

ILLINOIS GRAIN INSURANCE CORPORATION BOARD MEETING

Tuesday, March 11, 2014

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 regular meeting at approximately 10:08 a.m. in Room 66 of the IDOA on Tuesday, March 11, 2014. 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. Present were Robert Flider (President of the IGIC); Karen McNaught, secretary and designee for Attorney General Lisa Madigan; Keith Fanning, designee for the Director of the Illinois Department of Insurance, Andrew Boron; Laura Cadagin, Chief Fiscal Officer of the IDOA; and Liz Turner, the designee for State Treasurer Dan Rutherford.

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

Jeff Adkisson; Grain and Feed Association of Illinois
Blain Cornwell; Community Bankers Association; Advisory Committee
Dale Hadden; Illinois Farm Bureau, Advisory Committee
Mark Gebhards; Illinois Farm Bureau
Bill Long; Illinois Corn, Advisory Committee
Donald Ludwig; Grain and Feed Association of Illinois, Advisory Committee
Dave Ramsey; Illinois Farmers Union; Advisory Committee
Tim Seifert; Illinois Soybean Association, Advisory Committee
Rick Boyd; IDOA Staff
David Gleason; IDOA Staff
Jim Larkin; IDOA staff
Stuart Selinger; IDOA staff
John Teefey, IDOA staff; Legal Counsel
Robert Fanning; Illinois Attorney General Staff

III. Treasurer’s Report

A. Liz Turner, designee of the Illinois Treasurer, provided the following report.

The balance as of December 31, 2013, in the Illinois Grain Insurance Fund

was \$7,162,228.30. The money market fund balance is invested in Illinois Funds, which currently is earning interest at 0.021 percent.

B. No vote was taken on the Treasurer's Report.

IV. Secretary's Report

A. The minutes of the March 13, 2013, regular meeting were distributed prior to the meeting. There were no additions or corrections.

B. Keith Fanning moved to approve the minutes as written, and Liz Turner seconded the motion. There being no discussion, the motion was called for a vote and the minutes were approved.

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

V. New Business

A. Mandatory Ethics Training for Board Members

John Teefey, one of the staff attorneys at the Illinois Department of Agriculture was introduced by Director Flider and was asked to speak about the mandatory ethics training. Mr. Teefey explained that IDOA General Counsel Raymond Watson is the ethics officer for the Illinois Department of Agriculture and the Illinois Grain Insurance Board. As such, Mr. Watson is required to ensure compliance of all Board members and Advisory Board members in completing the ethics training.

Contained in the materials made available to the Board members and the Advisory Committee members, is the 2014 ethics training. Each Board member and Advisory Committee member should read the materials and then complete the certification form. The certification forms should be returned to Stuart Selinger at the Illinois Department of Agriculture, State Fairgrounds, P.O. Box 19281, Springfield, Illinois, 62794 within the next thirty (30) days. Director Flider reminded the members that failure to complete the ethics training may result in removal from the Illinois Grain Insurance Corporation Board.

Secretary Designee McNaught explained that Director Flider, Board Member Laura Cadigan, and Designee Keith Fanning need only sign the compliance form and return it to Stuart Selinger, if each has previously completed the training for their respective employers. However, all other persons must take the training prior to completing the form. Designees (Fanning, McNaught, and Turner) should also provide the training to the statutory Board members (Andrew Boron, Lisa Madigan, Dan Rutherford) and have them sign and

return the completed training certification form to Stuart Selinger.

Questions about the ethics training should be directed to Ethics Officer Raymond Watson. He can be contacted via electronic mail at raymond.watson@illinois.gov. After this presentation, Mr. Teefey was excused from the meeting by Director Flider.

B. Update Balance and Assessment

Stuart Selinger reported that as of December 31, 2013, there was a cash balance in the Illinois Grain Insurance Fund of \$7,163,000.00 and an equity balance of \$7,219,000.00. In the last fiscal year, there were no draws on the Illinois Grain Insurance Fund.

Revenues from assessments through December 31, 2013 were as follows:

Emergency capacity assessment	\$ 1,568.00
Interest from Illinois Funds	\$ 689.90
Interest on Grain Indemnity Trust Account Funds	\$ 2.80
Interest on Illinois Prime Fund	\$ 0.00
Newly licensed grain dealer assessments	\$ 2,491.00
Newly licensed warehouse assessments	\$ 2,017.00
Penalties	\$ 750.00
Permanent capacity assessment	\$34,677.00
Printer fees	\$ 2,200.00
Recovery on claims paid	\$ 3,670.45
Reimbursement from Grain Indemnity Trust Account	\$ 0.00
Services in kind from IDOA	\$ 0.00
Subsequent assessments written off	\$ 0.00
Temporary capacity assessments	<u>\$38,193.00</u>
Total revenues for the fiscal year to-date are	\$86,259.15

C. Update on Grain Dealer & Grain Warehouse Licensures.

Stuart Selinger reported that there are 265 licensed companies at 980 licensed locations. Of these there are 258 grain dealers; 229 warehousemen; and 22 federal warehouse licensees (of which 16 participate in Illinois Grain Insurance Program and 6 do not participate in the Program). Licensees have a total permanent storage capacity in Illinois of 1,419,221,000 bushels, which is the largest in the nation.

