

## **Iowa Agricultural Finance Corporation**

An Iowa Agricultural Finance Corporation

### **Meeting Minutes – Initial Board of Directors Meeting**

The initial meeting of the Iowa Agricultural Finance Corporation (IAFC) was called to order by Bill Trent, as an Incorporator and Acting Chair at approximately 12:30 p.m., Thursday, August 27, 1998.

In attendance were the following Board Members elected pursuant to the process established in 1998 Senate File 2415:

- Duane Acker
- Jack May
- Leslie Miller
- Steve Morain
- Jeff Plagge
- Wayne Seaman
- Tom Urban

Also in attendance and participating in the meeting were the following individuals:

- Bill Trent, Incorporator and Chair of the Iowa Department of Economic Development Board.
- Dave Lyons, Incorporator and Director of the Iowa Department of Economic Development.
- Dan Winegarden, contract staff retained by IDED to assist in the start-up of IAFC.
- Bob Helmick, partner in the Dorsey & Whitney law firm, retained by the State to assist in the start-up of IAFC, and drafter (along with other members of his firm) of the Articles and Bylaws.
- Mary Boote, Agricultural Policy Advisor in the Office of the Governor, representing the Governor.

Other persons attended to either observe the open portions of the meeting or to be available to answer questions in their area of expertise but did not participate.

After preliminary introductions and a videotaped greeting from Governor Terry Branstad, the Board elected a chairperson from amongst its own members, Tom Urban, retired chairperson, president and CEO of Pioneer Hi-bred International.

Chairman Urban assumed the chair from Bill Trent and directed initial discussions around the purpose and intended market niche of IAFC. Board discussions evolved to consideration of the appropriate staff and support structure pending recruitment and hiring of a permanent CEO. To facilitate open discussion of personnel affairs and corporate strategy, the Chair closed the meeting and conducted business in executive session. The Board initially asked Bill Trent, Dave Lyons and Dan Winegarden to remain to answer questions about the intended structure and market of IAFC as envisioned by the Act. Discussions also included an outline of the two major interim operations options preferred by the Board. Steve Morain was delegated the responsibility of negotiating acceptable terms with Bob Helmick and Dorsey & Whitney, or finding alternative corporate counsel if no agreement can be reached. With this background information and a plan for obtaining corporate counsel, the Board was prepared to discuss the details of interim staffing and support and excused Mr. Lyons and Mr. Winegarden.

After further discussions on priorities for today's meeting, the Board asked Mr. Lyons to rejoin the executive session. In executive session the Board decided to retain Mr. Winegarden to provide interim staff at an annualized salary of \$75,000. Director Lyons agreed to provide secretarial support, computer and

telecommunications and other nonmanagerial support through IDED. Director Lyons further agreed to use whatever time of Mr. Winegarden not required by the Board to assure the availability of fulltime staff with the greatest flexibility to minimize costs. The Board authorized Mr. Winegarden to lease space in the same building as IDED to facilitate IDED's support services. Director Lyons further agreed to pay the costs of corporate operation pending completion of the AIFC loan from the Department of Economic Development, with costs incurred to be reimbursed by IAFC upon receipt of permanent financing. A contract will be executed with Merit Resources, a professional employer organization (PEO), to provide human resource services and benefits as a co-employer. Mr. Winegarden was retained with the understanding that the relationship is at will and may extend up to six (6) months but may also terminate at any time prior to that as the Board directs. Both Mr. Winegarden and the Board concurred that a permanent CEO must have the flexibility to select the CEO's own team.

The Board clearly communicated its intentions to keep expenses at a minimum for the time being since financing is not in place.

The Board established a goal of having a CEO hired within six (6) months but determined it needed a better definition of the corporation and its functions and products before establishing criteria or process for a CEO search.

