure 3 – Hypothetical Risk/Returns of Various Farmland Investment Strategies



2. Diversification and Protection

Historically, farmland returns have been negatively correlated with equities and bonds with only a modest positive correlation with commercial real estate. Research shows a positive correlation between U.S. farmland and the Consumer Price Index ("CPI"). Farmland's correlation to the CPI exceeds that of stocks, bonds and non-farm real estate. The farmland asset class has many of the characteristics to an inflation-indexed bond (high positive inflation correlation and consistent real returns). These characteristics make it an excellent diversification tool that can balance a portfolio and offset financial and commercial real estate market volatility.

Figure 4 – Investment Correlation with Farmland, 1971–2009

Historical correlations with U.S. Farmland		
Correlations	Negative	Positive
Long Term U.S. Corporate Bonds	-0.43	
U.S. Treasury Bills	-0.22	
S&P 500	-0.18	
International Equities	-0.15	
U.S. Small Cap Equities	-0.07	
U.S. Commercial Real Estate		+0.23
S&P GSCI		+0.28
Gold		+0.30
U.S. Inflation		+0.36

-0.50 -0.25 0.0 +0.25 +0.50

Source: NCREIF, Ibbotson & Associates, Morningstar, Western Spectator June 2010.

3. Farmland in Comparison to Gold

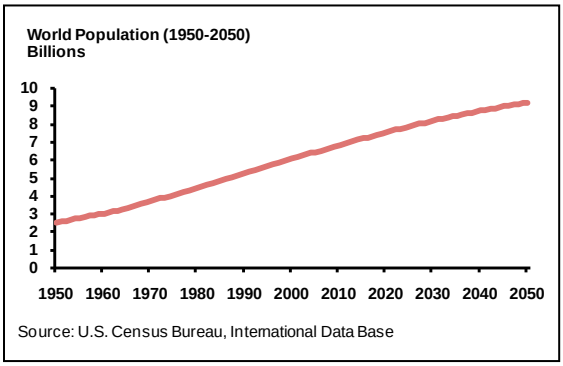
Farmland is frequently compared to investments in gold shares because of its characteristic as an inflation hedge. However unlike gold, farmland also produces stable income streams – as a consequence it has been described as "gold with yield". However, a closer examination of gold and farmland correlations produces different conclusions. Gold tends to rise in anticipation of future inflation while farmland tends to increase with higher commodity prices. Analysts have termed gold to be a leading indicator of inflation while farmland is a coincident indicator.

4. Increasing Global Demand

Global macroeconomic events of the past several years have heightened awareness of the many issues related to natural resources, the environment, supply and demand for energy, and more broadly,the very real competition for a wide range of agricultural and non-agricultural commodities. Nations with energing economies not only need minerals and metals for infrastructure development, they also require ever food and feed grains to support larger and wealthier populations. In the U.S., the biofuels market now competes for corn (ethanol) and soybeans (bio-diesel).

There are approximately 3.5 billion acres of arable land in production on a global basis, a figure that is not expected to increase substantially in the future. Most of the economically viable land is already in production and most analysts look to increases in productivity to meet growing demand. Moreover, China, with 20% of global population, only has 7% of the world's arable land. China has recently committed $5 billion for agricultural developmet in Africa. Similarly, investment interests from Saudi Arabia and Abu Dhabi have aquired large tracts in East Africa for large-scale development. In the Americas, investors such as George Soros and Lord Jacob Rothschild have taken big stakes in farming companies that plan to exploit markets for soybeans and other feedstuffs in Asia.

Figure 5. – World Population Growth to 2050



According to the USDA, world population growth is expected to increase at 1.1% per year through 2018. The United Nations estimates that the world's population will increase from roughly 7 billion people to 9 billion people in the year 2050. Economists have long shown that as GDP rises, consumption of animal protein also rises with its predictable impact on demand for

feed grains. The increasing global demand for grains needed to feed the growing world population and its changing dietary habits will continue to increase U.S. agricultural exports.

Figure 6 – Projected U.S. Exports to 2021

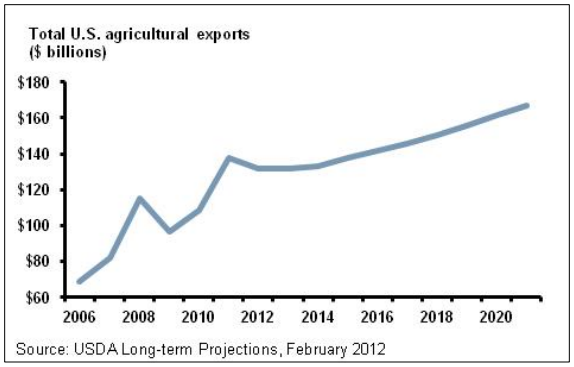
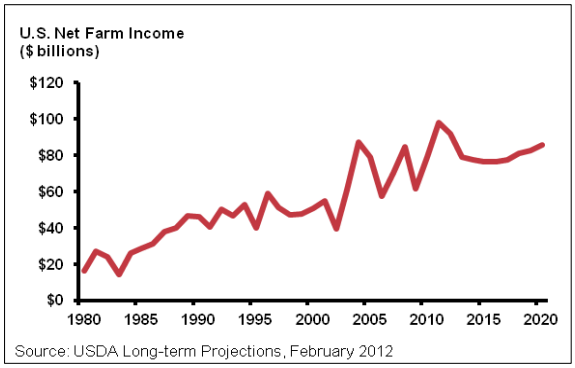


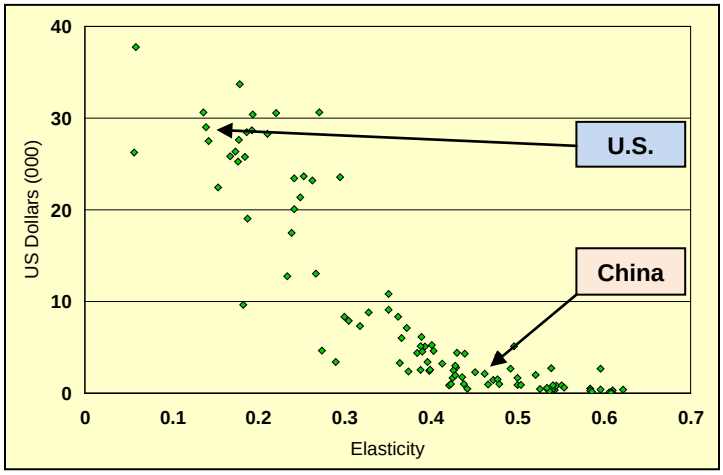
Figure 7 – Projected U.S. Farm Income to 2021



Looking forward, the USDA baseline projections in Figure 6 show a continuing upward trend with total U.S. agricultural exports reaching $166.6 billion in 2021 from $82.2 billion in 2007. U.S. Farm Income in Figure 7 is also expected to rise as producers continue to achieve higher yields through better productivity in all crops.

5. *China and the Experience from Emerging Markets*

Figure 8 – Income Elasticities



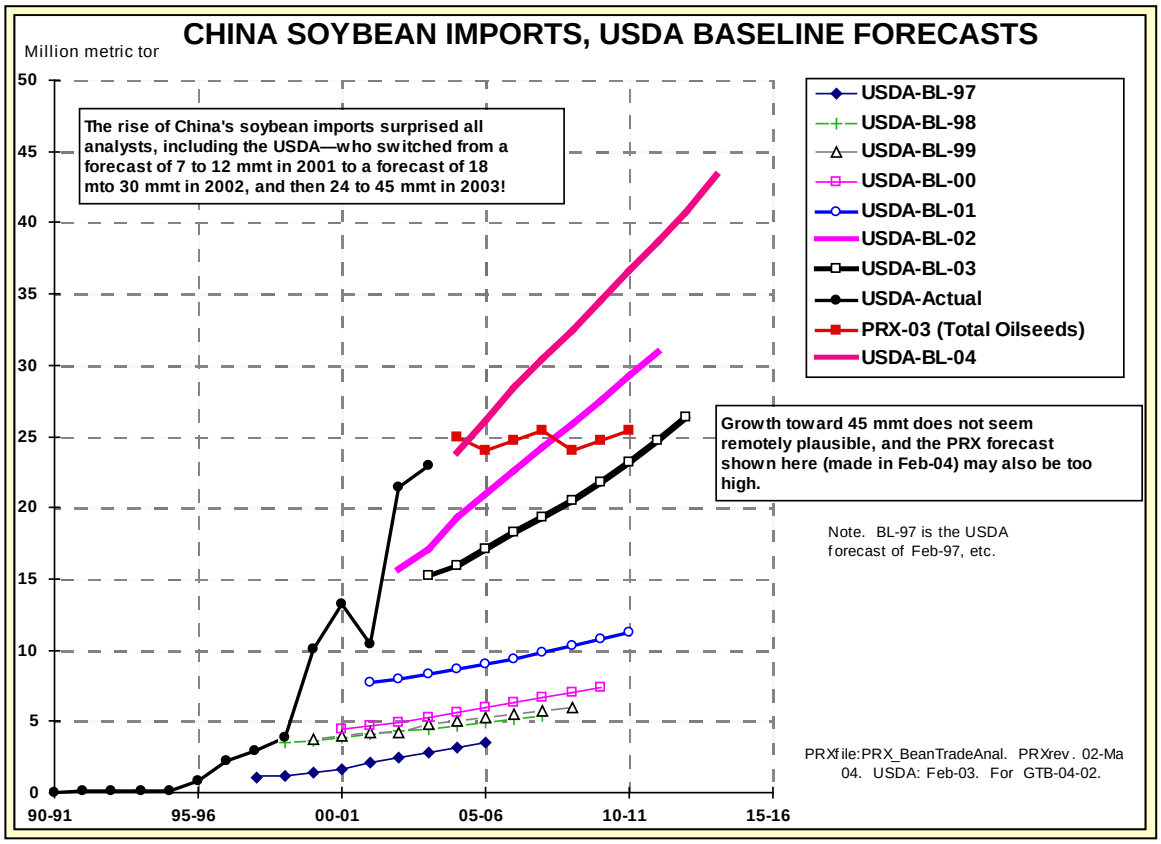
Source: William W. Wilson, Phd, North Dakota State University, ESDA-ERS

Economists have recorded the effect on demand for goods as incomes rise among consumers in both developed and developing economies. As figure 6 shows, for every dollar rise in income, demand grows rapidly when incomes are low and less rapidly when incomes are already high. China has an income elasticity of 0.47 while the U.S. has an income elasticity of 0.15. Historically, rises in income have precipitated rises in the consumption of higher protein foods including meat, dairy, eggs and poultry products. Recently, China has begun increasing its production of these proteins with the corresponding increases in demand for feed grains, including soybeans and corn.

Perhaps the best illustration of the changing demand picture for feed grains is provided by the market for soybeans. Figure 9 below shows the USDA's baseline forecasts for

China and the constant revisions that have occurred since the first projections were made in the 1990's.

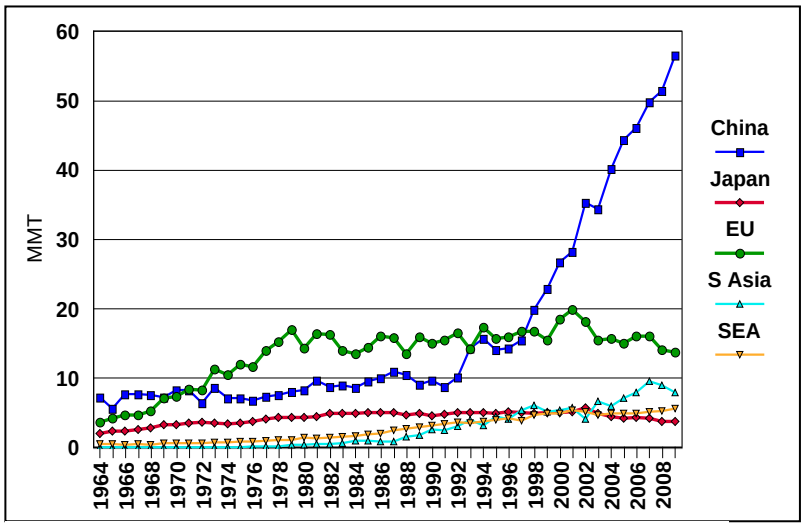
Figure 9 – Chinese Soybean Imports



Source: William W. Wilson, Phd, North Dakota State University, ESDA-ERS

Actual consumption patterns for both soybeans is illustrated Figure 10 below.

