

**ILLINOIS GRAIN INSURANCE CORPORATION
BOARD MEETING**

Tuesday, March 8, 2016

I. Welcome

Raymond Poe, Acting 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 10:00 a.m. in the 4-H Conference Room at the Illinois Department of Agriculture on Tuesday, March 8, 2016. The agenda and an amended agenda were 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 Raymond Poe (President of the IGIC); Karen McNaught, secretary and designee for Attorney General Lisa Madigan; Keith Fanning, designee for the Acting Director of the Illinois Department of Insurance, Anne Melissa Dowling; and Liz Turner, the designee for State Treasurer Michael Frerichs. Prior to the meeting, Keith Fanning submitted a letter from Anne Melissa Dowling, the Acting Director of the Illinois Department of Insurance, to serve as her designee on the Illinois Grain Insurance Corporation Board of Directors.

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

Jeff Adkisson; Grain and Feed Association of Illinois
Rick Boyd, IDOA Staff
Chuck Cawley, IDOA Staff
Shane Fee; Illinois Bankers Association
David Gleason, IDOA Staff
Dale Hadden; Illinois Farm Bureau
Marty Marn; Illinois Corn Growers Association
Rae Payne, Illinois Farm Bureau
Stuart Selinger; IDOA staff
Kent Sorrells, Grain and Feed Association of Illinois
Craig Sondgeroth, IDOA General Counsel

III. Treasurer’s Report

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

The balance in a money market account as of February 29, 2016, in the Illinois Grain Insurance Fund was \$7,607,482.85. The money market fund balance is invested in Illinois Funds, which currently is earning interest at 0.239 percent. See Exhibit A.

- B. Keith Fanning moved to approve the Treasurer's Report. Karen McNaught seconded the motion. There was no discussion. After a vote, the Treasurer's Report was approved as submitted.

IV. Secretary's Report

- A. The minutes of the April 14, 2015, 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 as written.
- 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. Update Balance and Assessment

Stuart Selinger reported that as of December 31, 2015, there was a reconciled cash balance in the Illinois Grain Insurance Fund of \$7,565,108.14 and an equity balance of \$7,648,024.330. In the last fiscal year, there were no draws on the Illinois Grain Insurance Fund.

Revenues from assessments through December 31, 2015, were as follows:

Emergency capacity assessment	\$ 6,569.50
Interest from Illinois Funds	\$ 2,128.86
Interest on Grain Indemnity Trust Account Funds	\$ 15.86
Newly licensed grain dealer assessments	\$ 48,679.00
Newly licensed warehouse assessments	\$ 17,469.00
Penalties	\$ 1,250.00
Permanent capacity assessment	\$ 45,736.00
Printer fees	\$ 1,100.00
Recovery on claims paid	\$ 4,826.75

Temporary capacity assessments	\$ 40,268.50
Total revenues for the fiscal year to-date are	\$ 168,043.47

The Regulatory Fund balance as of December 31, 2015, was \$367,214.00 and the assessment revenues are attached hereto as Exhibit B. The Balance Sheet and Statement of Finances is attached hereto as Exhibit C.

B. Update on Grain Dealer & Grain Warehouse Licensures

Stuart Selinger reported that there are 257 licensed companies at 1,077 licensed locations. Of these 257 licensed companies, 214 are State licensed warehouses and 251 are grain dealers. There are 24 federally licensed warehouse licensees (of which 16 participate in Illinois Grain Insurance Program and eight do not participate in the Program). Licensees have a total permanent storage capacity in Illinois of 1,459,924,000 bushels.

Stuart reported that there were two licensees in 2016 (one each in January and February) who voluntarily surrendered their licenses. There was a successor agreement in one of the instances. In the other instance, there were no storage obligations, grain payables, or open grain contracts. Stuart reported that there was a considerable amount of time spent by both the staff office and the field staff in assisting both of these former licensees in the determination to conclude business, which protected producers and the Illinois Grain Insurance Fund.

C. Insolvency/Facilitation Update

Stuart Selinger reported that there have been no insolvencies since Handy Feed in 2012 and no producers have lost money in the last four fiscal years.

D. Bureau of Warehouse Staffing Level

Currently, the Bureau of Warehouses operates with a staff of 16. The office staff, of which two are temporarily assigned as Warehouse Examiners, are:

Rick Boyd, Acting Bureau Chief
 Stuart Selinger, Warehouse Examiner Supervisor
 David Gleason, Acting Warehouse Examiner Supervisor
 Robin Knoepfle, Administrative Assistant

Additionally, there are twelve field warehouse examiners. Ten are currently trained examiners working in the field and two started on January 19, 2016, and are in training. The new trainees are located in Effingham and Jefferson Counties. The Bureau also anticipates filling the position of

Warehouse Examiner by a candidate who recently was interviewed for Champaign County. Additionally, the Bureau plans to post a Warehouse Examiner position in DeKalb County. The Bureau continues to have several examiners (6) who are eligible for retirement or soon will be eligible for retirement (8 in the next 5 years). Acting Director Poe stated that he was making one of his goals to look for qualified candidates and hire more warehouse examiners.

