

# ILLINOIS GRAIN INSURANCE CORPORATION BOARD MEETING

## Special Meeting

Monday, July 16, 2012

### I. Welcome

Robert Flider, Director of the Illinois Department of Agriculture (“IDOA”) and President of the Illinois Grain Insurance Corporation (“IGIC”) called to order a special meeting at approximately 10:06 a.m. in the Executive Conference Room at the IDOA on Monday, July 16, 2012. The agenda was posted prior to the meeting and distributed to the Board members of the Advisory Committee.

### II. Roll Call

A. Secretary designee Karen McNaught called the roll.

B. Present were Robert Flider (President of the IGIC);

Karen McNaught, secretary and designee for the Attorney General;

Laura Lanterman, Chief Fiscal Officer of the IDOA;

Keith Fanning, designee for the Illinois Department of Insurance;

Liz Turner, the designee of the State Treasurer.

### III. Introduction of Attendees and Advisory Committee

Others present included members of the Advisory Board, attendees, and IDOA staff:

Phil Thornton; Illinois Corn Growers Association Advisory member

Rae F. Payne; Illinois Farm Bureau

Stuart Selinger; IDOA staff

Rhonda Jachino, IDOA staff

Others present by telephone included:

Harold Gates, Illinois Bankers Association; Advisory Committee member

Blain Cornwell, Community Bankers Assoc.; Advisory Committee member

Jeff Adkison; Illinois Grain and Feed Association

#### IV. New Business

Director Flider announced that he would be leaving for southern Illinois with Governor Quinn to assess the drought. As such, the agenda was modified.

##### A. Handy Feed Handyscape, Inc.

Karen McNaught made a motion pursuant to 240 ILCS 40/20-5(d) to transfer up to \$160,000.00 from the Illinois Grain Insurance Fund to the Grain Indemnity Trust Fund to pay grain claimants. Keith Fanning seconded the motion.

Previously, the Board was advised by Stuart Selinger that Handy Feed & HandyScape, Inc. had failed on April 12, 2012. The entity had operated as a Class I warehouse and a grain dealer located near Milstadt (St. Clair County), Illinois. After the failure, the Illinois Department of Agriculture initially took control of the facility, sold and shipped grain inventory, and held informational meetings for creditors. However, the company filed for bankruptcy, so leave of the automatic stay was given by the bankruptcy court for the Illinois Department of Agriculture to hold hearings to determine the validity of claims for the indebtedness to claimants. The claims have been determined and the IDOA is preparing to issue warrants to the claimants. Prior to the meeting, Director Flider prepared a letter which was with the agenda materials which explained the request for a transfer and that letter is attached hereto as Exhibit #1.

There being no further discussion on the motion, Director Flider called the matter for a vote. All present voted in favor of the motion.

Director Flider then stated that the IDOA is examining elevators in the State and indicated that the Board may want to monitor the health of the IGIC and Fund in the coming months and years. He expressed that the Fund provides necessary protection to farmers in this State and in years when crop productivity is lean, it is especially important sound program. Director Flider also praised Stuart Selinger and his staff for their efficiency in examining warehouses and grain dealers.

##### B. IGIF Balance Update

Liz Turner reported that the cash balance from investments in Illinois Funds as of June 30, 2012 was \$7,119,318.00.

Stuart Selinger reported that the Illinois Grain Insurance Fund equity balance as of June 30, 2012, was \$7,170,512.92.

V. Old Business

A. IGIC By-laws

A second reading of the Amendment to Article V was read:

**ARTICLE V**

**AUDIT OF CORPORATE BOOKS**

**On or about December 1 of every even numbered fiscal year, the Board shall cause the books and records of the Corporation, for the two previous fiscal-year periods, to be audited by an independent public accountant licensed under the Illinois Public Accounting Act ((225 ILCS 450/1 et seq.)(as in effect now or hereafter amended)) or an entity permitted to engage in the practice of public accounting pursuant to Section 14(b)(3) of the Illinois Public Accounting Act ((225 ILCS 450/14(b)(3))(as in effect now or hereafter amended)). A copy of such audit shall be kept by the Corporation and be available for public inspection in accordance with Article II, Section 3 of these bylaws. No funds from the Illinois Grain Insurance Fund shall be expended to pay for any audit.**

Karen McNaught made a motion to amend the by-laws as indicated above. Laura Lanterman seconded the motion. There was no discussion on the motion, so Director Flider called the motion for a vote. The motion passed unanimously.

At approximately 10:16 a.m., Director Flider excused himself and Karen McNaught assumed presiding over the meeting.

B. The Grain Exchange, Inc. Update

Stuart Selinger reported that John Kniepmann recently was sentenced to both federal and State terms of incarceration. In the federal case, he was sentenced to 15 months, which he will serve first, and ordered to pay restitution of \$110,000.00, which will be mostly to a bank. Additionally, he was sentenced to a concurrent term of 3 years for the State conviction and ordered to pay restitution of \$1.3 million, \$935,000.00 of which is owed to the Grain Insurance Fund and \$400,000.00 which is owed to farmers whose claims were not reimbursed under the Fund.

Laura Lanterman recognized Stuart Selinger and his staff for their efforts in bringing John Kniepmann to trial. Laura explained that Stuart was given an award by federal officials for his work on the case and Stuart stated that

John Huey, one of his examiners, also had been recognized and given an award by federal officials.

C. Ethics Training

Karen Mcnaught reminded the Board members and advisory members that ethics training needed to be taken. Additionally, Open Meetings training should be finalized.

VI. Treasurer's Report

Liz Turner reported that the balance of the Illinois Grain Insurance Fund as of February 28, 2012, was \$7,097,507.99. See Exhibit #2 attached hereto.

VII. Secretary's Report

A. The minutes of the April 10, 2012, special meeting were distributed prior to the meeting. There were no additions or corrections. Keith Fanning moved to approve the minutes as written, and Laura Lanterman seconded the motion. There being no discussion, the motion was called for a vote and the minutes were approved.

B. The minutes will be available on the IDOA website at [www.agr.state.il.us](http://www.agr.state.il.us), (then click on Inspections & Regulation then on Warehouses/Coops).

VII. Miscellaneous Business

Rae Payne asked if the Bureau of Warehouses was seeing any stressors or indicators of grain contracts not being able to be filled because of the drought conditions. Stuart Selinger replied that there were some farmers who would not be able to fulfill contracts and would either purchase grain to fill the contracts or, in some cases, buy back the contracts at the current market price (plus a small penalty). Stuart also stated that in some instances, elevators were working with producers to roll the contracts to the next growing season.

Rae Payne also asked how many examiners are employed by the Illinois Department of Agriculture. Stuart Selinger indicated that currently, there are 15 examiners in the field.

Phil Thornton asked if there was an indication of increased aflatoxin in corn this year. Stuart Selinger stated that it was premature to assess aflatoxin at this time, but vomitoxin (in wheat) was more of a concern at this point. Stuart also indicated that at this point, more interest is being given to the increased nitrate levels in the

silage that is being cut and, because of the drought conditions, there many other risks that are of concern.

IX.. Adjournment

There being no further business, Laura Lanterman made a motion to adjourn. Keith Fanning seconded the motion. The special meeting of the Illinois Grain Insurance Corporation was adjourned at approximately 10:27 a.m. on Monday, July 16, 2012.

Respectfully submitted,

July 16, 2012

/s Karen L. McNaught  
Karen L. McNaught  
Secretary Designee