Figure 10 – Soybean Consumption by Selected Importers

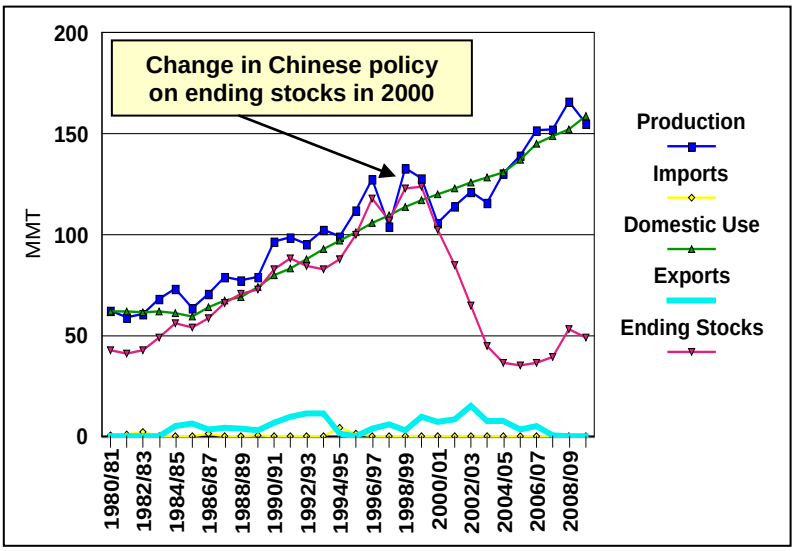


China has clearly led the market for soybeans for the last decade with attendant rises in soybean prices. In 2000, soybean prices were under $8.00/bushel and in 2010 were over $11.00/bushel (World Bank Commodity Price data) with a sharper peak in 2008 at over $15.00 per bushel.

Source: William W. Wilson, Phd, North Dakota State University, ESDA-ERS

Corn markets in China have shown a very different history as China has had a policy of producing its own crop. To date, imports have been quite modest relative to rising demand. Beginning in 2000, however, China reduced its ending stock inventories of corn to support rapidly growing domestic use. Production in China has also increased. Figure 11 shows the reduction in inventories over the last 30 years.

Figure 11 – Chinese Corn Markets, 1980-2009

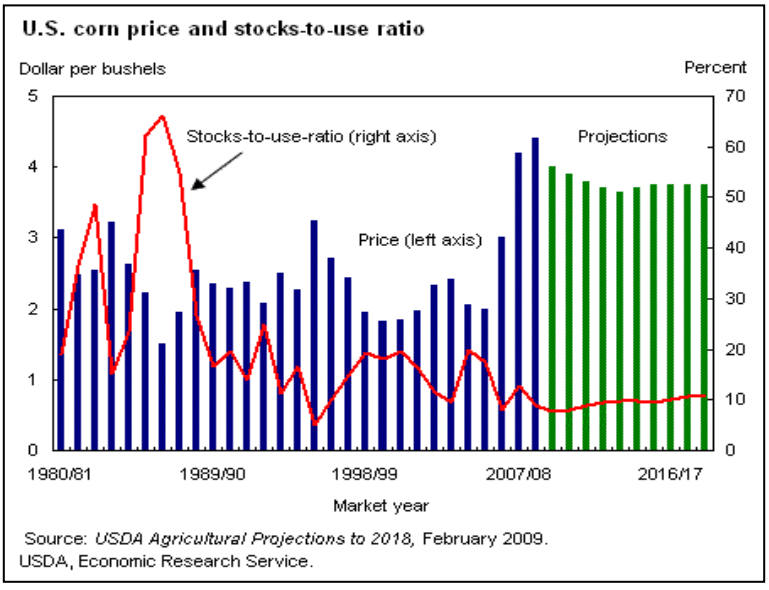


Source: William W. Wilson, Phd, North Dakota State University, ESDA-ERS

Market dynamics bode well for increases in U.S. corn exports to China. The U.S. is the world's largest and most efficient producer of corn. Akio Shibata, chief representative for trading company Marubeni Corp's research institute recently stated that Imports may expand to 10 million metric tons in 2015 from about one million tons forecasted for 2010 as China will turn to cheap corn supplies from overseas for feed production (reported on Bloomberg, July 7, 2010). This would make China the 2nd largest importer after Japan at 16 million metric tons.

6. <u>U.S. Corn Stock and Prices</u>

Figure 12 – U.S. Corn and Inventory Projections to 2018



Agriculture has always been subject to external risks of drought, pestilence, war and unforeseen weather events. In the last decade however, inventories of most feed grains have declined increasing exposure to external shocks that could interrupt supply. As an example, Table 5 shows USDA projections for Corn Price and Stocks to Use Ratio. Prices are expected to

maintain levels of approximately $5.00/bushel, well above their historical norms. Inventories or "stocks" are currently 8% of total U.S. demand, representing less than 30 days' supply.

Similar results have been recorded for other feed grains and in most crop producing regions. For import dependent countries, supply disruption is a very real external threat. Volatility on commodity markets may possibly increase similar to the spike in prices and short supplies that occurred during 2007 and 2008. These fundamentals are driving the investment policies not only of countries like China and India, but also investment decisions by entrepreneurs in capital markets. New investment companies such as AgriFirma (Canada), Adeco Agro (Brazil, Argentina), Cresud S.A. (South America), Morgan Stanley (Ukraine), Emergent (Africa) have raised significant amounts of capital for new agricultural development.

Agricultural investors have historically been seduced by the plethora of Malthusian sentiments predicting scarcity only to realize that commodity cycles are indeed that: cycles. Lest we forget, production and supply responds directly to higher or lower prices, and perhaps no more quickly than in global agricultural trade. Analysts currently estimate that demand from population growth, income shift, and biofuels is currently exceeding productivity growth by 1-4% annually. No one expects vast new quantities of land to come into production. While historical increases in productivity have been documented at 0.8-1.4% annually, biotechnology companies hope to increase productivity to as much as 3% annually in the future. Together with shifts in the geography of production and the substitution of corn and soybeans for small grains (wheat, barley, rye, etc.), agricultural economists do expect producers to meet ever greater demands for grains.

B. The Case for Investing in the U.S. Midwest

Midwestern states in the U.S. offer important advantages over competing opportunities in other producing regions and emerging markets. For instance, while Argentine land is excellent for soybeans and the land is inexpensive in comparison to the U.S., government policy can quickly impact the ability to get crops to market at a predictable and reasonable price. Brazil has recently announced new restrictions on foreign ownership of agricultural land. The following is a brief list of considerations for investing in Midwest farmland.

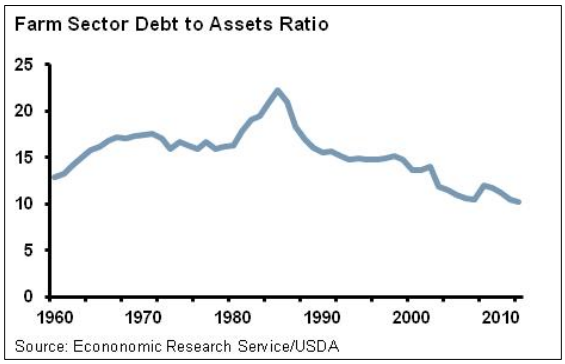
Excellent Soils – The Midwest has among the best soils in the world for row crop production. In addition, each state's soils have been mapped and classified on type, composition and productivity. The information is readily available to producers as well as investors.

Established Markets – There are efficient markets for both inputs (seed, chemicals, fertilizer, bank credit) and outputs (grain and by products) which enables price discovery for all participants.

Installed Infrastructure – Transportation and storage infrastructure is the most efficient in the world and is able to handle large quantities of grain for both domestic use and export.

U.S. Farmers' Balance Sheet – Unlike the debacle of the early 1980s when the farm sector was highly leveraged and forced to liquidate large holdings in the face of falling commodity prices and increasing interest rates, farm sector debt to assets is currently below 10%, even lower than 1960 as shown in Figure 13.

Figure 13 – U.S. Farm Sector Debt to Assets Ratio



A financially healthy farm sector contributes to stable conditions for collecting cash rents and the ability for an owner to change operators should the opportunity arise to increase returns or seek better management.

Alternative Uses – The Energy Independence and Security Act of 2007 updated the Renewable Fuels Standard (RFS) to mandate the use of 36 billion gallons of renewable biofuels by 2022, 15 billion gallons of which is to come from grain-based ethanol by 2015. The U.S. produced approximately 13.9 billion gallons of ethanol in 2011 and demand is expected to increase steadily as the RFS is realized.

Stability of Government Programs – The role of government is well-established and has historically focused on price stability, management of surpluses, conservation practices and incentives for infrastructure on farms. Farm profitability typically reduces the need for support programs. Most all agree that the presence of government in agriculture has reduced risk to producers and owners.

Management, Technology and Know-How – Quality management is the most important factor that impacts the ability to extract returns from agriculture. While selection of individual managers is crucial, the U.S. has a strong framework of research, education and technical outreach for producers provided by its Land Grant College system. In addition, the U.S. has many of the foremost agricultural corporations in the world that work closely with the Universities. Today, most farmers have a college degree in a related science and are conversant in most mainstream business issues.

Marginal Lands and the Impact of Agbiotechnology

Several large seed and agrichemical companies such as Monsanto, Dupont (Pioneer), Dow Chemical, Syngenta, Bayer Crop Science, among others, have focused years of research and product development on higher performing varieties and hybrids of important food and feed crops. While Genetically Modified Organisms (GMOs) are not without controversy and are essentially banned in Europe and Japan, in the United States better drought and cold tolerance has expanded the land area that can be used for cold sensitive crops. For instance, a time series of both corn and soybean plantings shows that land planted to these crops over the past 15 years has expanded North (colder) and West (drier). In turn, this has made land in these more marginal areas more valuable. Land price increases have been greater than in the traditional Corn Belt.

While Sather's primary objective is to invest in only the most prime of agricultural lands, there are some regions which will be investigated thoroughly (for instance, parts of southern and central North Dakota and central Nebraska) for the potential of increased value due to new cropping systems. Sather estimates that up to approximately 20% of the Partnership could be focused on this strategy.

Taken together, investments in Midwest farmland offer relatively low risk and relatively stable long term investment returns. While much higher returns are available in other regions, political risk, infrastructure risk, commodity price risk and management risk, are typically greater. Lastly, U.S. farmland is of prime quality and this type of resource will have an eager audience for years to come.

IV. Description of Assets to be Acquired

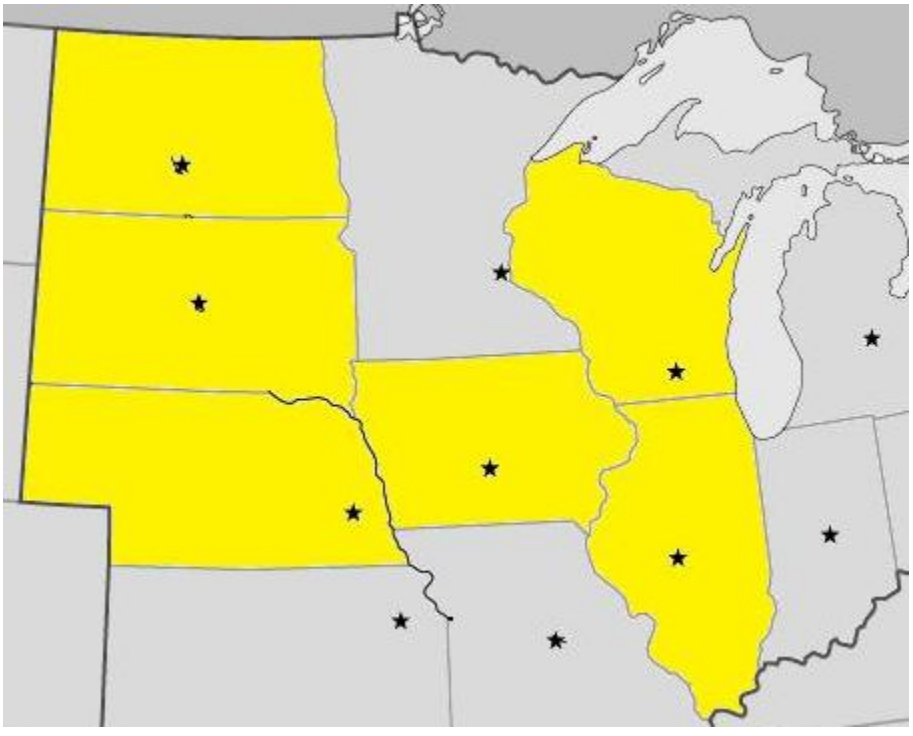
A. Discussion of Crops to be Produced

The General Partner will seek to identify farmland that grows corn, soybeans, and wheat, which will be the primary beneficiaries from the global demand for grains. As emerging markets, such as China and India, continue the development of a middle class, they will become substantial importers of corn, soybeans, and wheat. The U.S. is the world's largest exporter of all three crops and will benefit substantially from the increased trade of grains.

