

**ILLINOIS GRAIN INSURANCE CORPORATION
BOARD MEETING**

Monday, March 20, 2017

I. Welcome

Raymond Poe, 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 10:04 a.m. in the 4-H Conference Room at the Illinois Department of Agriculture on Monday, March 20, 2017. The agenda was posted prior to the meeting and distributed to the Board members and the 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 Jennifer Hammer, Director of the Illinois Department of Insurance; and Liz Turner, the designee for State Treasurer Michael Frerichs; and Tyler White, Chief Fiscal Officer of the Illinois Department of Agriculture. Prior to the meeting, Keith Fanning submitted a letter from Jennifer Hammer, 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:

William Awe; Illinois Soybean Association
Rick Boyd; IDOA Staff
Jodie Brooks; Grain and Feed Association of Illinois
Chuck Cawley; IDOA Staff
Shane Fee; Illinois Bankers Association
Harold Gates; Illinois Bankers Association
David Gleason; IDOA Staff
Dan Litteken; Grain and Feed Association of Illinois
Martin Marr; Illinois Corn Growers Association
Rae Payne; Illinois Farm Bureau
David Ramsey; Illinois Farmers Union
Craig Sondgeroth; IDOA General Counsel
Kent Sorrells; Grain and Feed Association of Illinois

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 28, 2017, in the Illinois Grain Insurance Fund was \$7,813,706.32. The money market fund balance is invested in Illinois Funds, which currently is earning interest at 0.622 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 March 8, 2016, 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

Rick Boyd reported that as of February 28, 2017, there was a reconciled cash balance in the Illinois Grain Insurance Fund of \$7,813,706.32 and an equity balance of \$7,817,627.32. In the last fiscal year, there were no draws on the Illinois Grain Insurance Fund. Assessment revenues as of February 28, 2017, are \$154,207.57.

Revenues from assessments through February 28, 2017, were as follows:

Emergency capacity assessment	\$ 6,791.00
Interest from Illinois Funds	\$ 23,837.26
Interest on Grain Indemnity Trust Account Funds	\$ 20.24
Newly licensed grain dealer assessments	\$ 27,055.00
Newly licensed warehouse assessments	\$ 2,287.00
Penalties	\$ 250.00

Permanent capacity assessment	\$ 22,662.00
Printer fees	\$ 2,500.00
Recovery on claims paid	\$ 5,509.33
Temporary capacity assessments	\$ 63,295.74
Total revenues for the fiscal year to-date are	\$ 154,207.57

The Illinois Grain Insurance Fund balance sheet as of February 2017 is attached hereto as Exhibit B. The Statement of Finances is attached hereto as Exhibit C.

B. Update on Grain Dealer & Grain Warehouse Licensures

Rick Boyd reported that there are 260 licensed companies at 1,086 licensed locations. Of these 260 licensed companies, 212 are State licensed warehouses and 255 are grain dealers. There are 24 federally licensed warehouse licensees (of which 15 participate in Illinois Grain Insurance Program and nine do not participate in the Program). Licensees have a total permanent storage capacity in Illinois of 1,435,867,000 bushels.

C. Insolvency/Facilitation Update

Rick reported that there was a licensee in November 2016 and another in January 2017 which had their licenses revoked.

1. SGI Agri-Marketing, LLC was a grain dealer in Gibson City (Ford County), Illinois. The dealer failed on November 1, 2016. At an administrative hearing on November 9, 2016, the grain dealer license was revoked for financial deficiencies. The company left deficiencies of approximately \$1.2 million. Seventeen claimants filed claims; after an initial determination by the Illinois Department of Agriculture, 12 claims have been deemed as valid and will be covered at a total of \$462,457.00. There are 5 additional claims currently on appeal. If all five appeals are considered to be valid, there would be an additional \$731,844.00 in claims. The net proceeds from the liquidation process are \$394,015.66, leaving a shortfall of \$68,441.70 on the claims deemed to be valid as of March 20, 2017. However, a lender has swept \$89,819.19 from a fund that the Illinois Department of Agriculture reasonably has determined are grain proceeds. Demands have been made for this revenue. The conflict over these funds derives from a sister company which trades in specialty crops overseas and the source of the funds derived from that sister company. Rae Payne asked if the Illinois Department of Agriculture had looked for any additional grain assets, and Rick indicated that warehouse examiners were looking at other sources. If there are no additional claims and the lender returns to the Illinois Department of Agriculture those funds which are deemed to be grain

assets, there will be no net draw on the Illinois Grain Insurance Fund. However, since claims are to be paid prior to the expected return of these grain assets, the Illinois Department of Agriculture is requesting a transfer of \$68,441.70 to be placed in the Indemnity Trust Account.

