

# Iowa Agricultural Finance Corporation

An Iowa Agricultural Finance Corporation

## July 9, 1999 Meeting Minutes Board of Directors Meeting

Chairman Tom Urban called the meeting to order at approximately 9:40 a.m. on July 9, 1999. The meeting was conducted in Conference Room J, at the Pioneer Hi-bred International, Inc. offices at Capital Square in Des Moines, 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:

- |                                       |                                    |  |
|---------------------------------------|------------------------------------|--|
| <input type="checkbox"/> Duane Acker  | <input type="checkbox"/> Jack May  | <input type="checkbox"/> Leslie Miller |
| <input type="checkbox"/> Wayne Seaman | <input type="checkbox"/> Tom Urban | <input type="checkbox"/> Jeff Plagge   |

Steve Morain was out of town and unavailable.

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

- Dan Winegarden, President.
- Dianna Rampy, Enterprise Iowa.
- Adam Sidney, IAFC Intern.
- Bob Helmick, Dorsey & Whitney law firm and corporate counsel.
- Melanie Johnson, IDED General Counsel.
- Tom Steen, Cybus Capital Markets.
- Bryan Borchert, Cybus Capital Markets.
- Paul McGarvey, Cybus Capital Markets.
- Katie Dunwell, Cybus Capital Markets.
- Tim Oswald, Piper Jaffray
- Dave Hove, KPMG Peat Marwick

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

The Agenda was reviewed.

Dan Winegarden presented the latest draft of the Private Placement Memorandum. He stated that all that was left to be done was final printing. Dan further reported that Bryan Borchert of Cybus had expressed a concern at the last Board Meeting that the language in the PPM did not fit what the model assumes. At the last meet the Board discussed the risk of the Limited Partners earning high gross IRRs on intermediate equity payouts leaving IAFC in a position that they might not be able to pay back the State of Iowa. Acting on the Board's direction, the final prospectus includes steps to minimize the risk to IAFC and the State. Bryan reviewed a Sensitivity Analysis he prepared to support the final version. The sensitivity analysis compares results over various economic performance scenarios and assures IAFC can repay the loan using proportional payback over the possible range of outcomes. IDED and Piper Jaffray have reviewed the language and approved it. Chairman Urban thanked Bryan Borchert for bringing this situation to the Board's attention. Bob Helmick of Dorsey & Whitney stated that the language now fits the financial model, and that he really appreciated the efforts of Bryan Borchert and Cybus in helping get the proper language into the documents.

Dan Winegarden mentioned that including the IDED General Counsel in the Board Meetings had been very positive and helped IDED to understand the entire process. Dan mentioned that the process had eliminated the necessity of a formal Attorney General opinion.

Tim Oswald of Piper Jaffray discussed marketing the PPM and the contacts list. It was decided that potential investors should be paired with the person who has the best relationship with them. Tim requested a meeting with Chairman Urban and Dan Winegarden to go over priorities. Cybus asked to review the contact lists. Tim mentioned that Buzz Benson of Piper Jaffray Venture Capital was also being consulted. Chairman Urban made a suggestion that a limited number of people review the prospectus with Buzz. Tim Oswald fears that insurance companies may not want to be involved in venture capital at this point in the economic cycle and our development. CAPCO is a possible necessary inducement for insurance company interest. If we get insurance companies involved in the first deal we may be able to give them preference on the second deal when CAPCO might be available (depending upon future legislative action). Tim reported that there will be a presentation to AGRI Industries and West Central Cooperative on July 14, 1999, from 12:30-2:30 p.m. Dan Winegarden, Bob Helmick and Tom Steen will attend.

Bob Helmick discussed the closing steps of the PPM. The initial closing will occur a few days after the cash is actually received from investors. Chairman Urban suggested a letter be sent to the investors thanking them for their financial support. Chairman Urban also suggested that selected members of the media such as the Des Moines Register, Omaha World Herald and Cedar Rapids Gazette be contacted regarding a press release about the closing of the fund. Dan Winegarden was asked to set this up.