Corn, soybeans and wheat are an important part of the world's food supply and serve a wide variety of uses. Corn is a staple ingredient in livestock feeds, human food production, sweeteners, and biofuels. Soybeans are vital for vegetable oil production, animal feed, flour production, and meat and dairy substitutes. Wheat is used in a variety of food productions including flour.

B. Geographic Focus

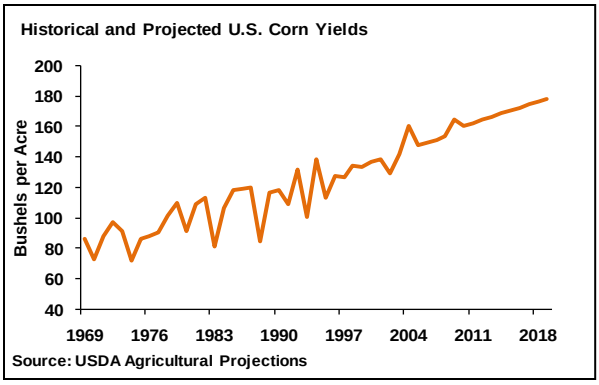
The General Partner has identified the following states for optimal investment for the Partnership: Illinois, Iowa, Nebraska, North Dakota, South Dakota, and Wisconsin. These states are the primary producers of corn, soybeans, and wheat in the U.S. and allow for institutional ownership of farmland.



C. Average Historical Yields

Historical corn yields are an excellent proxy for determining the quality of cropland. In the U.S., the average corn yield was 147.2 bushels per acre in 2011, according to the USDA. Illinois, Iowa, Nebraska, North Dakota, South Dakota, and Wisconsin are recognized as some of the top corn producing areas in the world. Properties that the General Partner has identified will have corn yields equal to or greater than the state's average corn yields.

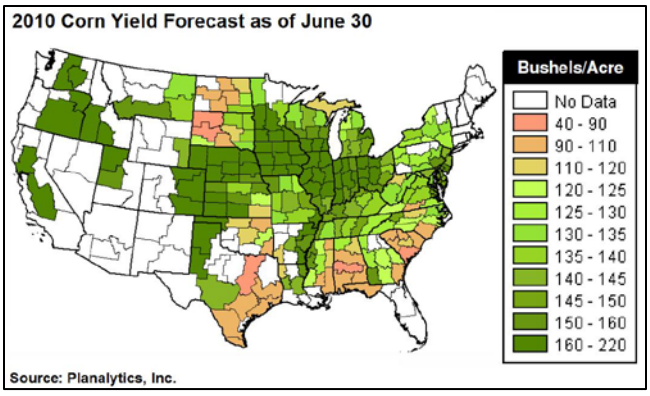
Figure 14 – U.S. corn yields to 2018



Illinois and Iowa have the most expensive farmland because of their high summer temperatures, high amounts of rainfall, and extremely fertile soil. Nebraska farming may involve a higher amount of irrigation which typically produces 200+ bushel/acre yields. The best farmland in North Dakota is on the Eastern Border with Minnesota in the highly desirable Red River Valley. Wisconsin is typically known as a dairy state, but there is excellent row cropland in the southwest part of the state.

Figure 7 provides a snapshot of expected corn yields in 2010. The map also shows that the highest yields occur in those states of that are the investment focus of the General Partner. Most of the states, except portions of Nebraska, rely on natural rainfall during the crop season and are among the most fertile and versatile croplands in the world. The U.S. Midwest also benefits from an installed transportation and storage infrastructure along with the human know-how on its operation.

Figure 15 – Expected U.S. Corn Yields for 2010



D. Average Values and Purchase Prices

Farmland values have steadily increased over the past 100 years across the U.S. In 2011, the average value of farm real estate in the U.S. was $2,650 per acre, up from $20 per acre in 1900, according to the USDA. By definition, farm real estate includes both

pastureland and cropland. The General Partner intends on purchasing only cropland, which typically has a higher value than pastureland.

Table 3 provides summary information on average land prices, price ranges, rainfall and temperature for those states in which the General Partner plans to make investments. The highest values correspond to the greatest productivity. Illinois is also impacted by continuing urban pressure as well as a legal environment which does not restrict foreign or corporate investors.

Table 3 – Land Prices, Rainfall and Temperature Data for Six States in the Midwest

	Average Corn Yield in 2011 (Bushels/Acre)	Average Value of Farm Real Estate in 2011	Average Purchase Price of Farmland by General Partner	Average Rainfall (Inches)	Average Temperature (Degrees Fahrenheit)
Illinois	157.0	$5,700	$7,000 - $10,000	33.3	51.7
Iowa	172.0	$5,600	$6,000 - $9,000	34.7	47.8
Nebraska	160.0	$1,780	$4,500 - $8,500	30.3	48.8
North Dakota	105.0	$980	$2,500 - $5,000	15.4	40.4
South Dakota	132.0	$1,100	$3,000 - $6,000	17.5	45.1
Wisconsin	156.0	$4,050	$4,500 - $7,000	30.9	43.1

Source USDA-ERS and estimates of General Partner

In the Dakotas, land would be more characteristic of cropland in Iowa, with adequate rainfall in the eastern parts of both states. Of course, two pieces of farmland are never the same, and these figures across states are simply averages.

E. Average Returns

Farmland has performed well over the past five years, especially in the Midwestern U.S. Strong ethanol demand, low crop supplies, increased exports, and a weaker dollar has led to above average grain prices. The large increase in grain prices has translated into a substantial increase farm income and farmland values.

In 2011, farmland values have been performing well. According to the Federal Reserve Bank of Chicago, farmland values across the Corn Belt rose 22% over the last 12 months. The Fed also noted that in Iowa, average farmland prices increased 28% since January of 2011.

The states identified for investment by the General Partner have provided consistent appreciation and cash flows. Over the last 10 years, farmland in the identified states has had an average annual appreciation of 10.9% and average annual cash rent of 5.0%. When combined, the identified states have returned a total of 15.9% per year over the past 10 years.

Table 4 – Appreciation and Current Returns on Farmland in Six U.S. States

State	Average Appreciation			Average Cash Yields		
	One Year	Five Years	Ten Years	One Year	Five Years	Ten Years
Illinois	22.8%	12.0%	11.8%	3.4%	3.6%	4.2%
Iowa	22.8%	16.2%	14.1%	3.9%	4.4%	5.1%
Nebraska	33.5%	18.4%	13.5%	6.8%	7.1%	7.8%
N. Dakota	26.5%	14.1%	11.8%	5.5%	6.0%	7.2%
S. Dakota	23.9%	13.1%	12.8%	7.4%	7.5%	8.5%
Wisconsin	7.4%	3.7%	7.4%	2.5%	2.2%	2.6%
United States	**10.9%**	**5.8%**	**8.3%**	**4.6%**	**4.3%**	**5.0%**

Source: USDA Economic Research Service

Creighton University publishes a monthly farmland index, which has increased to 83.9 in November 2012 from its March 2009 low of 33.1. The index measures the confidence that bankers have that the value of farmland will increase or decrease.

F. Environmental

Properties could potentially have environmental hazards on them, such as a chemical spill, or even aphids. The General Partner will complete a full due diligence review when looking into potential farmland for acquisition to make sure that the identified farmland is free from environmental hazards and will perform efficiently, and safely.

An abstract or title work will often reveal if the land has had any environmental problems in the past. On these documents, original contracts with companies including, but not limited to, telephone, rail, or road, should show if any environmental problems could exist.

Erosion is also an environmental factor that the General Partner will keep in mind when investigating new properties. On Farm Service Agency records, land will be either classified as not highly erodible land (NHEL), or highly erodible land (HEL). If land is classified as HEL, then it will be subject to special government programs to help minimize erosion.

G. Farm Economics

Sather plans to rent its properties to growers who have proven to have credible farming practices and excellent credit records. Other lease arrangements can be made which include crop share and custom farming. These leases increase commodity exposure which is gratifying in rising markets but disheartening when commodity prices sag. Sather has

no plans to enter any lease types other than cash rents. However, Table 5 below illustrates the economics for a corn grower in Iowa.

Table 5 – Economics of Growing Corn in Iowa, 2012

Average Farm Economics for 2012						
Gross Revenue Per Acre						
Yield Per Acre	175	175	175	175	175	175
Price Per Bushel	**$4.75**	**$5.00**	**$5.25**	**$5.50**	**$5.75**	**$6.00**
Basis	$0.20	$0.20	$0.20	$0.20	$0.20	$0.20
Price Less Basis	$4.55	$4.80	$5.05	$5.30	$5.55	$5.80
Grain Sales	$796.25	$840.00	$883.75	$927.50	$971.25	$1,015.00
USDA Direct Payments	$18.00	$18.00	$18.00	$18.00	$18.00	$18.00
Total Revenue	**$814.25**	**$858.00**	**$901.75**	**$945.50**	**$989.25**	**$1,033.00**
Production Costs Pre Acre						
Seed Per Bag	$104.25	$104.25	$104.25	$104.25	$104.25	$104.25
NH3 Per Ton	$85.50	$85.50	$85.50	$85.50	$85.50	$85.50
DAP Per Ton	$72.50	$72.50	$72.50	$72.50	$72.50	$72.50
K20 Per Ton	$32.50	$32.50	$32.50	$32.50	$32.50	$32.50
Annual Lime Cost	$8.00	$8.00	$8.00	$8.00	$8.00	$8.00
Herbicides/Pesticide	$47.00	$47.00	$47.00	$47.00	$47.00	$47.00
Fuel	$33.00	$33.00	$33.00	$33.00	$33.00	$33.00
Labor	$28.00	$28.00	$28.00	$28.00	$28.00	$28.00
Crop Insurance	$40.00	$40.00	$40.00	$40.00	$40.00	$40.00
Drying and Storage	$37.00	$37.00	$37.00	$37.00	$37.00	$37.00
Total Production Costs	**$487.75**	**$487.75**	**$487.75**	**$487.75**	**$487.75**	**$487.75**
Profit Excluding Land Cost	**$326.50**	**$370.25**	**$414.00**	**$457.75**	**$501.50**	**$545.25**
Profit Margin	*40.10%*	*43.15%*	*45.91%*	*48.41%*	*50.69%*	*52.78%*
Rental Cost Per Acre	$350.00	$350.00	$350.00	$350.00	$350.00	$350.00
Net Profit	**-$23.50**	**$20.25**	**$64.00**	**$107.75**	**$151.50**	**$195.25**
Net Profit Margin	*-2.89%*	*2.36%*	*7.10%*	*11.40%*	*15.31%*	*18.90%*

Source: J.P. Morgan & Co. and Colvin & Co.

H. Soil Classes

The USDA classifies soil into eight classes, with Class I being the best. Classes I to IV are considered suitable for cultivation and Classes V to VIII are limited for use in cultivation. The USDA may use subclasses which include a letter that provides a description of the soil. For example, a "W" indicates the soil is typically found in wetlands, an "S" indicates the soil is stony, or shallow for root depth, and an "E" indicates that it is erodible. Higher classed soils will carry higher soil ratings and in turn, produce higher yielding crops and values.

