

AEDE-19

The Case for an Outside Board of Directors for Closely Held Farm and Agricultural Businesses

Checklist 1. Considering the move to utilize an independent board for the closely held farm or agricultural business.

| | Yes | No |
|--|-----|----|
| Does the business employ more than 25 employees? | | |
| Has the business grown to include a wider variety of goods and services, which may benefit from broader/different expertise and perspective? | | |
| Does the business (at least annually) review strategic goals? | | |
| Does the business regularly (at least quarterly) examine financial statements and key financial and operating ratios? | | |
| Does the business regularly (at least annually) conduct performance evaluations of all employees? | | |
| Has the business employed family members who do not materially contribute to the success of the business? | | |
| Does the business plan to "make room" for additional family members? | | |
| Do family members have significantly different opinions about the future direction of the business? | | |
| Are there specific topics that are not discussed in meetings for fear of addressing the "elephant in the room," (whatever topic that might be, but which are important to the business)? | | |
| TOTAL | | |
| <p>If the closely held farm business has more than a total of 5 "Yes" answers to these questions, then it may benefit from considering an independent board of directors or at least an external member of the board. It is important to understand that this checklist is a guide/discussion tool and that none of the answers definitely place a firm in the category of "needs to have an independent board of directors or an independent director."</p> | | |