D. Insolvency Update

Stuart Selinger reported that there have been no insolvencies since April 2012 when the Handy Feed/Handyscapes, Inc. in Milstadt, Illinois, required a draw on the Fund of approximately \$160,000. A proof of claim has been filed in the United State Bankruptcy Court for the Southern District of Illinois for reimbursement.

In the last year, there have been two cases in which the Department has taken action. The Department identified a financial deficiency at Mor-Agri Grain Handling in Calandonia, Winnebago County, Illinois, in approximately November 2012. The potential claims would have resulted in an approximate draw from the Fund of \$2.4 million. However, the Department worked with the management of Mor-Agri and identified and facilitated a takeover by two alternative companies. Those companies guaranteed that all grain claimants would be made whole and without delaying payment. The new company was licensed in the name of Stateline Feed and Grain in June 2013.

MTRG, Inc. in Waterman, DeKalb County, Illinois, was identified in November 2013 as having inadequate records. After grain obligations were reconciled, nine third-party depositors were at risk, and therefore the Department suspended the license of the facility on January 9, 2014, to preserve its statutory lien. Additionally, the Department became aware that on January 9, 2014, BMO Harris Bank had placed MTRG in a receivership. The Department worked with MTRG to quantify the number of bushels owed to the nine producers and allowed each of the nine producers to remove their grain so that each of the potential grain claimants was made whole. When the process was completed, the company was approximately 130,000 bushels long, which MTRG can use to fulfill its grain contracts to third-party buyers. The hearing on the license suspension has been continued; however, the Department will ask the Rosenwinkles (MTRG) to voluntarily surrender their license.

E. Financial Audit and Compliance Examination

Stuart Selinger reported on the most recent audit report from the Office of the Auditor General. On February 20, 2014, the Department received the completed audit from the Office of the Auditor General for the two-year period ending prior to June 30, 2013. Sickich completed the audit and made the following findings.

The Grain Insurance Reserve Fund is not funded and never has been funded, since the General Assembly amended the statute in 2003 to provide for the reserve fund. Director Flider indicated that the General Assembly is

required to provide money for the reserve and each year the Department makes the request, but because of the State financial crisis, there are insufficient monies in General Revenue and the General Assembly has not provided for this reserve. Director Flider also indicated that the revenue stream is expected to drop, because the temporary income tax will be eliminated. Although the budget of the Department was not cut last year (which is in contravention to previous years), the reserve was still not funded. Director Flider noted that the auditors recognize that the General Assembly has not funded the reserve and that the Department makes the request each year.

The other audit finding included weaknesses in administering the participation of federal licensees in the grain insurance program and untimely deposits of cash receipts. The Department has agreed to re-write the forms for the federally licensed warehouse cooperative agreements. Given the low staffing levels within the warehouse bureau, employees will make a concerted effort to make timely deposits of cash receipts, but the deficiency occurs when an employee takes benefit time and there is no one to make the deposit.

Laura Cadagin stated that the report of the Auditor General can be found on the website of the Auditor General. Stuart Selinger advised that the report will also be posted on the website of the Illinois Department of Agriculture.

F. Warehouse Examiner Staffing Levels

Dale Hadden asked about the current staffing levels of warehouse examiners. Director Flider reported that after the inception of the grain insurance program, the Department used to employ as many as 32 examiners, but with cuts over the years, the Department now has 13 field staff and 3 office staff. It generally takes approximately 3 years to become fully trained and proficient to conduct a warehouse examination. At present, 1/3 of the field staff are eligible to retire and within the next three years, all but three will be able to retire. Director Flider stated that he would like to explore with stakeholders options on remedying the decline in warehouse examiners,

Stuart Selinger indicated that the warehouse examiners are still able to meet the statutory requirements of conducting three exams in a two-year period. However if there were a major failure or insolvency at a facility, the examiners would need to be sent to that crisis site and therefore they would be unable to meet the statutory examination requirement at other facilities. Stuart also advised that there is a current posting in Livingston County for a warehouse examiner.

G. Reappointment of Advisory Committee Members

Stuart Selinger explained that every two years, various associations appoint advisory committee members. Within the next 30 days, Stuart will be following up with those associations to obtain written appointments to the Board.

VI. Old Business

A. Indemnity Trust Account Update

Stuart Selinger indicated that there have been no insolvencies in that last fiscal year and therefore there are no additional sub-accounts which have been established. Stuart reminded the members that the indemnity trust account was established to quickly pay for equity assets or rolling stock in the event of a failure.

B. FOIA/OMA Officer

Karen McNaught reminded the members that, as a public body, the IGIC is required to have a Freedom of Information Act officer and an Open Meetings Act officer. She indicated that she has taken the 2014 training for both of these positions and is willing to continue to serve, unless someone else would like to assume the responsibilities. Since no one volunteered, Director Flider asked Designee McNaught to continue in those rolls.

VIII. Adjournment

There being nor further business, Laura Cadagin moved to adjourn the March 11, 2014, meeting of the Illinois Grain Insurance Corporation Board of Directors. Keith Fanning seconded the motion. The meeting was adjourned at approximately 10:45 a.m. on March 11, 2014.

Respectfully submitted,

March 11, 2014

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