Within USDA records, farmland will have multiple soil classes that are rated. Class 1 soils are the most productive. After the soil class, there may be a letter. Letters represent a description of the soil. For example, a "W" indicates the soil is typically found in

wetlands, an “S” indicates the soil is stony and an “E” indicates that it is erodible. Higher classed soils will carry higher soil ratings and in turn, produce higher yields and values

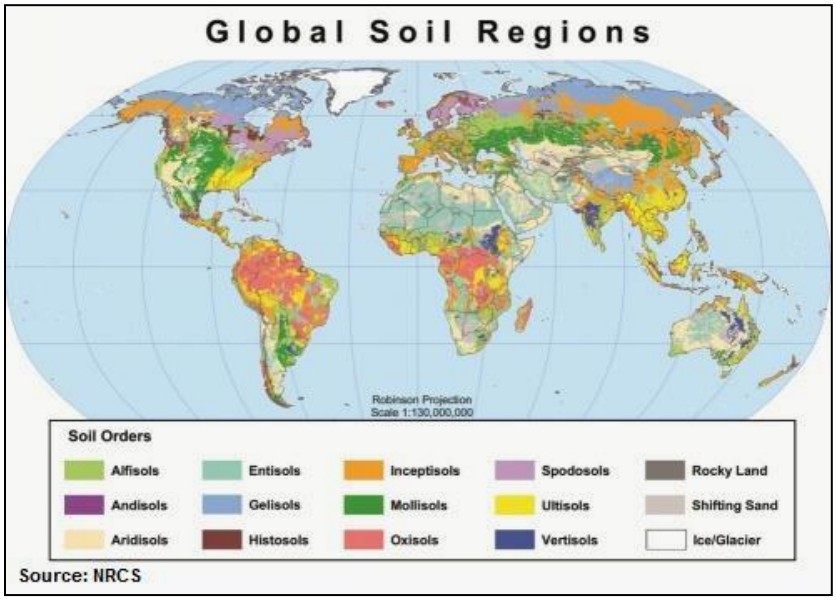
For more information about soil classes, visit the NRCS Ecological and Interpretative Groups website at: http://soils.usda.gov/technical/handbook/contents/part622.html.

Table 6 – Soil Classification

Land Capability Class Limitations	
Class I	Few limitations
Class II	Some limitations that reduce plant choice or require moderate conservation practices
Class III	Severe limitations that reduce plant choice or require special conservation practices
Class IV	Very severe limitations that restrict the plant choice, require very careful management, or both
Class V	Little or no erosion hazard but have other limitations
Class VI	Limitations that make them generally unsuited to cultivation
Class VII	Very severe limitations that make them unsuited to cultivation
Class VIII	Limitations that prevent their use for commercial plant production

Climate and location are important in determining farmland values, but the land’s soil types give farmland its true uniqueness. The soils in the General Partner’s identified investment areas are almost entirely comprised of mollisols, according to a soil survey from the Natural Resources Conservation Service (NRCS). There are twelve types of soil taxonomy in the world. Of the twelve, the most naturally fertile soils are these mollisols, according to the NRCS. Mollisols are predominantly found in only four places on Earth, and the Midwestern U.S. is one of them.

Figure 16 – World Locations of Mollisols



I. Water, Temperature Regimes for Optimum Productivity

All plants are dependent on nutrients and sunlight, but some are more so than others. Corn matures based on primarily the amount of heat units it receives, while soybeans mature based on primarily the amount of sunlight the plant receives. The amount of precipitation the plant receives is also important, as too much or too little water can greatly affect the yields of the plant.

A growing degree day (GDD) is a unit that measures the amount of heat corn receives during a day. Corn typically requires over 2,000 GDD units to reach full maturity before harvest. Farmers constantly monitor the amount of GDD units in their area and will often treat their corn crop according to the amount of GDD units their corn has been exposed to. To find the amount of GDD units in one day, average the high and low temperatures for the day and subtract a predetermined "base temperature" from it. In most of the Midwest, the base is 50. For example, if the high and low for the day were 88 and 57 respectively, the GDD would have been 22.5 units. Iowa and Illinois typically receive more GDD, and thus those states typically produce the highest corn yields.

The amount of rain is essential for plant growth, and there is a severe drop off in the amount of annual precipitation in the western region of the Midwest. The General Partner has identified areas that receive good GDD units and above average precipitation, which will typically produce higher corn yields.

J. Irrigation Infrastructure


Source: Kansas Geological Survey

Water provides nutrients to a plant so it can grow and carry out its functions. If a plant does not have enough water, it will die. Conversely, too much water will wash nutrients out of the soil and away from a plant. To assist crops in dry areas and during periods of inadequate rainfall, irrigation is used as an artificial application of water to the soil. Irrigation also protects plants against frost, suppresses weed growing in grain fields, and helps in prevent soil consolidation. In contrast, agriculture that relies only on direct rainfall is referred to as rain-fed farming.

Spray irrigation is a common type of irrigation in the U.S. Most spray irrigation systems are on a center pivot system where a quarter mile of piping pivots around a center point

water source. The irrigation system sprays water over and out to crops while it rotates. Row crops like corn and soybeans are the most common crops to use pressurized spray irrigation. There are other irrigation methods used in the U.S., but spray irrigation, and specifically center pivot systems, are the most commonly found in the Midwest.

K. Unique Characteristics

Besides the valuable top soil on every piece of farmland, there are some unique characteristics that some farmland may include that will provide an elevated value. Unique characteristics of farmland include drainage tile, road access, farmablility, access to elevators and other off takes, and the presence or access to livestock facility byproducts.

Sather purchased farmland in Iowa that had only one-road access, but the General Partner felt that the road access was sufficient since it was a paved, major roadway. The farmland also had a very deep drainage ditch bordering two sides of the land, but the field had two field access points from the roadway increasing its farmability. The farmland was within four miles of the local grain elevator and within a reasonable distance to an ethanol plant as well.

This specific farmland had a small hog facility on it near the old homestead which was destroyed a few years ago. The hog facility contributed valuable nutrients into the soils around the area, helping the fertility of the soils. Future farmers will not have to apply as much fertilizer over the area where the hog facility was located. These nutrient levels can be monitored by soil sampling.

The farmland in Iowa that Sather purchased also had underground drainage tile in it. Drainage tile collects excess moisture roughly three feet below the surface. The excess moisture travels through the tiling system and then exits into a drainage ditch. Drainage tile allows farmers to access fields earlier in spring because excess snow melt will drain through the field quicker than non-tiled fields.

Drainage tile also has environmental benefits. When water pools on top of farmland, eventually the water can runoff and carry valuable nutrients with it. Drainage tile allows excess water to flow through the soil and out the tile while the soil is naturally filtering the moisture and holding all the nutrients. Drainage tile can increase returns on farmland through higher cash rents and an increase in value. Tile can be a focal point when selling farmland.

These specific attributes mentioned added significant value to the Iowa farmland that Sather purchased. Without drainage tile or multiple field access points, the farmland may

not have been an attractive purchase since operators may be interested in leasing the property. Instead, the farmland had a number of unique characteristics that validated the purchase price.

L. Development Potential

Farmland can also generate other income besides the cash rent through development opportunities. Wind energy is a growing industry and farmland across the entire Midwest is, or may be eligible for wind development. A wind turbine can add up to an additional $5,000 to $10,000 per year and not interfere with the farming operations. One turbine can be placed every approximately 160 acres.

Water rights can be sold or leased out if farmland contains a large body of water on or under it. Mineral rights can also be sold or leased by the Partnership since all mineral rights will be transferred to the Partnership if a property is acquired. Minerals could include oil, natural gas, and gravel.

Commercial and residential development could potentially expand onto the farmland owned by the Partnership. Ethanol plants are often built on land near, but not necessarily in a town. The possibility of a commercial building being built on farmland is small, but still exists. Also, residential development could stretch a town's borders to where a farm's values could increase with the potential to sell the land as residential property if the land is located close to a residential area.

Land in the conservation reserve program (CRP) may be purchased if the CRP contract would be expiring soon. CRP land is cropland that is kept out of production for environmental purposes and typically carries a 10-year contract. After the CRP contract expires, the land would then be put back into production and leased out by the Partnership.

Information towers can also generate income. If a major roadway is going to be built near the Partnership's farmland, cell, microwave, and radio towers may be placed on the land. Billboards may also be placed on farmland that is near high traffic roadways.

Recreation and hunting leases along waterways and ditches can provide additional income opportunities with minimal work from the land owners.

V. Summary of Terms

The Partnership:	Sather Agriculture LP (the "Partnership") was organized as a Wisconsin limited partnership for the primary purpose of owning, acquiring, selling, leasing and managing farmland located primarily in the Midwestern United States. Secondarily, the Partnership may invest in agriculture related companies, commodities, and cash and equivalents. The Partnership may also seek farmland opportunities including wind development, oil and gas leases, the sale or lease of water rights, recreational use, and land development.
Minimum Offering Amount/Maximum Offering Amount:	The $900,000 minimum offering amount has already been raised. There is no maximum offering amount.
Minimum Investment:	$100,000; unless waived by the General Partner.
Offering Period:	The Offering commenced on June 30, 2009 and will continue indefinitely until terminated by the General Partner.
Investment Objectives:	The Partnership was established to invest in farmland and other agriculture related opportunities for both income and long term capital appreciation.
Investment Strategy:	The net proceeds of the Offering, together with any borrowings by the Partnership, will be invested in a portfolio of farmland in the Midwestern United States for the principal purpose of renting properties to farm operators though a rental agreement. Typically the Partnership will invest in row crop properties leased using "cash rent" contracts, which involve a lease at a fixed price per acre per year. Secondarily, the Partnership may invest in agriculture related companies, commodities, and cash and equivalents. The Partnership may also seek farmland opportunities including wind development, oil and gas leases, the sale or lease of water rights, recreational use, and land development. The target allocation of the partnership will be 80% invested in farmland and 20% invested in other agricultural opportunities, commodities, and cash and equivalents. The Partnership's debt to assets ratio will not exceed 70%; however, the target debt to assets ratio is 30%.
General Partner:	The General Partner of the Partnership is Colvin & Co. LLP (the "General Partner").

Management:	The General Partner is responsible for management of the Partnership's assets and the general administration of the business and other activities of the Partnership.
Management Fee:	The General Partner receives annual management fees (the "Management Fee") equal to 2% times the Net Asset Value of the Partnership's Assets. One-twelfth (1/12) of the annual Management Fee is payable by the Partnership on the first day of each month. The term "Net Asset Value" means the value of the Partnership's assets after deducting any indebtedness or liabilities. In addition to the Management Fee, the General Partner is entitled to a Performance Fee (described below) and reimbursement of all expenses incurred by the General Partner on behalf of the Partnership in conducting the business of the Partnership and managing its assets.
Performance Fee:	Subject to any Loss Carryforward (defined below), the General Partner will be entitled to a Performance Fee equal to 20% of the annual net increase in the Net Asset Value (NAV) of the Partnership's Assets. If the Partnership has a net decrease in NAV in any fiscal year, this decrease will be carried forward to future fiscal years (such amount is referred to as a "Loss Carryforward") for purposes of payment of the Performance Fee. Whenever there is a Loss Carryforward with respect to a fiscal year, the General Partner will not receive a Performance Fee with respect for future fiscal years until the Loss Carryforward amount has been recovered (*i.e.*, when the Loss Carryforward amount has been exceeded by the cumulative increase in NAV for the fiscal year following the Loss Carryforward). Once the Loss Carryforward has been recovered, the Performance Fee shall be based on the excess NAV (over the Loss Carryforward amount). For example, this means that the General Partner only receives Performance Fees on increases in the net asset value of the Partnership in excess of the highest net asset value it has previously achieved. For example, if the initial net asset value per Unit is $10,000, which then rose to $12,000 in its first year, a Performance Fee would be payable on the $2,000 return for each Unit. If the next year it dropped to $11,000, no fee is payable. If in the third year the NAV per Unit rises to $13,000, a Performance Fee will be payable only on the $1,000 per Unit return from $12,000 to $13,000 rather than on the full return during that year from $11,000 to $13,000 per Unit.