Bob Helmick reviewed the Asset Management Agreement with Bankers Trust that was passed at the May 21, 1999, Board of Directors Meeting. This document makes sure the agreement is secured.

Chairman Urban suggested that the IAFC might want to find a graduate student at Iowa State to do a paper on the process that IAFC has gone through in the last two years.

The Deal Review Committee Report was presented. Tom Steen stressed once again how extremely confidential this information is. Cybus presented their Pipeline Report and an explanation of current marketing efforts. Chairman Urban suggested having a size category on the report and also a way to indicate whether this was a new deal, a cancelled deal or a change in deal probability. Leslie Miller discussed the process and results. Leslie suggested media coverage on examples of how the process works. She stated that if companies understand the process (the public too) it will save time and have a positive impact. Leslie asked Cybus to provide a place on the report to indicate if a business plan, marketing plan, financials had been received on the deals. This information would be of great benefit to she and Jack May, the Deal Review Committee. Dan Winegarden reported he was working on a disclosure letter for IAFC and Cybus to use with companies who have been told no, given advice, etc.

Bryan Borchert presented consultant selection recommendations for the Fund. He said Brenton Bank was being proposed for tecTERRA's deposits. Brenton is also used by Cybus. Deal flow is good from Brenton Bank and there is also a convenience factor with Cybus and tecTERRA having the same bank. It also enhances tecTERRA's access to Brenton's rural referral network. IAFC money is at Bankers Trust and deal flow needs to be encouraged from them also. There was a motion to hire Brenton Bank as tecTERRA's bank. Motion carried unanimously.

Dan Winegarden proposed Ernst & Young for Tax and Audit Consulting for tecTERRA. They were selected as a result of competitive proposal solicitation and review. The three criteria applied were: 1. The quality and experience of the service team. 2. The ability to contribute to deal flow and the success of the Fund and its manager. 3. Cost, with value being the yardstick not absolute low cost. A motion was made that Ernst & Young be hired to provide Tax and Audit Consulting for tecTERRA. Motion carried unanimously.

Dan Winegarden presented the 4-page IAFC White Paper outline to the Board. This will be used as a progress report and summary for legislators, interest groups and other key influencers. Dan reported that he had a meeting with Phil Wise, Secretary of Agriculture Patty Judge and Senator John Judge as part of an update to the IDED Board. Dan Winegarden also reported that Governor Vilsack had favorably mentioned IAFC on the Radio recently.

Dan Winegarden reported on other work in progress. He stated that an Errors and Omissions Insurance application and underwriting should be ready soon. A basic outline for a web site had been developed and will be coordinated with Cybus. The web sites will be linked but totally separate. The first IAFC Forum is tentatively scheduled for the week after Labor Day in Southwest Iowa, Senator McLaren's area. September 8, 9 or 10 are the suggested dates and the Wallace Foundation in Lewis, Iowa, was suggested by Duane Acker as a good facility for the Forum. ( September 10, 1999, is now confirmed at the Wallace Foundation Learning & Outreach Center.) It was also suggested that a Board Meeting be held in conjunction with the Forum. The issue of delegation of decision-making, who decides what, President, Committee, or IAFC Board is in process and connected with the President's job description draft.

Future dates of Board Meetings were discussed as we move from the start-up phase to operations. The Board felt that they no longer need to meet monthly, but every two to three months in the future.

Outside consultants and others were asked to leave while the Board and Cybus discussed pipeline deals. Then the Board went into Executive Session to discuss President Dan Winegarden's compensation, benefits and job description.

The next IAFC Board of Directors Meeting will be held September 10, 1999, at 1:00 p.m. at the Wallace Foundation in Lewis, Iowa.

Chairman Urban adjourned the meeting at approximately 12:00 noon.