

Iowa Agricultural Finance Corporation

1999 Annual Report

Vision

Iowa Agricultural Finance Corporation (we) will provide the financial and business leadership, expertise, and financial leverage to help Iowa agricultural producers, Iowa agricultural industry ventures, and Iowa biotechnology enterprises lead the world in responsibly produced, high-quality value-added agricultural products and services, profits, and growth in the twenty-first century.

Mission

Iowa Agricultural Finance Corporation will:

- ❑ Make prudent investments in the business ventures and emerging technologies necessary for Iowa's leadership in responsibly produced value-added agricultural, food and biotechnology products and services.
 - ❑ Help qualified Iowa agricultural producers obtain equity interests in Iowa value-added agricultural industry ventures.
 - ❑ Help qualified Iowa value-added agricultural industry ventures obtain financing for growth.
 - ❑ Help qualified biotechnology enterprises grow and foster Iowa's biotechnology industry in general.
 - ❑ Deliver a competitive return to investors.
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Annual Report

Iowa Agricultural Finance Corporation -- Investing in the future of Iowa agriculture

Executive Summary

Start-up. As required by 1998 Senate File 2415 (the Act), the three publicly appointed incorporators facilitated the start-up of the Iowa Agricultural Finance Corporation (IAFC). Each of the incorporators, William Trent, Jr., as chairman of the Iowa Department of Economic Development (IDED) Board, Dale M. Cochran, as Secretary of Agriculture, and David J. Lyons, as IDED Director, contributed substantial time and resources to establishing the corporation and recruiting the board members-elect to serve. The Iowa Finance Authority and its Director, Ted Chapler, also provided material assistance for the start-up.

The Board of Directors. The IAFC was incorporated on July 1, 1998. The initial board of directors was elected under the Act in mid-July and met for the first time on August 27, 1998. A typical director's term is three years, however to stagger future terms and assure year-to-year continuity, the members drew lots for the length of their initial term. Board members are limited to no more than seven years of service. The seven members are:

- ❑ **Chairman, Tom Urban**, former Chairman, CEO and President of Pioneer Hi-Bred International. Initial three-year term.
- ❑ **Vice-chair, Duane Acker**, former President of Kansas State University, and current President of SouthWest Iowa Egg, an ag value-added closed-end cooperative. Initial two-year term.
- ❑ **Secretary, Steve Morain**, General Counsel, Iowa Farm Bureau Federation, with extensive successful experience in investments. Initial two-year term.
- ❑ **Treasurer, Leslie Miller**, Vice President, Iowa State Savings Bank, Knoxville, an experienced ag banker and instructor at ISU's ag credit school. Initial one-year term.
- ❑ **Jack May**, President, Kent Feeds, and active in a variety of livestock groups including Past Director of the World Beef Expo. Initial three-year term.
- ❑ **Jeff Plagge**, President, First National Bank of Waverly, and Chair of the American Bankers' Association Rural Economic Development Task Force. Initial three-year term.
- ❑ **Wayne Seaman**, CEO, West Central Cooperative, a successful Iowa cooperative growing through emphasis on niche marketing and ag value-added activities. Initial one-year term.

The Board is investing considerable time and effort to realize the legislative goal of a for-profit investment vehicle able to meet the growing capital needs of Iowa's ag and food technology sector and promising biotechnology industry. The volunteer Board conducts monthly meetings and has several subcommittees performing assignments between formal Board meetings. This proactive Board is dedicating considerable time and resources to IAFC.

established and comprehensive service networks and would dilute the potential economic impact. IAFC is, instead, seeking to fill a market niche with few, if any, suppliers in Iowa -- equity or near equity investments in value-added ag processing and biotechnology. There may be exceptions when production is integrated with processing, and features innovative technology or a unique business model.

Leverage. IAFC's current goal is to approach the private capital market in early 1999 to solicit approximately \$25 million in equity and \$50 million in additional debt, from institutional and sophisticated investors. If successful, the net result will be a \$100 million, self-sustaining investment fund, able to meaningfully aid Iowa's value-added economy with both capital and management expertise.