The Offering of Units:	Pursuant to a separate Private Placement Memorandum, the Partnership is offering (the "Offering") Units to prospective limited partners who meet certain suitability standards described therein. The Units will be sold to persons who are "accredited investors" as that term is defined under Regulation D of the Securities Act of 1933.
Use of Proceeds:	Funds raised from the sale of the Units (after paying the expenses of the Offering) will be used primarily for investment in agricultural real estate and other agriculture related investments and to pay expenses and fees of the Partnership.
Limited Partner Rights and Cash Distributions:	The Units represent partnership interests in the Partnership. To the extent the General Partner, in its sole discretion, determines that the Partnership has sufficient funds that cash distributions can be made, the Limited Partners may be entitled to receive a distribution of cash based on each Limited Partner's percentage interest in the Partnership. Any cash distributions will be made after payment of Partnership expenses including any required payments on any outstanding debt and provision for Reserves. There are no assurances that any cash distributions will be made.
Management Control:	The General Partner has exclusive and complete discretion in the management and control of the affairs of the Partnership and the Partnership's assets (however, in the case of the Partnership's assets, subject to the management and control by entities or individuals hired by the General Partner for such purposes and that may or may not be affiliated with the General Partner), and will make all decisions affecting the Partnership's affairs, subject to certain limited exceptions. Limited Partners will not participate in the management of the Partnership or have any authority to transact any business on behalf of the Partnership.
Transfer Restrictions:	There are substantial restrictions on the transfer of Units pursuant to applicable securities laws and the terms of the Partnership's Agreement of Limited Partnership.
Redemptions and Withdrawals:	The Partners generally do not have the right to have their Units redeemed or to withdraw from the Partnership. Upon request, the General Partner will consider requests by Limited Partners to redeem all or a portion of their Units. Any request shall be made upon not less than 90 days' notice and if the redemption is granted, it shall be made on either June 30 or

	December 31.
Partnership Dissolution:	On or before April 1, 2059, the Partnership will dissolve and its affairs shall be wound up and its assets shall be distributed.
Risk Factors:	AN INVESTMENT IN THE UNITS WILL BE SUBJECT TO VARIOUS RISKS THAT A PROSPECTIVE LIMITED PARTNER SHOULD CAREFULLY CONSIDER PRIOR TO MAKING AN INVESTMENT IN SUCH UNITS. PROSPECTIVE LIMITED PARTNERS ARE URGED TO CAREFULLY REVIEW THE SEPARATE PRIVATE PLACEMENT MEMORANDUM PURSUANT TO WHICH THE UNITS ARE OFFERED, INCLUDING THE DESCRIPTION OF CERTAIN RISK FACTORS SET FORTH THEREIN.

VI. Management

A. Colvin & Co. – The General Partner

The management team's families have owned and operated farmland across the Midwest for over 120 years, which provides the General Partner a depth of expertise and contacts including farmers, brokers, appraisers, analysts, and lawyers. Colvin & Co. seeks to combine its expertise in the capital markets and knowledge of the agricultural sector to provide investors the best investment opportunity.

Colvin & Co. differentiates itself from the competition by using a value oriented acquisition strategy. The General Partner does not use third-party brokers or advisors to make acquisitions. Rather, the General Partner conducts extensive due diligence to estimate an intrinsic value of the property and intends to purchase properties at less than 90% of its intrinsic value. The value oriented acquisition strategy will provide the Partnership with a margin of safety and will substantially enhance its rate of return.

The General Partner also looks to enhance the rate of return by investing in farmland that will benefit the most from the global agriculture boom, which the General Partner has identified as farmland that produces corn, soybeans, and wheat. Farmland that produces these grains will be the primary beneficiaries of the global agriculture boom and provide higher rates of returns than other farmland properties.

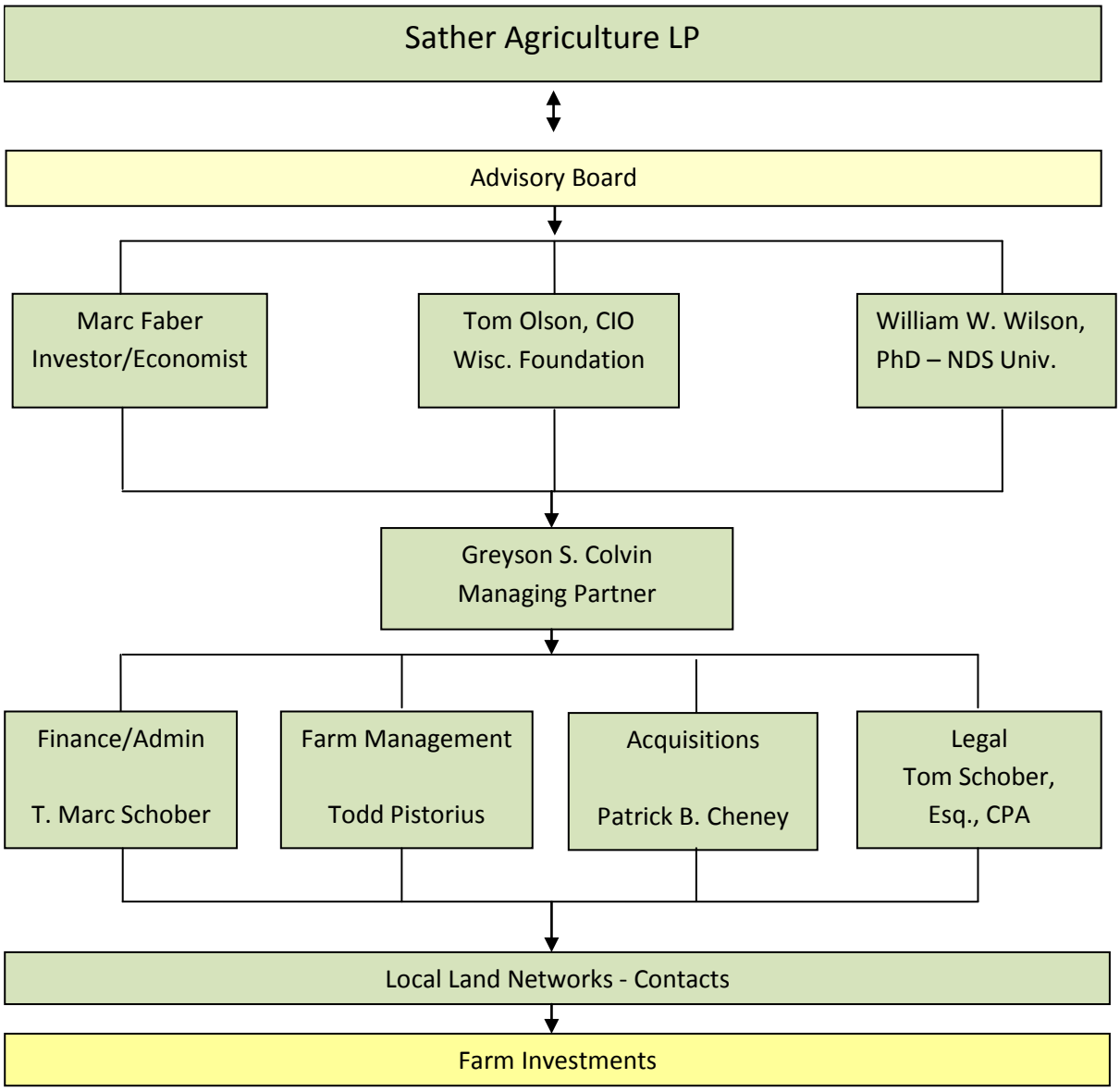
The ability to address a geographic area encompassing prime soils in the U.S. Corn Belt allows the General Partner the ability to focus on only the best markets. Some of the General Partner's competitors are limited to smaller geographic areas or they are land brokers that specialize in a few counties. The Partnership will participate in a six state area. This will allow the General Partner to analyze more opportunities and compare and contrast rates of return.

The General Partner takes an active management strategy to ensure the Partnership is maximizing its rental income and other income opportunities. Most farmland managers are compensated based on a percentage of cash rents, but Colvin & Co. analyzes rental rates and takes advantage of the Partnership's economies of scale to receive the optimal rental income. The General Partner also seeks other opportunities to generate income such as capital improvements, wind development, oil and gas leases, the sale or lease of water rights, recreational use, and land development.

B. Colvin & Co. Organization

The chart below depicts Sather's organization.

Figure 17 – Sather Agriculture LP Organization Chart



C. Biographies of Key Personnel

Greyson Sather Colvin – Managing Partner. The Sather family has owned and operated farmland in South Dakota for over 120 years. Mr. Colvin is Managing Partner of Colvin & Co. Previously, Mr. Colvin was a credit analyst and strategist at Credit Suisse in the Portfolio Management Group and an equity research analyst at UBS Investment Research. Mr. Colvin received a B.A. in Financial Management from the University of St. Thomas in 2003 and a M.B.A. in Finance & Investment Banking from the University of Wisconsin – Madison in 2006.

T. Marc Schober – Director. The Schober family has owned and managed farmland in Wisconsin for over 40 years. Mr. Schober previously worked at Schober, Schober, & Mitchell, S.C. as a law clerk specializing in business law and as an associate at Scherpers Inc. He is also involved in a number of cancer fundraisers including the Oconomowoc Lake Walk. Mr. Schober received a B.S. in Business Management from the University of Wisconsin – Eau Claire in 2008.

Patrick B. Cheney – Associate. Mr. Cheney specializes in agricultural and residential real estate and maintains a Real Estate License under the brokerage of Edina Realty. Previously, he was an assistant manager for Kohls Corporation and a representative at UniFirst Corporation. Mr. Cheney received his B.A. in Psychology and a minor in Business Management from the University of Minnesota.

Todd Pistorius – Farm Manager. The Pistorius family has owned and operated farmland in South Dakota and Minnesota for over 100 years. Mr. Pistorius also owns and operates T&T Farms with his family, specializing in corn, soybeans, wheat, cattle, and commodity trading for the past 25 years. The Pistorius family also raises foundation for Pioneer and Monsanto soybeans. He also has ownership in Rosholt Farmers Co-op Elevator, Beardsley Farmers Elevator Co., and Wheaton Dumont Co-op Elevator. Mr. Pistorius studied Agriculture Production and Agribusiness at Lake Area Technical Institute in Watertown, South Dakota.

Reed Kuper – Farmland Advisor. The Kuper Family has owned and operated farmland in Iowa for over 50 years. Mr. Kuper also works with Total Realty Company as an Ag Real Estate Specialist, specializing in farmland acquisitions for buyers in Iowa, Minnesota, Illinois, Mississippi, and Missouri. Mr. Kuper received a B.S in Agricultural Business from Iowa State University in 2006. He earned his real estate license in 2008, is a member of the Realtors Land Institute, and is currently working towards becoming an Accredited Land Consultant.

Thomas G. Schober – General Counsel. Mr. Schober is a Certified Public Accountant as well as an attorney. He was admitted to the Wisconsin State Bar in 1973, having earned a Bachelor of Science degree cum laude in 1970 from Marquette University and a Doctor of Jurisprudence in 1972 from Marquette University Law School (earning a Thomas More Scholarship in 1969 and 1972). He became a Certified Public Accountant in 1976. Mr. Schober has owned and managed farmland in Wisconsin for over 30 years.

D. Biographies of Advisory Board Members

Dr. Marc Faber. Since 1973, Dr. Faber has lived in Hong Kong. In 1990, Dr. Faber founded his own company, Marc Faber Limited, which acts as an investment advisor and fund manager. Between 1970 and 1978, Dr. Faber worked for White Weld & Company Limited in New York, Zurich and Hong Kong. From 1978 to February 1990, he was the Managing Director of Drexel Burnham Lambert (HK) Ltd.

Dr. Faber publishes a widely read monthly investment newsletter "The Gloom Boom & Doom" report which highlights unusual investment opportunities, and is the author of several books including "Tomorrow's Gold– Asia's Age of Discovery" which was first published in 2002 and highlights future investment opportunities around the world. "Tomorrow's Gold" is currently being translated into Japanese, Chinese, Korean, Thai and German. Dr. Faber is also a regular contributor to several leading financial publications around the world. A book on Dr. Faber, "Riding the Millennial Storm", by Nury Vittachi, was published in 1998.

A regular speaker at various investment seminars, Dr. Faber is well known for his "contrarian" investment approach. He is also associated with a variety of funds and is a member of the Board of Directors of numerous companies. Dr. Faber was born in Zurich, Switzerland. He studied Economics at the University of Zurich and, at the age of 24, obtained a PhD in Economics magna cum laude.

Thomas P. Olson. Mr. Olson is the Chief Investment Officer for the University of Wisconsin Foundation, the official fund-raising and gift-receiving organization for the University of Wisconsin-Madison, which currently has $2.5 billion in assets under management. Prior to joining the University of Wisconsin Foundation in June, 2005, Mr. Olson spent eight years with the State of Wisconsin Investment Board (SWIB), most recently as the Private Equity Portfolio Manager of a $2.5 billion global portfolio. Prior to SWIB, he worked 12 years in the banking industry in various lending capacities. Mr. Olson received his B.A in Agriculture Economics-Business/Industry Option from the University of Wisconsin-Madison and is a CFA Charterholder. Mr. Olson is currently an

Oversight Committee public member for University Ridge Golf Course and is active in youth basketball programs.

Dr. William W. Wilson. Dr. Wilson received his PhD in Agricultural Economics from the University of Manitoba in 1980. Since then he has been a Professor at North Dakota State University in Agribusiness and Applied Economics with periodic sabbaticals at Stanford University. Recently, he was named as a *University Distinguished Professor* at NDSU, an honorary position.