Karen McNaught made a motion to transfer \$68,441.70 to be transferred from the Illinois Grain Insurance Fund to the Indemnity Trust Account. Liz Turner seconded the motion. Karen then asked Rick if additional monies should be transferred at this time, in the event any or all of the appeals required additional claimants be paid. Rick and Director Poe indicated that if additional funds were required, an additional meeting could be set. Liz stated that both accounts earn the same rate of interest, so a transfer of approximately \$1 million to cover all potential claims would not have any effect on interest earnings. Karen then amended her motion to transfer up to \$70,000.00 from the Illinois Grain Insurance Fund to the Indemnity Trust Account. Liz Turner seconded the amendment. There was no further discussion. The motion was called for a vote and the members of the Illinois Grain Insurance Board voted to approve a transfer of up to \$70,000.00 from the Illinois Grain Insurance Fund to the Indemnity Trust Account.

2. Keller Grain Company, Inc. was a grain dealer and warehouse with locations in Ware and Anna (Union County), Illinois. The Illinois Department of Agriculture had been watching Keller for a lengthy period of time prior to failure, which occurred on December 29, 2016, for nonpayment of grain. The licenses were revoked at an administrative hearing on January 9, 2017. The deadline for filing a claim is March 29, 2017. As of March 20, 2017, 18 claims had been filed totaling \$880,735. Preliminary information indicates that valid claims total \$794,349, and \$86,386 fall outside of coverage. Estimates indicate that the Illinois Department of Agriculture will need approximately \$113,000.00 from the Illinois Grain Insurance Corporation to make payments to claimants. However, because the claims period has not ended and assets were still attempting to be located, the Illinois Department of Agriculture asked that there be no transfer at this time. If a transfer is needed, a Special Meeting can be called approximately the first week of June.

D. Bureau of Warehouse Staffing Level

Currently, the Bureau of Warehouses operates with a staff of 15. There are 3 office staff and 12 warehouse examiners, although only 11 are fully trained in the field. A warehouse examiner in the Champaign region was employed in September 2016. It generally takes 8 months to a year to

train an examiner. There was another posting in the DeKalb area, but there were no eligible candidates who applied. This job will be re-posted. Additionally, there is a supervisor position available and a position available to backfill a position from Morgan County for an examiner who retired in December 2016. Currently, 2 examiners from Northern Illinois are eligible for retirement and 6 total are eligible for retirement.

Rick was questioned about whether he believes the Department currently has enough examiners. Rick indicated that since 2000, there are more facilities to examine and although they are mandated by statute to conduct an examination once a year, one of their goals is to examine three times biennially. At present, the examiners are not achieving that goal. Another goal is to employ 14 examiners in the field. However, Rick stated that he felt comfortable with the examiners in the bureau. Rick also opined that the problem was at least fifteen years in the making and it was not likely to be resolved quickly.

A question was posed about whether the Grain Insurance Fund was sufficient in light of the business capacity of licensees and potential exposure. Rick indicated that some States have funds of \$20 million. However, Rick did not know whether the legislatures in those States had a loan guarantee program, in the event there were insufficient funds to pay claimants. Since this was not an item agenda, there was no further discussion and no action taken.

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.

Craig will be sending training materials by electronic mail to all Board members who have not taken this executive training and to the Advisory Committee members. Each Board member and Advisory Committee member should read the materials and then complete the certification form. 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, Tyler White, Director of Insurance Jennifer Hammer, and Designee Keith Fanning) need only sign the compliance form, 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 (McNaught and Turner) should also provide the training

to the statutory Board members (Lisa Madigan and Michael Frerichs).

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.

VI. Old Business

Indemnity Trust Account Update

Rick Boyd indicated that the Indemnity Trust Fund Account has a balance of \$1,118,757.35. The fund has a substantial amount, because there are proceeds from the grain preservation and rolling stock liquidated from the two failed licensees. Rick 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.

VIII. Adjournment

There being no further business, Keith Fanning moved to adjourn the March 20, 2017, meeting of the Illinois Grain Insurance Corporation Board of Directors. Liz Turner seconded the motion. The meeting was adjourned at approximately 10:52 a.m. on March 20, 2017.

Respectfully submitted,

March 20, 2017

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



OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

March 20, 2017

TO: Illinois Grain Insurance Corporation Board
FROM: Illinois State Treasurer Michael W. Frerichs
Elizabeth Turner Designee

Investment Report:

The balance in the Illinois Grain Insurance Corporation's Illinois Fund's account as of February 28, 2017 is \$7,813,706.32.