Forthcoming Work. IAFC's next big hurdles to reach that goal include the following tasks:

1. Development of proposed **investment portfolio underwriting standards** -- essentially IAFC's proposed distribution of available capital among various types of potential investments and customers authorized by the Act. Each portfolio investment must meet reasonable standards that reflect prudent business judgment and must offer a target rate of return attractive to private investors. The range of customers, from individual agricultural producers (farmers), to ag industrial ventures and cooperatives engaged in value-added processing, to biotech start-up firms requires sound investment models capable of generating market driven returns on invested capital.
2. Write an **offering memorandum or prospectus** to solicit private investments (equity first, then debt). This is the legal marketing and disclosure document required by federal and state securities law.
3. Begin **marketing to potential investors**. IAFC plans to solicit private institutional investors in the first and second quarter of 1999.
4. Begin **marketing to potential customers**. IAFC should be ready to invest in qualified Iowa ventures in the second or third quarter of 1999. Fund raising is the first priority. IAFC currently has well over thirty contacts potentially interested in financing through IAFC. Not all contacts fall within the target markets or meet the requisite investment underwriting standards. Still several contacts appear promising and some will almost certainly prove out. As a measure of the potential market and need, this level of interest is encouraging.

Cooperation. IAFC plans to work closely with the Iowa Department of Economic Development and other business development resources, such as the John Pappajohn Entrepreneurial Centers, to help foster growth in these targeted industries. We must capture more of the potential wealth in Iowa's agricultural commodities to achieve the common goal of becoming the Food Capital of the World in the twenty-first century. The State's loan of patient capital is an essential part of this long-term strategy. IAFC will demonstrate to private investors the growth potential of Iowa's food technology and biotech industries while fostering opportunities for Iowa's agricultural producers to share in the success.

prudent, safe, securitized³ and interest bearing deposit account with an Iowa financial institution. Finally, the Board created the Strategic Vision Subcommittee with the express charge of ongoing evaluation of IAFC's success pursuing the public purposes of the Act.

Point 2: *Target Customers.* The Act identifies three classes of customers: (1) Iowa agricultural producers, (2) value-added ag processors and (3) biotechnology ventures.

Value-added Agricultural Processing. The first two target customers share a common strategy -- increasing value-added agricultural processing in Iowa, and are linked by a tactic -- encouraging producer involvement and ownership in processing activities. Increased processing benefits all of Iowa by generating investments, jobs and tax revenues in Iowa, capturing a larger share of the potential wealth created from Iowa's agricultural commodities. All agricultural producers (farmers) benefit from improved local commodity prices supported by increased demand.⁴ Increased local demand is an indirect benefit, but a benefit shared by all producers of the commodity. As a second step, IAFC will seek to create direct benefits for producers participating directly in a venture through, for example, ownership or long-term supply contracts enabled by IAFC investments. Direct benefits are by their nature limited to producers willing and able to make long-term investments or commitments in a processing venture.

The indirect benefits of the first step are enough to satisfy the minimum threshold of the public purpose, but IAFC will seek to maximize the benefits by developing direct benefits and links to Iowa and Iowa producers beyond the minimum. A promising and potentially profitable deal with the ability to increase local commodity demand will not be turned down just because it does not feature farmer ownership. On the other hand, in competing for funding, an equally promising project with significant producer ownership or involvement will be preferred. Similarly, the more of an Iowa commodity consumed as an input in the process, the more attractive the processing project becomes.

Biotechnology. The third customer group is ventures engaged in the beneficial commercial use of plant or animal genetics. IAFC will seek investment opportunities both within and outside of the State of Iowa, using the leverage of financing to create the necessary nexus to Iowa. (The source of funding often influences where the dollars are spent.) IAFC hopes to encourage the growth of mid to later-stage (proven concepts) entrepreneurial biotech activity beyond the major seed genetic and pharmaceutical companies already active in Iowa. Early stage or concept/start-up financing for biotech is typically financed by angel investors (individuals and friendly interests). IAFC is not itself an angel investor, but will encourage and foster

³ The funds are secured by U.S. government securities equal to 102% of the value on deposit. IAFC is not depending upon FDIC insurance as total deposits exceed FDIC's limits of coverage.