Dr. Wilson's focus is risk and strategy as applied to agriculture and agribusiness with a particular focus on marketing, procurement, transportation and logistics, international marketing and competition. He teaches classes in Commodity Trading, Risk and AgriBusiness Strategy and has taught his Risk Class at Purdue University. He is also the Co-Director of the Center of Excellence in AgBiotechnology at North Dakota State University.

Dr. Wilson routinely has consulting projects for agribusiness clients in the US, Canada, Mexico, Venezuela, Argentina, Brazil, China, Australia, and France. He regularly advises a number of large Agribusiness firms, several major railroads, and several major food and beverage companies and/or governments in other countries. He served as a Board member of the Minneapolis Grain Exchange for 12 years, on the FGIS Advisory Board, and currently serves as a Board member of several regional firms.

VII. Professional Representatives

Counsel	**Law Office of Clement B. Wood** 261 Madison Avenue, 26th Floor New York, NY 10016 Attn: Clement B. Wood Tel: (646) 328-1510
Bank	**Great Western Bank** 1 W Main Street Rosholt, SD 57260 Tel: (605) 537-4211
Accountants	**Mayer, Hoffman, McCann P.C.** 1000 Campbell Methun Tower 222 South 9th Street Minneapolis, MN 55402 Attn: Malcolm McDermid Tel: (612) 376-1230

Appendix A

Sather Agriculture LP Investment Letters

October 18, 2012

To the Partners of Sather Agriculture LP:

We are excited to announce the completion of the third quarter of 2012 for Sather Agriculture LP. We would like to welcome our newest Partners to the fund and thank everyone for their support and confidence in Colvin & Co. The partnership returned 18.4% in the third quarter of 2012 and has appreciated 118.0% since inception on July 1, 2009 (return is unaudited).

	For the Quarter 07/01/12 - 9/30/12	For the Quarter 04/01/12 - 6/30/12	Year to Date 01/01/12 - 9/30/12	Since Inception 07/01/09 - 09/30/12
Sather Agriculture LP				
Net Return	18.4%	1.9%	45.7%	118.0%

The 2012 farming season saw the worst drought in the Midwest in over 50 years, affecting over 80% of agricultural land in the U.S. Corn yields are expected to decrease in 2012 by over 17%. The hardest hit states were in Indiana, Illinois, and Iowa, with corn yields declining 31%, 26%, and 18%, respectively.

Despite the hot weather, U.S. net farm income is expected to increase 4% in 2012. High commodity prices, combined with crop insurance and other risk management tools, have allowed farmers to continue to generate record profits. Commodity prices remain strong and farmers have never been more positive on agriculture's outlook.

Fortunately, none of our properties or farmers were adversely affected by the drought and we do not expect any impact on the Partnership. Looking at the bright side, the drought brought farming to the front of the media's attention and Americans are starting to realize the importance and value of agriculture.

Acquisitions

We find ourselves in a unique position this fall. The majority of farmer's revenue stream in 2012 will be a result of crop insurance payments, which typically is paid in December. This removes roughly 75% of all farmland buyers during the crucial fall selling season. We have taken advantage of this window of opportunity and are excited to announce two new acquisitions in central Illinois.

The first acquisition is 78.6 acres in Cass County, Illinois, northwest of Springfield. We paid $7,950 per tillable acre, where similar properties are valued between $9,000 and $10,000 per acre. 52 acres are irrigated with a center pivot and is the Partnership's first irrigated farmland. Although we are cautious on irrigated farmland, the downside is limited as yields would be between 180 to 200 bushels of corn per acre without irrigation and 240 to 250 with irrigation. We expect to close by the end of November.

The second acquisition is 72.0 acres in Cass County, Illinois, across the street from previously mentioned acquisition. The property is being sold by a different seller, but the same farmer will be leasing both properties. We paid $6,950 per tillable acre. The property's characteristics are very similar, but it is not irrigated. We are researching the opportunity to add irrigation in 2013. We also expect this acquisition to close by the end of November.

These properties also come with some interesting history. There is a hill to the south known as Shick Shack Hill, named after the well known chieftan of the Potawatomi Tribe, Shick Shack (1727-1835). The farmer of both properties operates under the name Shick Shack Farms.

Adjacent to one of the properties is an inn where Abraham Lincoln stayed while surveying land in the local area, including ours. There is a sign on the property that states:

"Abraham Lincoln met Shick Shack the Indian chief in 1831. At the base of the Shick Shack Hill in 1833, Lincoln defeated Ashley Hickey, a bully, in a wrestling match by rubbing dog fennel in his eyes."

Agriculture Overview

The U.S. fall harvest is well ahead of schedule and higher than expected soybean yield data has pushed grain prices lower throughout the month. As of October 15, 2012 the U.S. has harvested 79% of the corn crop, compared to the five-year average of only 38%. Soybean harvest is off to a fast start with 71% already harvested, compared to only 64% at the same time last year.

Farmers are also busy preparing for the 2013 crop year by purchasing seed and other inputs early, while also strategizing the marketing of their 2013/14 grain. The U.S. drought has put pressure on seed corn producers. There shouldn't be a shortage of seed corn in 2013, but certain varieties will surely sell out earlier than anticipated.

Corn prices declined in September by 6.1% to end at $7.56 per bushel. Profit taking by speculators along with a stronger dollar and spillover from soybean market activity all helped add downward pressure to corn prices this month. The USDA estimated the average U.S. corn yield at 122.0 bushels per acre in October's WASDE Report. Corn stocks for 2012/13 are estimated to be 619 million bushels, the lowest since 1995/96, and the ending-stocks-to-use ratio is now at 5.6%.

Soybean prices decreased in September to close at $16.01 per bushel, a 10.2% decline. The USDA estimated average yields to be 37.8 bushels per acre in the October WASDE Report, but actual yield data has been higher than expected and prices declined throughout the month.

Wheat prices increased by 3.7% in September, closing at $9.02 per bushel due to a potential export limit in Russia and below average winter wheat expectations in the U.S. We will closely monitor the U.S. winter wheat crop condition throughout the next few months.

Farmland buying season is upon us and many farmland sales have set county records already this fall across the Corn Belt. Farmland values should continue to increase throughout the end of 2012 and into 2013 as high commodity prices, low interest rates, and high farmer demand for farmland will all be key factors in rising farmland values.

The Creighton University Farmland Price Index, which has been declining for three straight months, got a jump start in September and climbed almost ten points to 61.6 compared to 52.8 in August. This marks the 32nd consecutive month the index has been above growth neutral. Bankers were asked this month to project farmland price growth in the next 12 months. Answers varied, but on average, bankers believe there will be a three percent gain in farmland prices in the upcoming year.

Outlook

Analysts are already forecasting upwards of 100 million acres of corn to be planted in the U.S. in 2013 which would be the highest amount of corn acres since the 1930s. If indeed 100 million acres of corn are planted, grain prices will reflect the increase in potential supply after 2012's massive drought. The insatiable demand from China, Japan, and other countries will help provide a perceived price floor for grains until 2013 planting, and expect buyers to take advantage of any lowering prices.

The Farm Bill is set to expire at the end of 2012 and without any extension, although highly unlikely, all farm subsidies will be halted which includes crop insurance and food stamps. We expect an extension to be in place by year-end with terms in line with the current Farm Bill.

Conclusion

The entire Colvin & Co. team is continuing to work diligently to make sure Sather Agriculture LP is performing to the best of its ability. In order to capitalize on the Partnership's momentum, we ask that you share with your friends and family the investment opportunities in Midwestern farmland and agriculture.

Please do give us a call at (763) 427-7991 or email info@colvin-co.com if you have any questions or comments.

Thank you for your confidence and participation in Sather Agriculture LP.

Sincerely,

Colvin & Co.

July 13, 2012

To the Partners of Sather Agriculture LP:

The second quarter of 2012 had to be one of the most exciting three months for agriculture, as well as for Colvin & Co. The partnership returned 1.9% in the second quarter of 2012 and has appreciated 84.0% since inception on July 1, 2009 (return is unaudited). For the month of March, Barron's rated the partnership as the fourth best performing hedge fund.

	For the Quarter 04/01/12 - 6/30/12	For the Quarter 01/01/12 - 3/31/12	Year to Date 01/01/12 - 6/30/12	Since Inception 07/01/09 - 06/30/12
Sather Agriculture LP				
Net Return	**1.9%**	**20.8%**	**23.0%**	**84.0%**

The beginning of the second quarter started with expectations for the largest corn crop on record. After blistering heat in June, the U.S. corn crop is facing the worst drought since 1988. Corn yields have dropped from 166 bushels per acre to 146 and corn prices have jumped to over $7.00 and are approaching record highs.

Corn prices weren't the only thing grabbing headlines in the last three months. On June 24, Marc Schober was featured on the front page of the Minneapolis-St. Paul Star Tribune in the article *Hot Money Turns from Stocks to Farmland*. Greyson Colvin, along with legendary investor Jim Rogers, was featured in the article, *Keeping Current with Commodities Roundtable* in the July/August issue of the Journal of Indexes. Marc was also interviewed on Reuters TV's *Popcorn Prices Ready to Pop* and Greyson was highlighted in a June Bloomberg article on commodity prices.

Please let us know if you would like a copy of any of these articles or interviews.

Farmland

The Partnership did not have any new acquisitions in the last three months, but are in the last few steps of a new acquisition and expect to have one to two acquisitions completed in the third quarter. With grain prices near record levels, farmers are turning their attention to the fall selling season; we expect farmland values to continue to appreciate in the second half of 2012.

Agriculture Overview

Extremely hot weather in the Corn Belt has left crop conditions at dangerously low levels and grain prices reaching nine month highs. Illinois and Indiana, which rank second and fifth in corn output respectively, have been hardest hit by drought. Champaign, Illinois, one of the best farming areas in the U.S., has not received rain for 24 consecutive days. Expectations for a record corn crop in 2012 are all but eliminated and the question now is "How tight will stocks be?"

Corn prices closed the end of June at $6.72 per bushel and increased by 21.0% in the month of June due to a substantial deterioration in crop conditions. As of July 8, 2012, corn conditions have deteriorated to 40% of the crop in good or excellent condition and the Midwest is now facing the worst drought since 1988. In the July WASDE, the USDA lowered the average corn yield for 2012/13 to 146.0 bushels per acre, a 20 point drop from last month's 166.0 bushels per

acre. Total U.S. production has been lowered 1.8 billion bushels from June's report, equal to the total annual production of Mexico and Argentina combined! The USDA lowered demand by slightly over 1 billion bushels for 2012/12, offsetting some of the lost production.

Hot weather and fears of tight supplies left soybean prices 12.9% higher at the end of June to close at $15.13 per bushel. Soybeans in good or excellent condition are also rated at 40%. The USDA lowered average soybean yield to 40.5 bushels per acre, a 3.4% drop from last month due to lack of rain and hot weather across the Corn Belt.

Wheat prices increased by 14.2% in the month of June, closing at $7.39 per bushel on the back of the strength in the corn market. Spring wheat conditions are somewhat favorable as 66% is in good or excellent condition and only 7% is in poor or very poor condition. As of the first week of July, 75% of the winter wheat has been harvested, compared to the five year average of only 56%.

Planted Acres

At the end of June, the USDA announced that U.S. farmers are expected to plant 228.5 million acres of corn, soybeans, and wheat for the 2012 crop year, a 3.3% increase from 2011's 221.3 million acres. Improving agricultural economics and grain prices are incentivizing farmers to plant as many acres as possible.

Corn planted acres for 2012 were estimated at 96.4 million acres, the largest acreage since World War II and a 5% increase from 2011's 91.9 million acres. This is an increase from March's estimate of 95.9 million acres, but not surprising as on average the USDA increases planted corn acreage by 1.3% from the March to June acreage report.

Soybean planted acres were estimated at 76.1 million acres, an increase of 1% from last year's 75.0 million acres and the third highest on record. Record breaking planted acreage is expected in New York, North Dakota, and Pennsylvania. South Dakota expects to tie its previous record high. The increase in soybean acres planted was due to an early winter wheat harvest which allowed farmers the potential to double-crop with soybeans.

Wheat planted acres were estimated at 56.0 million acres, an increase of 3% from 2011's 54.4 million acres. Not much has changed since March's Prospective Planting report of 55.9 million acres as high wheat supplies provided little incentive for farmers to plant wheat.

Outlook

We expect crop conditions will continue to deteriorate, but over the next few weeks corn pollination will dictate how severe yield damage will be due to harsh weather conditions. The U.S. corn crop is entering the critical pollination growth stage which is when kernels become pollinated and grow. If extreme hot and dry weather persists throughout the pollination period, major yield loss will be felt throughout the Corn Belt.

