



INDEPENDENT COMMUNITY
BANKERS *of* AMERICA

Testimony of

Dave Reyher
President, Colorado East Bank and Trust

On behalf of the
Independent Community Bankers of America

Before the

Congress of the United States
House of Representatives
Subcommittee on Conservation, Credit, Energy, and Research
of the
Committee on Agriculture

Hearing on
**“Review of the Current Financial Structure of Renewable
Energy Sources”**

March 7, 2007
Washington, D.C.

Good afternoon. Chairman Holden, Ranking Member Lucas, Members of the Subcommittee, I appreciate being invited to testify on the important topic of financing renewable energy sources. It is an honor to be here this afternoon representing the Independent Community Bankers of America. My name is Dave Reyher. I currently serve as President of an independent community bank, Colorado East Bank and Trust with headquarters in Lamar, CO. Colorado East Bank & Trust has assets of nearly \$500 million and currently has 12 branches scattered throughout eastern Colorado and western Kansas. Eight of these branches are located in and serve smaller rural communities where agriculture is the center of the economy. Each of these branches is operated under the community bank model. I have over 25 years of banking experience, primarily in agriculture and commercial banking. I have served on our local economic development committee for the past eight years.

Community Banks' Commitment to Renewable Fuels

ICBA and its members are committed to meeting the capital and credit needs of America's farmers, agribusiness and rural America. Because they understand the importance of renewable fuels to the economy of rural America, the environment and the nation's energy security, ICBA and its member banks are strong supporters of renewable fuels and are partners in the 25x'25 Alliance, which promotes the goal of producing 25 percent of the nation's energy from renewable sources by 2025.

Community bankers play an active and important role in financing renewable fuel facilities. They finance the construction of plants and provide working capital loans to renewable fuel facilities. Community banks also lend money to their farm customers to buy shares in ethanol and other renewable fuel companies.

ICBA recently conducted a survey of 1,000 randomly selected community bankers on a number of issues regarding farm credit, including a question on the financing of ethanol. Seventy-eight percent of the 318 bankers who responded to the survey indicated that their institutions were actively involved or desired to be involved in financing ethanol facilities. (A summary of the responses is attached to the testimony.) Participants were asked whether their institution was willing to finance plants and facilities or farmers' equity investments in facilities. The responses prove overwhelmingly that community banks are very willing and active participants in the financing of all aspects of ethanol and alternative energy facilities. Additionally, the survey results revealed that community bankers are more than willing to provide financing to their farmer customers so that the customers can invest in alternative fuel projects. The farmer investments financed by community banks help bring renewable fuel facilities to communities and support local ownership and control of these facilities. Through these investments farmers reap the rewards of value-added agricultural endeavors.

Experience at Colorado Bank and Trust

Biodiesel Project

My own bank first became involved in the financing of renewable energy sources through a contact from the local economic development committee. We were approached by a large earth-moving company that was interested in locating a biodiesel plant in our area. This excavating company is located and does most of their work along Colorado's rapidly growing Front Range.

Biodiesel is a domestically produced, renewable fuel that can be manufactured from vegetable oils, animal fats, or recycled restaurant greases. Biodiesel is safe, biodegradable, and reduces serious air pollutants such as particulates, carbon monoxide, hydrocarbons, and air toxins. Blends of 20% biodiesel with 80% petroleum diesel (B20) can generally be used in unmodified diesel engines. Biodiesel can also be used in its pure form (B100), but it may require certain engine modifications to avoid maintenance and performance problems. Source: U.S. Dept. of Energy, Energy Efficiency and Renewable Energy (www.eere.energy.gov)

There has been a sharp increase in the number of biodiesel users, which now include the U.S. Postal Service and the U.S. Departments of Defense, Energy, and Agriculture. Countless school districts, transit authorities, national parks, public utility companies, and garbage and recycling companies also use the fuel. In Colorado, many of the transit authorities located in the mountain resort towns

as well as the colleges and universities transit services utilize biodiesel in their vehicles.

Armed with this information, we could see that the company's vision for their biodiesel facility had many benefits for not only them, but for our community and the Front Range, as well. These benefits are cost savings for the company, cleaner emissions for the Front Range where a large majority of their work was taking place, and a future alliance with local producers of oil seed plants from which the oil is extracted to manufacture the biodiesel. Our customer has started small and is manufacturing biodiesel for their own use. We are now in the process of working with them on an expansion project that will allow them to produce biodiesel on a commercial basis.

Going forward, there are some challenges for the biodiesel industry. Based on 2005 numbers, consumption of gasoline reached an all time high of 385 million gallons per day. Diesel fuel consumption for the same time period was 173 million gallons per day, most of this being consumed by the over-the-road trucking industry. Gasoline consumption amounted to 69% of this total. With this discrepancy, the average consumer may not see the need for an active bio-diesel program in our country.

I do not believe however that this will significantly deter the construction and financing of these plants. Markets for the biodiesel products are growing daily.