⁴ The indirect benefit to Southeast Iowa farmers of the Eddieville corn processing facility is estimated by ISU Extension and others to be conservatively worth fifteen cents per bushel.

secured by assets. Subordinated or mezzanine debt may feature current coupon payments or balloon payments or some combination.

- ❑ **Debt with current coupon (interest) payments.** This could be secured, unsecured or subordinated, with the interest rate adjusted to reflect the relative risk.
- ❑ **Mixture.** A mixture of any of the above could be tailored to the financing needs of an individual project. Excessive current cash flow burdens can limit growth potential so an investor may not want all of an investment to carry a current coupon payment. Conversely, some current pay imposes discipline.

When a bank says, "This is a great project, but it needs more equity," IAFC is a potential source of that equity in exchange for the benefits of ownership if all goes well. Satisfactory banking relationships are anticipated to be a prerequisite to IAFC funding approval.

Seed and Venture Capital. Biotechnology or higher risk processing ventures may receive seed or venture capital equity. This form of investment features a high risk of loss, but a commensurate high payoff if successful. Mid to later stage (proven concepts) seed and venture capital investments will typically be smaller, both in absolute dollars and as a share of the total investment pool. Tentatively, IAFC is targeting approximately not more than five to ten percent (5-10%) of total funds for these riskier deals. The typical seed or venture capital is likely to be relatively small, approximately \$250,000 to \$500,000 at most. On the other hand, with the help of co-investors the total funds invested in a project may be substantially more than what is invested directly by IAFC. One objective is to foster the network of private angel and seed and venture capital investors and to assure that Iowa is a node on the national biotechnology venture capital network.

Point 5: *For-Profit.* IAFC is for-profit. It must make money, both to repay the State loan and satisfy the Act and to satisfy private investors. To deliver the returns required and to have maximum impact on Iowa's growth potential, IAFC is seeking somewhat higher-risk, higher-return opportunities than other, traditional sources of ag finance in Iowa, although the final portfolio will likely contain a wide range of risk profiles. IAFC is not offering grants. IAFC financing is not necessarily "cheap" money. Instead it is offering money in a form (equity and near equity) not typically available in Iowa or Iowa agriculture.

Point 6: *Exit Strategy.* Both the Act and the Board have established as a corporate priority the creation of a permanent, revolving investment fund. A one-time infusion of capital is not enough. There must be a continuous stream of growth dollars available for Iowa's ag processing and biotechnology sectors. This requires reinvesting proceeds from prior investments. It means IAFC must be able to get out to go do it again. IAFC must be able to exit any individual investment within a reasonable period of time to realize gains and reinvest in other opportunities.

- ✓ Proactive marketing plan to find and encourage opportunities rather than wait for them to walk in the door.
- ✓ Successful coaching record.
- ✓ Extensive food and agricultural experience and expertise.
- Merit Resources, human resources and benefits administration through a professional employer organization (PEO) contract.

Point 8: *Compete for Capital.* IAFC will compete for private capital by producing competitive returns for investors. A good track record will attract more capital over time to help Iowa grow and compete. Success breeds success and fuels more growth. IAFC is structured to satisfy the total return investor, not just friends of Iowa. IAFC will seek private investments from institutional investors with ties to Iowa, but is structuring its business activities to satisfy the demands of outside investors.