Poor crop conditions have lead to higher crop prices which will help offset farmer yields losses. The farmers that have above average crop conditions paired with the high new crop prices will have much higher income post harvest which could translate to even higher farmland values. Because farmers make up the overwhelming majority of farmland buyers, farmers will be willing to pay higher prices for property within their farming operation radius.

Conclusion

The entire Colvin & Co. team is continuing to work diligently to make sure Sather Agriculture LP is performing to the best of its ability. In order to capitalize on the Partnership's momentum, we ask that you share with your friends and family the investment opportunities in Midwestern farmland and agriculture.

Please do give us a call at (763) 427-7991 or email info@colvin-co.com if you have any questions or comments.

Thank you for your confidence and participation in Sather Agriculture LP.

Sincerely,

Colvin & Co

Appendix B

Identifying Farmland

Identifying Farmland

Integral to the investment process, and ultimate success of investing in farmland, is the ongoing acquisition of attractively priced agricultural land. This process requires various steps and actions from the investor as well as other third party transactors.

Broadly, this acquisition process consists of four primary steps: finding and identifying attractive acreage, negotiating an acceptable entry price relative to current market conditions and comparable transactions, legally transferring ownership and gaining control of the land asset, and finally, actively engaging in leasing arrangements with farming professionals who will in most cases produce agricultural commodities and products suitable for the region and soil type.

Sources

Farmland may be one of the most difficult investment markets to enter when it comes to sourcing an asset to purchase. Unlike the stock market where hundreds of thousands of shares of stock can be bought and sold any day, farmland follows a much more unstructured path.

Since farmers themselves make up the largest group of farmland buyers, the transaction season follows the farming season. Crops are typically planted in April and harvested is completed by November. The farmland selling season starts immediately after harvest and continues up until the following planting season. Many land transactions are completed outside of winter months, but a majority of land sales are completed when crops are out of the ground and when farmers have cash in their hands.

Sellers of farmland are primarily comprised of farmers looking to free up short-term cash, estate sales, and outside investors. As we previously said, farmland typically exchanges hands during the winter months, but estate sales can occur any time of year. Often an elderly person passes away and wills farmland to their children, and the children, who are often not living near the land, decide to sell the property because they would rather have the cash. Estates provide a constant flow of farmland sales, but at a low volume throughout the year.

Finding a property that is for sale is the difficult aspect of buying farmland. After a property is identified a great deal of due diligence is needed in order for the buyer to feel comfortable with the transaction and price. A very large amount of farmland is sold without being publically listed. Non-public sales are the single aspect that sets farmland apart from all other markets. The U.S. farmland market is a $2 trillion market that thrives within the definitions of a free market.

When ready to acquire farmland, the investor needs to source contacts that will provide them with adequate properties. We recommend building an extensive database filled with farmers, real estate brokers, bankers, attorneys, appraisers, and any other type of person within an arm's reach of any farmland owner. This may include distant family members and friends as well.

Farmers are the best contacts to have when looking to acquire farmland because they understand farmland best. Their livings are made off of the soil. Often farmers will hear of land sales before anyone else does. A landowner who is considering the sale of their land will often first contact their tenant to see if they have interest or know of anyone interested in buying the land. This communication is frequently done to allow the transaction to move quickly and to avoid broker fees that may be up to 6%.

If the tenant farmer is unable to purchase the farmland from the landlord, the tenant is motivated to find a buyer for the land so they retain the ability to farm the property. The farmer would then have a few days to find a buyer before the landlord contacts a real estate agent to help promote the property. This window is when farmland transactions occur with the highest potential returns because the seller will bypass brokerage fees and be more willing to negotiate a lower selling price. Often a third party appraiser may become involved to tag a fair market value on the property.

Real estate agents often find out of farmland sales in the early stages if they specialize in buying and selling farmland. Top farmland real estate agents will typically have a database of properties that are owned by people who have shown interest in selling in the recent past, or who have mentioned that they would sell if the price is right. These instances will often carry discounted prices if the buyer is able to purchase the land without any representation and thus cut the commission costs which will translate to a lower purchase price.

Local newspapers in the Midwest are another good source of farmland sales. Properties listed by brokers, direct sales, and auctions will be typically advertised in the classified section. Every week we monitor numerous agriculture publications to source the highest quality farmland for our funds and investors.

Bankers and attorneys are also good contacts for finding land. Bankers are aware of any current or upcoming foreclosures while attorneys will have knowledge on any current or upcoming estate sales. Farmland owners that take on too much debt in other aspects of their life will run a chance of losing their land to foreclosure and can be an excellent opportunity. Additionally, properties with any buildings, including houses, tend to get foreclosed more often than bare land.

Appraisers have a deep list of contacts and are typically one of the first to be notified of pending sales. They tend to know land trends and can identify strong farming areas and areas with sharp rising farmland values.

Auctions are another source for finding farmland for sale, but auction sale prices can be higher than usual. Auctions are typically advertised heavily online, agricultural newspapers, and mailings, which brings a large amount of prospective buyers. Sometimes you have to be in the right place at the right time as we have attended auctions where we are the only buyer and we have been outbid above our price threshold in 30 seconds.

One of the best aspects of attending auctions are sale prices provide clarity into what the market value is on the exact day of sale. The auction allows the broadest amount of market participants and is the epitome of supply and demand.

There is no one way to source potential farmland acquisitions and finding properties with the right criteria and price is more of an art than a science. It is also a very low success rate endeavor, so patience and fortitude are important in the search. We would estimate that the of every five farmland parcels we look at, only one fits our criteria, and of every five that fits our criteria, we are only successful at purchasing one. This works out to a 4% success rate, but is worth the time and effort as farmland is a long-term investment and these properties will be owned for a decade and sometimes generations.

Negotiating Price

Negotiating the price of any asset can be one of the hardest parts of the acquisition process and volumes of books have been written on this subject. After identifying farmland sales that fit our criteria, one of the first things we explore is price. There is no reason to spend a month of due diligence on potential acquisitions if the buyer and seller are not on agreement about price.

Typically we spend a few days researching a potential acquisition and perform various valuation techniques to provide a fair market value for the property. After we have identified our optimal purchase price, we will then approach the seller with a purchase agreement at a discount to our optimal purchase price with a three to four day window for the seller to accept. How we determine the appropriate discount and offer price changes with each acquisition, but always includes recent sales data, potential production value of the farmland, and how motivated the seller is.

What is important in the purchase agreement though, is to include a seven to fourteen day inspection period that allows us to complete our due diligence process and the right to terminate the agreement for any reason if the property does not meet our criteria.

The seller will usually require some amount of earnest money with the submission of the purchase agreement as a good faith deposit towards the purchase. We usually request that the earnest money be paid only after the inspection has been completed. In some instances the seller requires the earnest money upfront, but we always make sure that it is refundable if the property does not pass our inspection in the allotted time frame.

Sample Transaction Involving Farm H

To illustrate the acquisition process, we have provided a working example below with a simulated transaction involving “Farm H”.

A soil inventory report, an abbreviated 156 farm record (Exhibit 1), a soil map (Exhibit 2), aerial photos (Exhibit 3), an appraisal, and a glossary of referenced terms are supplied for reference.

At a given point in time, the investor has determined that it is an attractive entry for further land acquisition. Based on detailed analysis of comparable transactions and market conditions, the investor has identified farmland in the North Central Iowa region as attractive. Current conditions in the market show that this region has had a recent leveling off of farmland prices over the past few months relative to other markets, creating an opportune time to acquire land.

To identify specific parcels of land for purchase, the investor will engage with qualified land brokers as well as farming operators, attorneys, appraisers, and other potential farmland sources. Through this internal and third party evaluation process, the investor has identified “Farm H” as a suitable parcel for acquisition.

Farm H is not technically on the market, but the investor found the property through one of their contacts who said this property could potentially come up for sale soon and the seller was thinking of selling their 148.8 acre farm for a price of $910,000, or $6,118 per acre. It is important for the investor to take advantage of this short time to analyze the property before other find out about the potential sale of this piece of farmland.

To evaluate an appropriate offer price, the investor will undergo an in-depth analysis with the assistance of agricultural specialists including appraisers, brokers, and farmers. After the analysis is completed, the investor will be able to decide if an offer is worth making, and at what price.

This analysis typically includes: conducting or reviewing current soil tests and maps, completing an independent appraisal, analyzing the historical rotation, yields, and appreciation data, comparing aerial photos of the farm over past years, observing the land in person to conduct a drainage analysis, speaking with the current operator, and conducting a comparables analysis of recent land deals taking into account geographic area, land quality, and yields.

After this due diligence is complete the investor will place an offer to the seller that reflects the land quality, potential for appreciation, and a margin of safety.

If the offer made by the investor is accepted by the selling party, upon closing the investor will legally gain ownership of the underlying asset. After the transfer of ownership, the investor will then seek to lease out the purchased parcel to qualified farming professionals in the area, through brokers, advertisements, or existing relationships that have been established through past leasing agreements.

Soil Analysis

To conduct and in-depth analysis of Farm H's soil quality, which is imperative to determining land value, the investor would acquire written consent from the selling party for Farm H's Farm Service Agency (FSA) records, county records, and soil information to be released in the investor or selling broker's name, or request such documents be sent to the investor from the seller directly. In these records, there will be a soil map, an Abbreviated 156 Farm Report, and often a county assessor's report. The investor would either use a computer program like SuretyAgriData to compile a soil inventory report, or use the NRCS website to look up the soil reports. The soil inventory report includes highlights of:

- 81.4 acres of Class II soil
- 67.2 acres of Class III soil
- Slopes range 0-5 over the entire farm

The soil map will show data on the soil types, slopes, productivity potential, and any notes of issues with the soil type. Farm H's slope ratings of 0-5 on the majority of the land is an important piece of information. This means the elevation on Farm H does not vary dramatically and the soil will be less prone to erosion over time. This increases the value and marketability of the land by not limiting the land to severe conservation tillage methods.

Productivity ratings for specific crops are also included in the soil map. For Farm H, the average corn yield is 186.2. This means that in an average year, Farm H can expect to yield 186.2 bushels of corn per acre under normal farming practices. The average soybean yield is 50.4 bushels per acre.

The soil map also includes the non-irregated class of the soils which includes a letter next to the soil class if there is an underlying issue with the soil type. Farm H has three soil types with a "w" rating and one with an "e" rating. A "w" means that the soil retains water and could pool water after excess rains longer than the average soil type. These soils will typically take a few extra days to dry out in spring. To alleviate any drainage issues, landowners and operators will work together to install tile increasing the value of the property for both parties. An "e" rating refers to

a soil that is more susceptible to erosion than the average soil class. Soils that are not as dense, or lighter in makeup, are usually classified with an "e."

The most important piece of information from the requested records comes from the soil map. The map states the average Corn Suitability Rating or CSR. Farm H has an average CSR of 70.4 out of a 100.0 scale, which is considered to be above average quality land. Generally, we recommend that investors seek out land parcels that exhibit a CSR of at least 60.0 in Iowa. The CSR scale is only used in the state of Iowa, although AgriData and the NRCS use productivity indexes to help allow people compare soil types that are also on a 100.0 scale.

For reference, 6.9 acres of the farmland are rated at or above 80 CSR, which is a very good rating. Those acres are capable of the highest yields in this area and can top 210 bushels of corn per acre in a good year. In addition, 20.4 acres are rated at a 78 CSR and another 54.6 acres are rated a 62 CSR; that means that over 55% of the farm has soils rated in class 1 or 2. The remaining 66.3 acres are rated at a 74 CSR.

In North Central Iowa, poor farmland ratings are below from 50.0, average land ranges from 50.0 to 65.0 and good land ratings are above 65.0 with a high end sometimes reach above 95.0.

Farm H's rating of 70.4 tells us the land quality is above average and has the ability for above average yields. Farmers pay close attention to the average CSR which helps them estimate potential yields and what they will be willing to pay per acre in cash rent. This property should be able to rent for $335 per tillable acre to a local operator.

Based on the soil analysis, prevailing market conditions within this geographic location, and comparable transactions, the investor estimates a fair value of $900,000 for Farm H. At this price, the land would be selling at roughly $86 per CSR point, which similar transactions in this area have be sold between $80 and $105 per CSR point. Based on the CSR rating, the investor estimates cash rents would approach the upper quartile of the acceptable rental ranges (4% to 6% of the land's value).