E. Mandatory Ethics Training for Board Members

Craig Sondgeroth, General Counsel and Ethics Officer at the Illinois Department of Agriculture, spoke about the mandatory ethics training. Craig Sondgeroth stated that he 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 2016 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 Craig Sondgeroth at the Illinois Department of Agriculture, State Fairgrounds, P.O. Box 19281, Springfield, Illinois, 62794 within the next thirty (30) days. Members were reminded that failure to complete the ethics training may result in removal from the Illinois Grain Insurance Corporation Board.

Secretary Designee McNaught explained that any employee of a Code agency (Director Poe, Richard Campbell, 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 (Anne Melissa Dowling, Lisa Madigan, Michael Frerichs) and have them sign and return the completed training certification form to Craig Sondgeroth.

Questions about the ethics training should be directed to Ethics Officer Craig Sondgeroth. He can be contacted via electronic mail at craig.sondgeroth@illinois.gov.

F. Review if the IGIF Audit for FY 2014 and 2015

All attendees were provided with a copy of the audit report compiled by the Auditor General for Fiscal Years 2014 and 2015. The audit took seven months in which the auditors reviewed books and records kept by the Warehouse Bureau at the Illinois Department of Agriculture. Stuart

Selinger provided a synopsis of the findings.

There was one repetitive finding. Despite law to the contrary, the Illinois General Assembly has never funded the grain reserve. The Department requests annual funding. However, because there is no funding made by the General Assembly, there is always a finding by the auditors. Stuart stated that the Board could consider an amendment to the Grain Code or, in the alternative, a finding by the auditors will continue.

In other auditor findings, (a) four checks were not timely delivered (the reason for the untimely delivery was due to the lack of a long-term office assistant—this has been resolved with a recent hire and there is now cross-training with staff in the accounting department); (b) the cooperative agreements with federal licensees did not include all required statements (these forms have since been revised); (c) there were weaknesses and errors in reports submitted to the Office of the Illinois Comptroller (some accounts receivable were not reviewed by a supervisor; staff will take more care in the future).

One of the prior finding (failure to include all fees in the Fee Imposition Report) was not repeated. See Exhibit D.

- G. Craig Sondgeroth reported that he had met with Jeff Adkisson and Jody Brooks about an assessment issue when grain companies merge or consolidate. In the past, the Department of Agriculture took the position that if a new company was formed, there would be an assessment. The Grain and Feed Association disagreed with this position, so the Department re-examined its long-time policy and determined under the current administration that going forward, there would be no additional assessment. A memorandum was prepared by Craig and is attached hereto as Exhibit E.

The Grain and Feed Association has requested that the Department review a situation with one of its members, which was assessed after a consolidation. The entity paid the assessment without protest and has now requested a refund.

Rae Payne asked about a limitations period for refunds. Rae also asked Craig Sondgeroth for an explanation of the 90 percent rule as set forth in 240 ILCS 40/5-30(e). Craig indicated that this is a part of the on-going discussion with the Grain and Feed Association.

Jeff Adkisson asked if Craig Sondgeroth and Karen McNaught would review that statute to determine if there is a hearing process to request a refund and to determine if the statute is being implemented accurately and fairly. Craig and Karen agreed to review the statute and meet with Jeff, if

necessary. Jeff thanked the Department for placing this item on the agenda and volunteered to provide the committee with any additional documentation that might be necessary.

H. Changes in Disbursements

Liz Turner and Stuart Selinger advised the Board that in the last year, pursuant to procurement, the Illinois Funds account had a new provider, US Bank Service Area. As a result, Illinois Funds is still an investment fund, but there is no longer a checking account provision available.

The Department of Agriculture plans to establish a local bank account at Marine Bank for deposits. In the alternative, money can be wired to Milwaukee, Wisconsin. Liz and Stuart are trying to resolve this issue.

I. Possible Open Meeting Violation

Karen McNaught reported that in December 2015, prior to the departure of former Chief Fiscal Officer Laura Cadagin, there were a series of e-mails between the members of the Illinois Grain Insurance Board members and/or designees without declaring a meeting or preparing an agenda. Although no business was transacted, there were communications between three or more members of the Board.

There has been no determination of whether there was a violation of the Open Meetings Act. However, the e-mails are available in the files of the Secretary of the Illinois Grain Insurance Corporation, which are kept at the Office of the Illinois Attorney General. The e-mails were made available at this meeting and will be available for inspection at a time and place mutually agreeable to the requester and the Secretary designee.

VI. Old Business

Indemnity Trust Account Update

Stuart Selinger indicated that because there have been no insolvencies in that last fiscal year, no additional sub-accounts 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. The balance of the Indemnity Trust Account is \$96,999.40, which includes \$49,691.75 from the Grain Asset Preservation Fund, balances from 10 additional accounts, and \$8.85 in interest. See Exhibit F.

VIII. Adjournment

There being no further business, Keith Fanning moved to adjourn the March 8, 2016, meeting of the Illinois Grain Insurance Corporation Board of Directors. Lis Turner seconded the motion. The meeting was adjourned at approximately 10:57 a.m. on March 8, 2016.

Respectfully submitted,

March 8, 2016

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