Point 9: *Desirable Features.* The IAFC Board and Cybus have not yet finalized investment criteria, but several desirable investment criteria have been identified to judge potential projects, including:

- **Price makers, not price takers.** Firms with long-term growth and profit potential have the ability to control the cost of their inputs and/or their sales price. They feature long-term competitive advantages not easily replicated by competitors, such as exclusive contracts, patents, trade secrets, valuable trademarks or service names.
- **Professional management.** Management must have the requisite experience and expertise to execute the business plan, including the ability to make changes necessitated by experience. Just as no battle plan survives contact with the enemy; no business plan remains unchanged by the reaction of the market and competitors. Management must be able to perform the requisite work from A to Z. It is not enough to get the firm from A to C and hope for a miracle.
- **Solid business plan.** The business plan must offer insight into a market opportunity and demonstrate the means to exploit that opportunity. It must go beyond what is technically feasible to what the market will pay for, why and how much. The ideal business plan will be developed in-house rather than by outside experts. (Remember, the management team is supposed to be able to change the plan when necessary.)
- **Coaching.** Cybus and Piper have some capacity to coach prospects to refine proposals and even more capacity to assist portfolio companies after an IAFC investment to protect the value of the deal. IAFC will also encourage prospects to fully utilize other business development resources in Iowa including the Iowa Department of Economic Development and the John Pappajohn Entrepreneurial Centers (JPECs), among others.

Point 10: *Schedule.* IAFC's schedule of work (both past and future) is as follows:

- 3rd Quarter 1998 -- Internal corporate organization.

Questions and Answers

Question *Why was IAFC organized as a for-profit private business and not as a government agency?*

Answer Several reasons.

Experience convinced both public policymakers and leading business advisors that investment decisions must be based upon business-judgment and not political influence.

The private structure run by a board with extensive business experience offers better assurance that the State loan will be repaid and that the money will be invested where it can make a long-term difference by fueling growth firms in the targeted industries.

The goal is to create a revolving investment pool with ongoing influence, not a one-shot infusion of aid. To succeed long-term the fund must earn a profit and plow it back into further growth and investment.

Further, the State wants private investment dollars to join the investment pool to put more money to work and get better leverage or bang for the State dollars loaned to IAFC. Private investors insist upon a private, for-profit structure as a condition of making multi-million dollar investments.

Finally, the State constitution prohibits the State from becoming a shareholder in a private corporation. This explains why the State contribution to IAFC's base financing is in the form of a loan and not an investment or grant.

Prior efforts using a public agency structure or a quasi-public structure violated one or more of these principles. The IAFC's structure incorporates these lessons.

Policymakers want an investment fund in Iowa dedicated to financing the targeted ag value-added processing and biotechnology industries. Policymakers assured such a fund would be created by offering a loan for base financing and providing for initial corporate organization. However, for the fund to achieve its mission it must be run as a business. Therefore the Act requires the firm to earn a market rate of return while pursuing the public purposes justifying the State loan.

Question *Have any particular projects been promised financing or was the Act created to fund a particular venture?*

Answer No. The original legislation grew out of efforts to fund a proposal to build a meat packing plant with the involvement of Iowa cattlemen. Upon review, policymakers decided that if it made sense to offer financing to cattle producers, the same model should be available to other commodity groups. A broader strategy emerged of pursuing ag value-added processing generally and biotechnology -- both business sectors that would build on Iowa's current strengths. Policymakers further decided that the decision to finance

Answer

The Act assured that an investment fund would be created by requiring three public incorporators to see to the formation and selection of a private board of directors to assume management and control.

The three public incorporators, William Trent, as Chairman of the IDED Board, Dale Cochran, as Secretary of Agriculture, and David Lyons, as IDED Director, coordinated the corporations chartering and the board selection process. The Iowa Finance Authority (IFA) contributed both public finance expertise through its Director, Ted Chapler, and funding for initial legal work. IDED used the unused time of a consultant originally retained for another project to facilitate the board selection process and to coordinate work.

The Dorsey & Whitney law firm participated as an advisor in drafting the Act because of the public finance aspects of the State loan. Dorsey's lead attorney, Bob Helmick, continued to assist the incorporators by drafting the original articles of incorporation and corporate by-laws. Dorsey is also the Iowa Finance Authority's counsel, and IFA facilitated the charter by funding the work with the benefit of the review and supervision by IFA's Director.