The Board also took the following decisions:

- No financial decisions or commitments to allocate funds were made, beyond those specifically indicated, recognizing the corporation's lack of permanent financing.
- It was not ready to consider selection of an auditor.
- It was not ready to consider product development issues or public relation issues and retention of related professional services.
- To approve the proposed banking relationship to establish a collateralized sweep account to receive funds upon completion of the loan agreement.
- The board considered its power to add to its own membership and decided not to do so at least until the Board has better defined the corporate vision, mission, customers and product channels. There was specific recognition of both the ability and desirability to offer board representation to institutional investors tied to significant participating investments in IAFC.

Steve Morain noted that there were certain potential institutional investors, including but not limited to Farm Bureau, that might not require a market rate of return or that might be willing to wait longer for a return on investment. The examples include investors with complementary missions or with business interests closely tied to the success of rural Iowa or Iowa's biotech sector.

The Board reopened the meeting. The Board outlined the decisions taken in executive session and the intended scope of the remainder of the meeting. Chairman Urban thanked those in attendance to discuss issues removed from the agenda and offered the opportunity to leave during a short break. Representatives from KPMG Peat Marwick and Meyocks and Priebe excused themselves during the brief break along with several others.

Upon reconvening the Board proceeded to consider several resolutions offered by staff, and took the following actions on the resolutions attached as "Exhibit A".

- Resolution #4 – Adoption of Corporate Record Book.
- Resolution #6 – Authorization to pay organizational expenses.
- Resolution #7 – Authorization to carry out resolutions.

- Resolution #9 – Authorization to secure AIFC long-term loan.
- Resolution #11 – Insurance, amended to direct staff to secure coverage within the budget of the low cost bid, conditioned upon review by counsel of the terms of coverage to assure that terms are relatively standard and that no significant exclusions inappropriately narrow coverage.
- Resolution #13 – Depository policy.
- Resolution #14 – Investment policy.
- Resolution #15 – Banking policy. The Board also executed the Bankers Trust Corporate Resolution and signature card necessary to establish a collateralized sweep account.
- The Board's decisions on interim operations represent a combination of Resolutions 16 and 17, with an interim staff member funded as in Resolution 16 (detailed above) and space and support as in Resolution 17.
- Resolution #19 – Authorizing Professional Employer Organization (PEO) contract.

The Board established three subcommittees. Subcommittees were authorized to call on support from counsel or staff as necessary and appropriate.

1. **Vision and Mission.** A subcommittee to rewrite and refine the corporate Vision and Mission statement to assure they clearly reflect the statutory target markets. The subcommittee will also coordinate the Vision and Mission statements with the preamble in the Articles of Incorporation and recommend appropriate amendments to the preamble. The subcommittee is composed of Jack May and Wayne Seaman.
2. **Financing Policies and Procedures (Product Development).** A subcommittee to develop financing policies and procedures. The subcommittee is composed of Leslie Miller and Jeff Plagge. The Board discussed the desirability to look to the equity markets for guidance and to coordinate with Iowa equity players like MABSCO, Cybus and Berthel Fisher. The Board devoted considerable time discussing the different needs and problems faced by producers and producer groups compared to biotech companies. The general conclusion is that more than one financing option is likely to be necessary to meet the multiple objectives of the corporation. The Board also recognized that the legislation reflected some intent that IAFC offer something different than current financing channels, implying either greater patience or higher risk. Success will also require managerial expertise and oversight of customer's management, consistent with sound investment practices. For producers this might mean separation of ownership and management as a condition of financing or as part of enforcement of financing terms if owner managers fail to perform. (Management can get fired for failure.)
3. **IDED Loan Negotiation.** A subcommittee to negotiate and execute the long-term loan through IDED for the corporation's funding. The subcommittee is composed of Duane Acker and Steve Morain. After discussions with Bob Helmick and among the Board, the subcommittee was instructed to prioritize and emphasize the corporation's private status and independence. Proposals that would tend to politicize the agreement or corporate decisions or that would surrender corporate independence to political management are to be resisted.

Director Lyons mentioned that the legislative hope was for IAFC to make initial financing agreements prior to the start of the next legislative session. Led by Chairman Urban the Board agreed that a more realistic schedule for financing agreements was sometime after January 1, and more likely April 1, 1999. The general tone was that in order to do this right, considerable product development work is required to assure maximum leverage and effective product options. Members discussed:

- In connection with producer financing, the need to help producers make equity investments in value-added activities. The general feeling based upon extensive private market experience in value-added ag

activities is that producers must have an equity position in value-added activities to share in the long-term value-added income stream.

