



December 1, 1999 Meeting Minutes

Board of Directors Meeting

Vice Chairman Duane Acker called the meeting to order at approximately 9:15 a.m. on December 1, 1999. The meeting was conducted in the Upper Iowa Room of Garbee Hall at Upper Iowa University in Fayette, Iowa. Prior notice was provided to the Iowa Department of Economic Development under the terms of the loan agreement with the Department.

In attendance were the following Board Members:

- Duane Acker
- Leslie Miller
- Wayne Seaman

Tom Urban, Steve Morain, and Jeff Plagge were unable to attend the meeting.

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

- Dan Winegarden, President
- Dianna Rampy, Enterprise Iowa
- Bob Helmick, Dorsey & Whitney corporate counsel
- Tom Steen, Cybus Group
- Bryan Borchert, Cybus Group
- Katie Dunwell, Cybus Group
- Rachel Windsor, Cybus Group
- John McGarey, Cybus Group
- Sue Wyka, Cybus Group
- Ron Flaherty, Cybus Group
- Mark Fislser, Piper Jaffray

The Board approved the minutes of the prior meeting without comment or amendment.

The Agenda was reviewed.

The TecTERRA LP Marketing Report was given by Mark Fislser of US Bancorp Piper Jaffray. He stated there is \$8 million in new commitments for a total of \$18 million of the \$30 million goal.

Announcements and Corporate Leadership Closing information was given by Dan Winegarden. He reported that tentative plans were to have the closing correspond with the IAFC Public Forum that is being held January 12, 2000. Dan stated that he would like to announce both investments by Limited Partners and one or more completed TecTERRA deals at that time. This will involve coordinating schedules with state officials, investors and portfolio companies as well as the IAFC Board and Cybus. Publicity will involve an article by Cybus on who TecTERRA is, the first investment, Limited Partner investments and there will also be an announcement of new Board members. Leslie Miller stressed being sensitive to the farmer participation. Wayne Seaman suggested that the Board have dinner and a short Board of Directors Meeting after the Forum.

The Cybus Report was given by Tom Steen. He introduced Sue Wyka of the Denver office and Ron Flaherty of their California office. He stated that over the last 120 days Cybus has learned a great deal about how to communicate more effectively with various audiences.

Tom Steen, Rachel Windsor and John McGarvey reported on the proactive development of deals with a successful company or business partner, building a business in a growth sector. Tom stated that excellent opportunities exist which involve producers once an open capital structure is established.

The Marketing Report was distributed and reviewed by Paul McGarvey. He stated that there had been 1,700 marketing pieces mailed since September 7, 1999, and that 562 letters went to direct operators resulting in 154 live telephone conversations. The materials include a 1-1/2 page letter describing the fund with fax back information which was followed up by a personal phone call. There were also 73 personal meetings held with operators and centers of influence. Paul felt there was a general lack of understanding of equity capital and a general reluctance to talk about ones business affairs. Leslie Miller suggested that the example of a farmer who rents land to farm is an equity example that could be used in discussions with producers and others. It is clear that TecTERRA needs to bring business opportunities to the producer groups in most instances. Leslie recommended setting discussion meetings with all the commodity organizations to help identify deals. Paul stated that a meeting was set with the Pork Producers. Cybus is intending to hire a full time marketing person to go out and visit with groups.

Tom Steen proposed marketing initiatives for 2000. He recommended that a Food & Fiber Growth Conference be held at an Iowa location in the Fall of 2000. Tom requested \$9,000 from IAFC to give Cybus the ability to build a budget for this. A motion was made by Wayne Seaman and seconded by Leslie Miller to approve the request for \$9,000 to develop this project. The motion carried. (Dan, did you call someone to get their approval so that this motion passed officially?)

Tom Steen proposed a \$1,000 - \$10,000 contribution (\$5,000 was the suggested figure) be made to the Northeast Iowa Community Dairy Foundation. There was concern from Bob Helmick about interest money being used for a donation to a foundation. The Board decided to look into this and discuss it further at the January Board meeting.

There was discussion about using IAFC interest money to do feasibility studies. Some felt TecTERRA shouldn't be using interest money for this. Leslie Miller said she would prepare a proposal for the January Board Meeting regarding her handout.

Tom Steen proposed joining the State of Illinois Cooperatives at a cost of approximately \$1,000. This would provide market information that might be useful to TecTERRA. The Board felt this should be put on the agenda for the January Board Meeting. Tom also reported that Cybus would be hiring an intern with an MBA in Finance to assist with looking at deals in the near future.

Katie Dunwell of Cybus reported on market education. She stated that some legislators still see this as ag futures and that more education is needed. Prospects need to understand what the market is demanding and how others have succeeded. Iowa knows production agriculture trends but needs to better understand the food and fiber industry trends to more successfully participate in value-added processing and marketing.

Sue Wyka from the Cybus Office in Denver presented several producer participation models and observations gleaned from successful producer groups.

Ron Flaherty from the Cybus Office in California reported that he, Sue Wyka and others from Cybus were attending national symposiums as a source of potential deal flow such as the Food & Beverage Acquisition Forum where they discovered approximately ten candidates. Other conferences attended recently where Cybus team members were also speakers were the National Products Expo, the International Biotech Symposium and the Home Meal Replacement Symposium.

Mark Fislser presented information on the ethanol industry and its investment viability. He stated that production capacity in 1989 was \$825 million. In 1999 it is \$1.8 billion. There are 300 million gallons in storage and 1 billion in new capacity. It is projected that there will be a 2.3 billion gallon market in the next decade. MTBE is probably dead now because it's not water soluble, is cancer causing, and takes 280 years to break down. It has been outlawed in Iowa and is being phased out in California. The oil industry gets the biggest benefit from ethanol. This is a subsidy for a blender. If all subsidies were lifted, gasoline would be \$2.00 a gallon. All Presidential candidates support ethanol but McCain. Bottom line. Don't get involved or

only work with the top three producers which are ADM, Minnesota Corn Processors or Williams which is 30% owned by ADM. Mark recommended that TecTERRA develop ethanol business models linking it with other processes or with other food products. He said the two important things to remember are transportation costs (river and rail are better) and marketing. Mark's written report is attached and made a part of these Minutes.

The program for the IAFC Forum to be held immediately following the Board Meeting was briefly reviewed. Dan Winegarden reported that the next Forum date was January 12, 2000, at the Iowa Historical Building Auditorium from 5:00 - 6:30 p.m.

The next IAFC Board of Directors Meeting will tentatively be held January 12, 2000, after the Forum.

The Board went into Executive Session. Discussions included review of confidential investment opportunities, marketing strategies and other information proprietary to IAFC/tecTERRA, tecTERRA clients or both.

Leslie Miller and Wayne Seaman's Board terms were automatically renewed to 2,002 according to Section 5(e) of IAFC's Articles of Incorporation. (See Memorandum from Robert Helmick and Sherri Peters dated October 26, 1999 attached to these Minutes). The Board of Directors of the IAFC elected three new Board members. They are John C. Bloomhall, CEO of Diamond V Mills in Cedar Rapids, Iowa, Paul Hill, Chairman of West Liberty Foods in West Liberty, Iowa, and Bill Horan of Rockwell City, Iowa. Vice Chairman Acker adjourned the meeting at approximately 11:45 a.m.