As required by the Act, the IDED Board first elected an appointment committee.⁸ IDED solicited nominations for the appointment committee from business leaders, public officials, trade associations and commodity organizations, receiving over sixty nominations. The IDED Board elected an appointment committee of fourteen members. The appointment committee then met to select seven members of the initial board of directors.

All members elected by the appointment committee agreed to serve.

IDED continued to fund staff support for the board until IAFC concluded loan negotiations and received its initial operating capital.

IDED continues to provide IAFC leased office space, phone and computer services, and other non-managerial support at cost. By keeping operating expenses low, both IDED and IAFC intend that more money be available for the primary mission of the corporation. IDED and IAFC also see synergies from public and private cooperation.

Question

How was the \$25 million loan agreement negotiated?

Answer

As directed by the Act, IDED consulted closely with the Office of the Attorney General. The resulting loan agreement was negotiated primarily between the Attorney General representing IDED and the State, and Dorsey & Whitney representing IAFC. Both IDED staff and IAFC board members and staff had input into the negotiations. Several drafts and negotiating sessions were necessary to cover both the needs of the public sector and the private market.

The loan was closed and the first draw executed on September 24, 1998, approximately one month after the first meeting of the IAFC Board.

⁸ A list of appointment committee members is included in the Appendix.

Question *How are moneys awaiting investment in portfolio companies deposited and managed to assure security of the principal?*

Answer The Board made a conscious policy decision to take its risk in portfolio investments and not in bankable funds awaiting investment. Therefore, security of principal with a fair current market rate of return is the objective for moneys on deposit awaiting investment in portfolio companies.

Bankable funds (those awaiting investment in portfolio companies) are on deposit with an Iowa bank in a securitized sweep account.¹² The deposits are secured by the daily purchase of U.S. government securities equal to 102% of the amount on deposit. The funds earn interest at competitive daily money market rates of return.¹³

When business planning is completed and IAFC is better able to estimate the timing of funds for investment, portions of bankable funds are likely to be placed in longer-term securities to earn higher interest while maturities are staged to meet anticipated need. Effectively placing a \$100 million fund into portfolio companies is estimated to take approximately four to five years -- in investment terminology, the commitment period.

Reasonable management controls are also in place. Expenditures of more than \$10,000 require the signature of two officers of the corporation. An officer cannot authorize a payment to that officer, without the signature of another officer. The President maintains the corporate checkbook. The Treasurer reconciles accounts.¹⁴ All are subject to annual audit by KPMG Peat Marwick, the corporation's auditor and tax advisor. The bank has notice of all corporate financial controls and is required to notify both the President and Counsel of any violation of the protocol.

Policies are reasonably calculated to assure security of principal awaiting investment with the best market rate of return appropriate for the expected time horizon.

Question *How is the Board compensated?*

Answer During the organizational period the Board is serving without compensation. No per diem or other payment for Board service has been adopted. Members may be reimbursed for travel expenses and other typical Board-related expenses. This may not always be the case. As a private, for-profit corporation, board compensation is a matter for business judgment. The current Board discussed compensation and felt that at this stage service without compensation, as a public service is appropriate. The Board considered the public purpose of the corporation, its organizational phase (limited revenues), and likely legislative sensitivity to proportionality in any compensation. Generating income is the current priority, not incurring additional expenses before demonstrating a track record. The Board also

¹² Bankers Trust of Des Moines.

¹³ Recent returns have been approximately five percent (5%) on an annualized basis.

¹⁴ The current corporate Treasurer is Board Member, Leslie Miller, an experienced banker.

Question *When will IAFC make its first investments?*

Answer IAFC is already reviewing proposals in the form of business plans and is actively prospecting for potential investments. The first investments should occur in the second quarter of 1999, sometime after completion of private equity fund raising. This timing is somewhat dependent upon the success of the private fund raising and quick action by the Legislature on proposed amendments.