- The record of past efforts in Iowa and elsewhere to encourage entrepreneurial development, seed and venture capital, and other similar efforts. The Board noted several lessons to be learned, including the example from FarmerMac of the need to thoroughly think through market niche and product issues up front. The general conclusion being, if this was easy, it would have been done before. The challenge is to successfully balance return on investment and the social mission to encourage job and wealth creation in value-added ag and biotechnology.
- The Board is willing to accept applications for financing in the meantime. Proposals should emphasize the applicant's desired form of and amount of financing from IAFC. A proposal should include a business plan and both current financial statements and appropriate pro forma financials. It would also be helpful in product development research to detail why traditional sources of financing are not workable.
- The Board noted the desirability to direct applicants to refine business plans with the assistance of IDED's programming and the John Pappajohn Entrepreneurial Centers. The Board concluded that the parallel processes of the Board's own product development and applicant's business plan development could be used to improve results for both IAFC and applicants.
- Staff is to provide a list of involved parties in the Legislature and Governor's Office to permit Board Members to communicate with key persons.

Recognizing that the probable business schedule might be slower than legislative hopes, Chairman Urban and Director Lyons agreed that a priority should be early meetings with key legislators to set reasonable expectations. Six (6) months to complete complex product development process is not unreasonable especially considering the State has two months after enactment still not arranged for the funds appropriated to earn interest for the public purpose for which the moneys were appropriated. The Board specifically recognized the Legislature and Governor as a key constituency in need of regular updates to demonstrate IAFC's pursuit of the public purpose justifying the State's long-term investment. The Board is committed to making regular reports to the Legislature and Governor.

Bob Helmick shared some of the legislative history, including the legislative philosophy that key to success is a depoliticized Board of experienced businesspersons with expertise in ag financing. He noted the Legislature is getting precisely what it asked for given the membership of this Board. His impression was that legislative leaders would accept the advice of the Board to do it right the first time in preference to "ready, fire, aim" (Steve Morain's phrase). Both Leslie Miller and Jeff Plagge noted the several years of delay incurred by FarmerMac in failing to do adequate planning to respond to market needs.

At Bill Trent's request the Board considered ratification of the acts of the incorporators. There followed extensive discussion about the statutory limits imposed on the corporation by law and the self-imposed limits contained in the articles and bylaws. With the understanding that actions by the incorporators, including the articles and the bylaws, are subject to later amendment, the Board took the following decisions (see Exhibit "A"):

- Resolution #1 - Ratification of incorporators' actions.
- Resolution #2 - Ratification of articles.
- Resolution #3 - Ratification of bylaws.

The Board also elected officers, as follows:

- Resolution # 5 - Election of Officers:
  - Chair - Tom Urban

- Vice-chair - Duane Acker
- Interim President - Dan Winegarden
- Secretary - Steve Morain
- Treasurer - Leslie Miller

The articles call for initial staggered terms for Board Members. The Board asked that Chairman Urban draw names from a hat to fill the slots. Members may be reelected and may serve up to a total of seven (7) consecutive years. The results were as follows:

- Leslie Miller and Wayne Seaman will each serve an initial one-year term.
- Steve Morain and Duane Acker will each serve an initial two-year term.
- Tom Urban, Jeff Plagge and Jack May will each serve an initial three-year term.

The Board set the schedule for the next three months as follows:

1. Monday, September 28, 1998, Noon to 4:00 p.m., location to be determined and confirmed by staff.
2. Thursday, October 29, 1998, Noon to 4:00 p.m., location to be determined and confirmed by staff.
3. Monday, November 30, 1998, Noon to 4:00 p.m., location to be determined and confirmed by staff.

The Board noted the hope that with adequate progress a meeting might not be necessary in December.

The agenda for the next meeting will be the results of the three subcommittee processes and such other topics as directed by Board Members in the interim.