Additionally, the sales of the bi-products of the biodiesel manufacturing process can be marketed, thus helping to reduce the cost of producing biodiesel. From a capital outlay basis, the costs to construct a biodiesel plant are much less than that of an ethanol plant. Community banks recognize these benefits for their customers and for economic health that these projects provide to their trade areas.

Community Banks Finance Ethanol Plants

From the initial success of the biodiesel project, we have also joined with other community bankers from the area and become involved in the financing of a large ethanol plant located in a small community in central Kansas. This plant will provide much needed jobs and provide economic diversification to an agricultural-based area that is not unlike my own. This relationship was developed through an alliance that we and other community bankers have developed with an underwriting, originator and placement agent, discussed below.

At present, our bank is in the process of working through an economic development effort where an owner of a local feedlot is working to establish a relationship with an ethanol company that will locate next to the feedlot. The two companies would work together to produce ethanol and ethanol production bi-products to be utilized as livestock feed at the feedlot. If completed, this project will create additional jobs for our community as well as provide another much needed market for farm products for local growers.

Partnering with Other Community Banks

Community banks have formed a variety of alliances that allow them to finance ethanol projects even though the cost of these projects are often enormous and often exceed the lending limits of the smaller community banks that are located in areas where the projects seek to locate. One such alliance is the one that we have reached with an underwriting, originator and placement agent to community banks. The placement agent will underwrite a project for a large renewable fuel facility and bring community bankers together to finance it through loan participations where individual banks each share in a portion of the financing. In addition, community banks come together on their own to finance these projects through informal networks, and use alliances with regional Bankers' Banks and correspondent banks to provide project financing for renewable fuel facilities. Working together in this fashion, community banks have been able to bring these projects to life in their communities.

Conclusion

Our nation's community banks play an integral part in the economic well-being of the communities that they serve. They are the backbone for economic development for their communities. For this reason, community banks are actively involved in bringing renewable fuel facilities to their local communities through loans to build plants, working capital loans to the facilities and loans to finance their farmer customers' investments in renewable fuel companies. As

our survey revealed, community banks are ready, able and willing to finance all aspects of ethanol production.

The economic development opportunities afforded rural America by alternative energy projects financed by community banks are substantial. These projects provide excitement and new markets through value-added products that will help enhance the overall economic health of our communities. Policymakers should encourage the continued participation of community banks in financing the alternative fuels sector.

Additionally, the federal government should support research and development that will lead to new technologies and to improvements of existing technologies that will make these facilities more efficient and keep these industries moving forward, thus reducing our reliance on foreign sources of oil. We specifically urge Congress to provide funds to support the development of cellulosic ethanol.

Thank you.

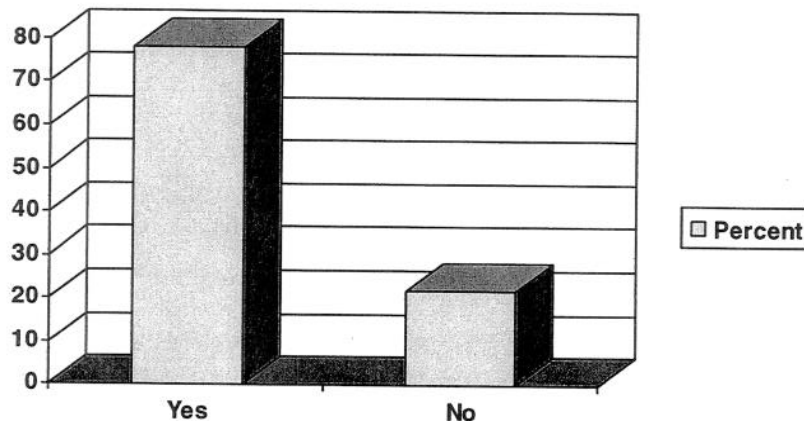
Appendix to Testimony of Dave Reyher

Ethanol Financing Survey Sample Responses from Community Bankers

Responses of 318 bankers to survey sent to 1000 bankers, geographically dispersed across the U.S.

Question

Are you involved or desire involvement in ethanol financing?



Percentage of Survey Respondents Answering Yes: 78%

Question

If yes, what are you willing to finance (plants & facilities or farmers' equity investments / other)?

- We have financed a portion of about 5-6 different plants thus far. We also have loaned millions of dollars to our farmers for investment into ethanol and biodiesel.
- We have assisted in the facility financing on one plant and regularly finance farmer equity investment based on the strength of their operation
- We have been involved in several ethanol projects from the investor financing side and the organization of entities to invest in these projects
- We currently have financing extended both to farmer equity investments and plant & facility financing.
- I have helped finance an ethanol plant under construction and also make loans to farmers to invest in ethanol plants.
- We have loans on facilities and loans on stock purchased by farmers to finance ethanol plants.