Question *Are there enough qualifying investments available to be successful?*

Answer IAFC has received over forty contacts from persons interested in IAFC financing. Not all of these fall within the markets targeted by the Act; however, many show substantial promise involving qualified persons, in qualified businesses with substantial prospects for business success. Some will almost certainly fall out of consideration upon business review. Others may be good businesses, but just not well matched to IAFC's investment profile. (It is not unusual for investment funds to sift through over a hundred proposals per successful investment.) Still, it appears that substantial investment opportunities exist to successfully place IAFC's money in companies with long-term growth prospects. The market is responding to IAFC's presence and ability to offer equity financing. With the knowledge that IAFC exists, business proposals are being developed that might not have been considered previously. The IAFC Board early on asked, "Are there any fish in the pond we're fishing in." The answer appears to be an emphatic, "Yes."

- c) Community Reinvestment Act (CRA) for banks and insurance investment qualifications for insurance companies. Offered as an inducement to Iowa institutional investors.



Appendix:

1. Timeline
2. Appointment Committee
3. Appointment Committee Questions and Answers (Q&A)
4. Board of Directors, Executive Officers and Consultants

IAFC Timeline from passage to first investments

1998 SF 2415

July 1, 1998
IAFC Incorporated
(enactment date)

July 16, 1998
Board Elected

Aug. 27, 1998
First Board Meeting

Oct. 29, 1998
Investment Banker
Fund Manager
selected

Sept. 24, 1999
State Loan Closed
\$25 Million committed
\$12.75 M initial transfer

January 1, 1999
Private Equity and Debt
Offering to raise fund
to \$100 million in
working capital

2nd Quarter 1999
First Investments

Iowa Agricultural Finance Corporation

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Appointment Committee / Frequently Asked Questions

Question *What is the purpose of the Iowa Agricultural Finance Corporation (IAFC)?*

Answer **Grow Iowa's share of ag value-added and biotechnology industries.** IAFC is intended to aid the growth of Iowa's value-added agricultural sector and biotechnology industry. Like FannieMae or FarmerMac, IAFC is a publicly chartered, privately operated business pursuing a public purpose. The State of Iowa is assisting initial start-up and financing, but ultimately IAFC must succeed as a business dedicated to successful investment in these targeted Iowa industries. It must ultimately attract additional private investment by offering competitive rates of return to investors.

Question *What market role or market niche will IAFC serve?*

Answer **Improve access to capital for ag value-added and biotech ventures.** IAFC must add to the financing mix currently available to ag value-added ventures. IAFC must improve access to debt and equity financing for value-added ag, including biotechnology. This might be through direct lending to or investment in qualified applicants. IAFC may choose to serve other sources of debt or equity for targeted industries through credit enhancement or guaranty services. The exact mix of products and services and the appropriate channels for distribution are issues the Board of Directors must ultimately decide.

Question *What is the role of the Appointment Committee?*

Answer **Recruit and select effective private sector leadership.** Because the IAFC is to be a private business and not a public agency, the Appointment Committee serves a key role. The Appointment Committee distances the selection of Board Members responsible for IAFC business management from politics. It is intended to offer the judgment of experienced Iowa business leaders to the selection process for the Board of Directors. The Appointment Committee is to help recruit and select the caliber of corporate leaders able to attract private investment in IAFC and able to chart a successful business course in the marketplace.

Question *What is the time commitment required of an IAFC Board Member?*

Answer **Four meetings per year.** Board members can expect to attend a quarterly meeting, one of which will be an annual meeting. Participation in board meetings may be by telephone or electronic means. The member must read briefing materials in advance of the meeting to allow informed participation. There may also be service on various corporate subcommittees, though membership in these subcommittees is not limited to members of the board of directors. An Executive Committee of the Board may handle the day-to-day work of the corporation, various subcommittees that may be formed and professional staff. The primary contribution sought from Board Members is their experience, judgment, and credibility.

Question *What is the term of service for a board member?*

Answer **1-3 Years.** The Act limits board membership terms to no more than seven (7) years. The board members will serve staggered terms so that turnover will be gradual and transitions smooth. We anticipate the initial Board will have two one-year terms, two two-year terms, and three three-year terms available. The incorporators will work with members-elect and try to match members' preferences with available terms.