The average interest rate for the month of February is .622%.

State Capitol
Room 219
Springfield, IL 62706
Phone: (217) 782-2211
Fax: (217) 785-2777
TTY: (866) 877-6013

James R. Thompson Center
100 West Randolph Street
Suite 15-600
Chicago, IL 60601
Phone: (312) 814-1700
Fax: (312) 814-5930

Illinois Business Center
400 West Monroe Street
Suite 401
Springfield, IL 62704
Phone: (217) 782-6540
Fax: (217) 524-3822

Myers Building
One West Old State Capitol Plaza
Suite 400
Springfield, IL 62701
Phone: (217) 785-6998
Fax: (217) 557-9365

ILLINOIS GRAIN INSURANCE FUND
BALANCE SHEET
As of FEBRUARY 2017

Assets:		
Cash	\$7,813,706.32	
Grain Seller Assessment Receivable	\$0.00	
Lender Assessment Receivable	\$0.00	
Subsequent Assessment Receivable	\$0.00	
Newly Licensed Assessment - Grain Dealer Receivable	\$0.00	
Newly Licensed Assessment - Grain Warehouse Receivable	\$0.00	
Permanent Capacity Assessment Receivable	\$1,912.00	
Temporary Capacity Assessment Receivable	\$1,510.00	
Emergency Capacity Assessment Receivable	\$499.00	
Penalties Receivable	\$0.00	
Interest Receivable	\$0.00	
Recovery on Claims Receivable	\$0.00	
Total Current Assets	\$7,817,627.32	\$7,817,627.32
Other Assets:		
Due From Grain Indemnity Trust Account	\$49,730.56	
Total Other Assets:	\$49,730.56	\$49,730.56
Total Assets		\$7,867,357.88
Liabilities:		
Due to General Fund	\$0.00	
Due to Grain Indemnity Trust Account	\$0.00	
Refunds Payable	\$0.00	
Deferred Revenue	\$0.00	
Total Liabilities	\$0.00	\$0.00
Fund Equity:		
Retained Earnings (net profit / net loss Year to Date)	\$154,207.57	
Fund Balance	\$7,713,150.31	
Reserve for Encumbrances	\$0.00	
Reserve for Encumbrances - Prior Year	\$0.00	
Total Fund Equity	\$7,867,357.88	\$7,867,357.88
Total Liabilities and Fund Equity		\$7,867,357.88

**ILLINOIS GRAIN INSURANCE FUND
STATEMENT OF INCOME (LOSS)
As of FEBRUARY 2017**

	<u>MONTH</u>	<u>YEAR TO DATE</u>
Revenue		
Grain Seller Assessment	\$0.00	\$0.00
Lender Assessments	\$0.00	\$0.00
Subsequent Assessment	\$0.00	\$0.00
Newly Licensed - Grain Dealer Assessment	\$0.00	\$27,055.00
Newly Licensed - Grain Warehouse Assessment	\$0.00	\$2,287.00
Permanent Capacity Assessment	\$0.00	\$22,662.00
Temporary Capacity Assessment	\$0.00	\$63,295.74
Emergency Capacity Assessment	\$0.00	\$6,791.00
Penalties	\$0.00	\$250.00
Printers Fees	\$0.00	\$2,500.00
Interest on Grain Indemnity Trust Account Funds	\$1.60	\$20.24
Interest on IL Prime Fund	\$0.00	\$0.00
Interest on ILLINOIS FUNDS	\$3,726.51	\$23,837.26
Reimbursement from Grain Indemnity Trust Account	\$0.00	\$0.00
Subsequent Assessments Written Off	\$0.00	\$0.00
Services in Kind From IDOA	\$0.00	\$0.00
Recovery on Claims Paid	\$300.00	\$5,509.33
Total Revenue	\$4,028.11	\$154,207.57
Encumbrances		
Recovery Expense	\$0.00	\$0.00
Disbursement to Grain Indemnity Trust Account	\$0.00	\$0.00
Disbursement to Grain Indemnity Trust Account - Authorized Refunds	\$0.00	\$0.00
Disbursement to Grain Asset Preservation Account	\$0.00	\$0.00
Disbursement to General Revenue Fund	\$0.00	\$0.00
Miscellaneous Adjustment	\$0.00	\$0.00
Personal Services Provided By IDOA	\$0.00	\$0.00
Loss on Licensee Failure	\$0.00	\$0.00
Total Encumbrances	\$0.00	\$0.00
Net Increase (Decrease) in Fund	\$4,028.11	\$154,207.57