Appraisal

To get a better understanding of Farm H's value, the investor would follow the preliminary soil analysis with a formal appraisal request from an independent third party. An official appraisal includes pictures, market sales data, soil analysis, and other information that is important to an investor.

An appraiser will perform a visual inspection of the property, search county records, analyze the properties soil types, and use comparable market sales data. The appraisal completed on Farm H has estimated a market value of $6,010 to $6,906 per acre, or a total value of $893,867 to $1,027,129. The appraiser noted that farmland values have been stable over the past six months in the local area. The investor's estimated value of $900,000 falls right in place with this appraisal.

Historical Data

In the FSA records of Farm H, valuable historical information can be found within the Abbreviated 156 Farm Record. This record shows:

- Total acres: 148.8 with cropland of 148.8 acres
- The HEL Status: Not HEL

- Wetland Status: WL Determination not complete
- The cropland is not in any conservation programs
- Old McDonald Corporations is the current farmer

This report reveals that all of the land is cropland, which is not typical across the Midwest. Often a road right-of-way will account for a few acres of land, especially if the property is located on a major paved roadway. Technically property owners own the land to the center of the bordering roadway, but in Farm H's example, the road right-of-way land was lost in previous sales. Often when purchasing a property, 100% tillable cropland will make it easier to value. It can be a challenge to put any sort of value on road right-a-way.

Farm H has not had any wetland determinations done, but from observing farmland in the area, and reviewing historical aerial photos, Farm H does not appear to have any wetlands on it. The land is not classified as Highly Erodible Land or HEL, which means Farm H is not subject to be enrolled in any highly erodible land conservation plans. Farmland that is classified as HEL will be forced to enroll in a government conservation plan, which attempts to limit the risk of erosion on the property. The program is, administered by NRCS, and requires operators to follow mandates on tillage methods, crop rotations, and the use of grass waterways. Farmers who operate HEL farmland would likely use erosion friendly farm practices anyway, but NRCS requires the involvement in their customized program. If an operator does not elect to follow the NRCS conservation plan, then they will not be able to enroll in FSA farm programs, including direct payments, on that specific property.

The yields on this report don't have much significant meaning by now because the government typically prohibits any change to yields on these reports unless the land is classified as HEL.

The Abbreviated 156 Farm Record does assure the investor that $6,051 an acre, or $900,000 total, is a fair price because the farm does not have any tribulations, such as being classified as HEL, or have any land in permanent conservation programs, for example the Wetland Reserve Program (WRP).

The investor will also closely examine aerial photos of the property. The photos have been submitted by the seller, but historical photos of farmland can be found online or through satellite imagery programs like Google Earth. Farm H's aerial photos look very good since there is little or no accumulation of water in the photos. The investor will typically be able to tell if the farm had any weather damage, like flooding, or if the farm has had any other potentially harmful damage in the past. Aerial photos will also serve the investor as a good resource for finding drainage tile lines under a property.

Negotiating a Price

In arriving at a final offer price, the investor considers all of the information that has been discussed prior. During this process all land specific information and prevailing market conditions are considered.

Based on all available information and due diligence, the investor now considers the viability and potential returns of their asking price of $6,118 per acre. In this analysis of risk/return and cost/benefit the investor calculates that the optimal purchase price for the given parcel is around $6,000 per acre. This is based on the underlying land information, soil testing, estimated cash rent levels, and current farmland values. The investor decides to make the broker an offer at $900,000,

or $6,051 per acre. For this example transaction we assume that the $900,000 is accepted by the selling party.

Closing

After the price has been agreed on, a purchase agreement is drafted by the seller's land broker, an abstract is ordered, and a closing date is set. A title insurance policy can also be ordered and may be required if lending is used in the transaction. The investor will have an attorney give an opinion of abstract on the property prior to the closing, and the investor will also review any exceptions that may have been made in the opinion of abstract and will resolve any issues with the seller. Within the purchase agreement, details such as proration of taxes and rent, escrow amounts, and financing contingencies will be included. Once the purchase agreement has been signed, the buyer will place $20,000 of earnest money into escrow to act as a down payment. This amount will be deducted from the selling price at the time of closing.

Once the property is closed on, the investor will have their attorney give a final review of the abstract ensuring the sole ownership of the property is in the investor's name. The cash rent contract will be negotiated next with the current farmer, or a potentially new farmer which will have already been sought prior to the closing date to ensure a seamless transfer and uninterrupted cash flows.

Post Purchase

Post closing, the investor will either engage with the current land tenant for renewed leasing opportunities, or seek alternative contracts with other farming professionals in the area. Seeking alternative parties would involve advertising the land for lease by owner or hiring someone to auction the land lease.

Within this example transaction we assume the existing tenant will opt to lease back the purchased land offering $285 per acre. The investor knows that in order for them to get a 5% return, the cash rent must be $303 per acre. This is a very realistic starting point for cash rent on Farm H.

Assuming the original tenant will not increase his lease bid, the investor will move to working with an associate broker to advertise Farm H's cash rent one year lease. For the cost of $400, the broker advertises Farm H's one year lease. The investor retains the right to turn away any offer they receive through the advertisement. After the cash rent offers are all received an offer of $335 for the one year contract results in a 5.54% return before real estate taxes and liability insurance.

Cash Rent Lease Agreement

Prior to establishing a cash rent lease agreement further due diligence is conducted with the highest offering farmer. This consists of contacting references, background checks of credit, and general interviews about farming practices to ensure the potential tenant is a qualified farming professional.

In legalizing the cash rent lease agreement, the investor works with its legal counsel to establish a binding one year lease contract. Once completed, each party signs the lease. The contract includes full payment due on March 1, before crops are planted for the current season. The lease terminates in February of the following year.

Farm H demonstrates the analysis that an investor would do before purchasing any land. The total costs incurred through the purchase of Farm H are as follows:

- Selling Price $900,000
- Appraisal Fee $1,000
- Abstract & Legal Fee $1,500
- Advertisement for Lease $400
- **Total Cost** **$902,900**

Additional Improvements

An effective way to increase farmland's value is to make capital improvements. Often times on an appraisal, the appraiser will mention the land's farmability that refers to how easy it is to actually farm the land. Possible improvements that the investor would consider to strengthen a farm's farmability include adding drainage tile, access points, or creating a land bridge through a deep waterway.

On Farm H, the investor believes that if drainage tile was installed, the farmability would substantially improve. Drainage would then flow to the drainage ditch on the North end of the land, which makes for a perfect outlet and reduces the risk of flooding. The estimated cost to have a tiling company pattern tile the land would be approximately $500 per acre. Once the investor receives approval from the NRCS, the tiling company will start surveying the land and installing the tile.

Typically when capital improvements are made, the property's value and cash rent price will increase. With Farm H, the investor feels that the farmability will substantially improve by installing drainage tile, and the tile will become a major selling point when it comes time to sell the property.

Considerations

When the investor feels a seller's asking price is too high, the gathered information must be reconsidered. Such questions will be asked to try to understand why there is a high asking price and if the purchase would be worth it:

- Is demand higher in this region?
- Are yields abnormally high?
- What is the dollar per CSR point?
- Does this farm have any other benefits such as wind energy opportunities driving up its price?
- What are the area's sales trends?
- Is there still good value in the asking price at its high levels?

If the investor determines, there is additional intangible value in acquiring the property at the high asking price, and the land will return roughly 5%, then the farm could be purchased.

Exhibit 1

Farm H's Abbreviated 156 Farm Record

		FARM:	1
Iowa	U.S. Department of Agriculture	Prepared:	3/1/2009
Humboldt	Farm Service Agency	Crop Year:	2009
Report ID: FSA-000AA	Abbreviated 156 Farm Record	Page:	1 of 1

Operator Name and Last 4

OLD MCDONALD CORPORATIONS - None

Farm Description

0001

Farm Associated with Operator

001, 002, 003, 004, 005, 006, 009

Other Producers Associated with Farm:

JOP FARMS INC

CRP Contract Number(s): None

Farmland	Cropland	DCP Cropland	WBP	WRP/EWP	CRP Cropland	GRP	Farm Status	Number of Tracts
148.8	148.8	148.8	0.0	0.0	0.0	0.0	Active	1

State Conservation	Other Conservation	Effective DCP Cropland	Double Cropped	NAP	CRP MPL	FAV/WR History
0.0	0.0	148.8	0.0	0.0	0.0	N

Crop	Base Acreage	CRP Reduction	CRP Pending	Direct Yield	CC Yield	CC-505 CRP Reduction
CORN	87.9	0.0	0.0	127.0	127.0	0.0
SOYBEANS	60.9	0.0	0.0	38.0	38.0	0.0
Total Base Acres	148.8					

Tract Number: 6049

Identifier L3 SE1/4 SEC 20 Vernon

FAV/WR History

N

BIA Range Unit Number:

HEL Status: Classified as not HEL

Wetland Status: WL Determination not complete

WL Violations: None

Farmland	Cropland	DCP Cropland	WBP	WRP/EWP	CRP Cropland	GRP
148.8	148.8	148.8	0.0	0.0	0.0	0.0

State Conservation	Other Conservation	Effective DCP Cropland	Double Cropped	NAP	CRP MPL
0.0	0.0	148.8	0.0	0.0	0.0

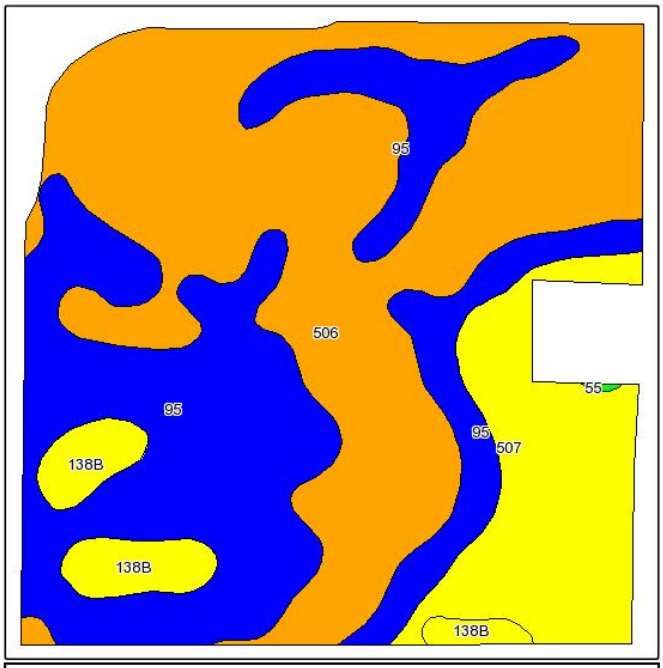
Crop	Base Acreage	CRP Reduction	CRP Pending	Direct Yield	CC Yield	CC-505 CRP Reduction
CORN	87.9	0.0	0.0	127.0	127.0	0.0
SOYBEANS	60.9	0.0	0.0	38.0	38.0	0.0
Total Base Acres	148.8					

Owners: JOHN DOE

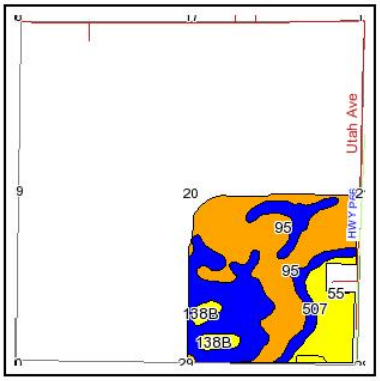
Exhibit 2

Farm H's Soil Map

Soils Map



Fsa borders provided by the Farm Service Agency as of May 23, 2008.
Soils data provided by USDA and NRCS.



State: **Iowa**
County: **Humboldt**
Location: **020-093N-027W**
Township: **Vernon**
Acres: **147.8**
Date: **4/2/2010**

Maps provided by:
surety
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Code	Soil Description	Acres	Percent of field	CSR Legend	Non-Irr Class	CSR	Corn	Soybeans
506	Wacousta silty clay loam, depressional, 0 to 1 percent slopes	66.3	44.8%		IIIw	74	191	52
95	Harps clay loam, 0 to 2 percent slopes	54.2	36.7%		IIw	62	175	47
507	Canisteo clay loam, 0 to 2 percent slopes	20.4	13.8%		IIw	78	196	53
138B	Clarion loam, 2 to 5 percent slopes	6.8	4.6%		IIe	80	199	54
55	Nicollet loam, 1 to 3 percent slopes	0.1	0.1%		I	88	210	57
					Weighted Average	**70.4**	**186.2**	**50.4**

Exhibit 3

Farm H's Aerial Map