Question *Will board member expenses be paid?*

Answer **Yes.** This is ultimately a question for the Board itself upon its election, but it is typical for members of a private corporate board to be reimbursed for reasonable travel expenses associated with service. A per diem payment may also be considered.

Question *Will board members have Directors and Officers liability insurance?*

Answer **Yes.** Start-up staff has contacted a national insurer with a presence in Iowa. It is anticipated that there will be some interim coverage or a proposal presented to the Board at its first meeting to provide appropriate coverage from the date of incorporation.

Question *How will the daily business of the corporation be conducted?*

Answer **Professional Staff.** The articles of incorporation authorize an executive committee of the board of directors to consider issues in between regularly scheduled meetings. Additional subcommittees may be formed to address specific issues such as an audit committee, a loan policy and procedures committee, and a personnel and executive recruitment committee. IAFC is expected to have professional staff to conduct the day-to-day business of the corporation in line with corporate policies as instructed by the board.

Question *How will potential director conflicts with the IAFC be resolved?*

Answer **Typical corporate standards.** The articles of incorporation provide the usual rules for resolving potential conflicts, including disclosure, with consent or abstention as appropriate, and a general requirement of fairness.

Iowa Agricultural Finance Corporation

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APPOINTMENT COMMITTEE

Name	Background
Duane Acker Rt. 3, Box 61 Atlantic, IA 50022-9313 Work: 712-243-4757 Fax: 712/243-5766	Former President, Kansas State University and ag value-added entrepreneur and educator
Mary Boote 3291 Ironwood Avenue Hull, IA 51239 Work: 515/281-4099 Home: 712/439-2441 Fax: 515/281-6611	Office of the Governor, Agricultural Advisor
Susan Brown, President Firstar Bank of Burlington 201 Jefferson Burlington, IA 52601 Work: 319/752-2761 Fax: 319/753-8773	President, Firstar Bank of Burlington
Rand Fisher, President Iowa Area Development Group 2700 Westown Parkway, Suite 425 West Des Moines, IA 50266-1411 Work: 515/223-4817 Fax: 515/223-5719	President, Iowa Area Development Group
Chuck Johnson, Chairman, President & CEO Pioneer Hi-bred International 400 Locust St., Suite 800 Des Moines, IA 50309 Work: 515/248-4923 Fax: 515/248-4999	Chairman, President and CEO, Pioneer Hi-Bred International
Marlyn Jorgensen 1965 64 th St. Garrison, IA 52349 Work: 202/588-5873 Home: 319/477-5131 Fax: 319/477-5744	Past President of American Soybean Association and ag value-added entrepreneur
Jerrold (Jerry) Hilliard, Vice President Farmland Insurance 1963 Bell Avenue Des Moines, IA 50315 Work: 515/245-8700 Fax: 515/245-4051	Vice President, Farmland Insurance a Nationwide subsidiary

Iowa Agricultural Finance Corporation

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BOARD OF DIRECTORS

These seven Iowa leaders are the initial Iowa Agricultural Finance Corporation (IAFC) Board of Directors. An appointment committee drawn from a broad cross section of agricultural, economic development and finance experience selected the members. The Board assumed control of the newly incorporated IAFC from its public incorporators on August 27, 1998. IAFC follows the FannieMae or FarmerMac model of a publicly chartered corporation, privately operated for a public purpose. While the State of Iowa initiated the Iowa Agricultural Finance Corporation, it was turned over to private management to determine how best to foster the growth of value-added agriculture and biotechnology within Iowa while satisfying the demands of investors for a fair rate of return. IAFC's initial capitalization comes in the form of a thirty-year, \$25 million interest-free loan from the State of Iowa. Additional private capital will be sought in the form of both debt and equity.