- We would gladly finance plant, facilities, operating capital, and all other legitimate credit needs of a qualifying ethanol enterprise. We have already solicited the business of a bio-diesel plant proposed for our area.
- Would be willing to consider any viable credit package. Economic development financing from state, local, and regional entities is also readily available.
- We would take a look at anything that is feasible for loans
- Plants & facilities; farmers' equity investments
- Plants, equipment, facilities, and working capital.
- Plants, facilities, and farmer's equity investments
- Plant & Facilities
- We'll finance all aspects
- We have financed Farmers' investment in local Bio-Diesel plant.
- Both investment and plant and facilities if the project is viable
- Farmers' equity investments and possible plants & facilities if opportunity came.
- We would finance all entities. We have financed a Biodiesel plant and a lot of the investors in the project.
- We are very active in funding farmer's equity investments. We have participated with other Banks in plant and facility financing as well.
- Primarily farmer customer investments but also in the plants themselves
- Plants & facilities and farmers' equity investments
- Most interested in farmer equity. We are involved in two projects that are lead bank originated and we are a participant bank
- We have extended financing to the local shareholder owned ethanol plant. In addition, we have extended loans to many individual shareholders for the local ethanol plant and several other plants.
- We currently finance all of these
- We are involved in plants & facilities and farmers' equity investments.
- We have financed and are willing to finance all aspects.
- Currently committed to financing a portion of new Bio-diesel plant and have supported local farmer investment in local ethanol plants.
- All aspects of financing
- All financing aspects are possibilities;
- Both facilities and farmer/customer investments
- Have made loan to ethanol with other banks
- Whatever makes sense given prudent lending practices
- We are always seeking good loans
- We purchased a participation on a ethanol plant
- Facilities. We have received no requests to finance equity investments.
- Equity investments, buy participation in plant & facility loans
- We have financed both plants & facilities and farmer equity plans
- Virtually any involvement
- Currently financing biodiesel plant
- Plants and facilities
- We actually participated in several ethanol loans
- We would look at any reasonable request.
- We finance farmer's equity investments and purchase participations for financing plants
- Plants & facilities and farmers' equity investments and feedlots that would complement
- Plant & Facilities
- TIF Bonds, plant and facilities, farmer equity investments

- We are presently participating in the financing of an ethanol plant in Iowa through the United Bankers Bank of Minnesota
- We would like to be involved at a participation level.
- We currently finance plants and many equity investors in these plants.
- We currently are involved in several ethanol plant financing ventures through the purchase of participations. We are interested in expanding our participation portfolio for value-added ag ventures.
- We have participated in two bio fuels manufacturing loans. We are willing to finance this type of entity
- This bank would welcome an opportunity to participate in this type of credit.
- Farmer equity investments- directly. Plant & facility through purchased loan participations
- We are working with a new company whose business plan is to establish a Bio-Diesel production plant using Sunflowers as the primary raw material
- We have financed stock purchase loans.
- Farmer Equity Investments
- Equity investments, assuming adequate collateral and repayment ability
- Plants & facilities and equity investments
- Stock purchase, construction, etc...
- We would be willing to finance all types of credit needs as long as the plan is feasible
- All of the above, subject to normal underwriting.
- We are financing seed production for switch grass and many corn operations
- We have participated in financing at both the plant and farmer investor level.
- We have financed the equity investment for the farmers in both ethanol plants and Bio-diesel plants. Along with funding with other area plants of a corn processing plant.
- Plants, facilities most aspects of ethanol financing. We currently finance an ethanol plant
- We are a participant in an Ethanol Plant being built in KS
- We are already involved in plant financing of an ethanol plant and are expecting a loan package on a bio diesel plant.
- Farmers Investments
- Farmers equity investments
- We look for opportunities in any promising area/sector
- Have done plant and equipment thru participation loan
- Any viable and credit worthy business.
- We are currently financing plants & facilities, farmers' equity investments
- We are and have been involved in both plant facilities thru participations and have financed loans for farmer equity investments
- Plants, facilities, farmers equity, and operating
- Our bank is involved in financing a local ethanol plant in conjunction with other area banks. We also provide our customers with financing for stock purchases.
- Have purchased participations in two ethanol plant construction loans and one TIF bond related to a start-up ethanol plant.
- All aspects of financing
- We are interested in loan participations
- We currently participate in a couple facilities and would be willing to finance more

**Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses**

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Dave Reyher
2. BusinessAddress: P.O. Box 1019
100 W. Pearl
Lamar, CO 81052
3. Business Phone Number: (719) 336-5200
4. Organization you represent: Colorado East Bank & Trust
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:
Our bank is currently involved in financing biodiesel and ethanol plants. We have gained insight into creating financing plans for these types of projects as a result of this experience.
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:
I have over 25 years experience as an agriculture/commercial lender.
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:
Independent Community Bankers of America

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.

**Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form**

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Dave Reyher

Address: 2259 Rd. PP Wiley, CO 81092

Telephone: (719) 829-4471

Organization you represent (if any): Independent Community Bankers of
America

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: _____ XX

Signature: Dave Reyher

** Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.