Name	Background
Thomas N. (Tom) Urban, Chairman Former Chairman, President & CEO Pioneer Hi-bred International 400 Locust St., Suite 800 Des Moines, IA 50309 Work: (515) 248-4886 Fax: (515) 248-4999 e-mail: urbant@phibred.com	Former Chairman, President and CEO, Pioneer Hi-Bred International. Tom is a recognized expert in agribusiness and finance. Experience includes Harvard University, Visiting Professor, School of Business Administration; Council on Foreign Relations; International Policy Council on Agriculture Food and Trade; Chairman, Study Committee--Evaluation of USDA National Research Initiative Competitive Grants Program; and more. Tom Urban is Chairman of the IAFC Board of Directors. Jo Johnson (515) 248-4839
Duane Acker, Vice-Chair President, SouthWest Iowa Egg Rt. 3, Box 61 Atlantic, IA 50022-9313 Work: (712) 243-4757 Fax: (712) 243-5766 e-mail : dacker@nishna.net	Former President, Kansas State University and ag value-added entrepreneur and educator. Duane is a national expert in ag value-added and active lecturer. Chair of National Steering Committee, Reinventing Agricultural Education for 2020. Chair and President, SouthWest Iowa Egg, a 270-owner closed cooperative. Member IDED Agricultural Products Advisory Committee and more. Duane Acker is Vice-chair of the IAFC Board of Directors and member of the Finance Committee.
Stephen M. (Steve) Morain, Secretary General Counsel Iowa Farm Bureau Federation 5400 University Avenue West Des Moines, IA 50266 Work: (515) 225-5652 Fax: (515) 225-4686 e-mail: smorain@fbfs.com	General Counsel, Iowa Farm Bureau Federation and member of the Farm Bureau executive committee and Management Corporation. Chairman, Edge Technologies and a director of other high tech companies in which Farm Bureau companies have invested. Steve Morain is corporate Secretary for the IAFC Board of Directors and member of the Finance Committee. Lori Mease (515) 225-5649

Iowa Agricultural Finance Corporation

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FUND MANAGEMENT

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Paul McGarvey
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Cybus Capital Markets is an experienced investment banker specialized in the food and agriculture sectors. Cybus has offices in Denver, Colorado and Sacramento, California and is headquartered in Des Moines, Iowa.

Cybus was retained to originate deals, perform business analysis, manage investments, and coach both applicants and investment portfolio companies to success. Cybus has a track record of success in arranging mezzanine and equity financing for companies with significant growth potential.

Cybus's strengths that factored into its selection include a proactive market development plan to help smaller ventures grow and experience and depth in business analysis and business coaching.

INVESTMENT BANKER

Mark Fisler
Jim Bellus

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Piper Jaffray is the leading regional investment banker in the upper Midwest. Piper is to assist IAFC in raising additional private capital so as to leverage the State's initial loan into a larger investment fund able to become a self-sustaining revolving pool of investment to fuel growth in Iowa's value-added agriculture and biotechnology sectors.

Piper Jaffray's strengths that factored into its selection include specific experience helping cooperatives restructure to finance value-added activities and both a willingness to pursue and experience with smaller size deals that often fall below Wall Street's radar.

Tim Oswald

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Dorsey & Whitney LLP is an international law firm with offices throughout the United States, including Des Moines, and in Europe and Southeast Asia. It has considerable experience in the representation of companies and underwriters with respect to public offerings, corporate and securities work. The last several years it has led the list of law firms nationally in the number of mergers and acquisitions for which it provided representation.

The Des Moines office was selected by the Board as its legal counsel because of its experience in corporate security work, coupled with its concentration in the areas of public law and finance.

the farm gate. The Strategic Vision Subcommittee has a common interest with the Product Development Committee in developing strategies to serve the agricultural producer customer segment and will coordinate accordingly. This committee will also evaluate compliance and performance in satisfying the public purpose of the corporation, including service to all three major customer groups: agricultural producers; ag industrial ventures; and biotechnology firms. Current members are Jack May and Wayne Seaman.

Dan Winegarden, as President, provides staff support to all committees.

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