ILLINOIS GRAIN INSURANCE CORPORATION
BOARD OF DIRECTORS
MINUTES

March 28, 2011

I. WELCOME

Tom Jennings, Director of the Illinois Department of Agriculture and President of the Illinois Grain Insurance Corporation, called to order a regular meeting of the Illinois Grain Insurance Corporation on March 28, 2011, at approximately 10:03 a.m. in Room 66 of the Illinois Department of Agriculture. The agenda was posted prior to the meeting.

All present were asked to introduce themselves and sign the attendance sheet. Director Jennings welcomed and thanked the members of the Board and their designees, the members of the Advisory Committee, and other attendees.

II. ROLL CALL

Karen McNaught, designee for the Illinois Attorney General and Secretary for the Illinois Grain Insurance Corporation, called the roll of the Board of Directors and their designees. Present were:

Tom Jennings, President of the Illinois Grain Insurance Corporation and Director of the Illinois Department of Insurance;
Karen McNaught, designee for the Illinois Attorney General and Secretary for the Illinois Grain Insurance Corporation;
Ed Buckles, designee for the Illinois Treasurer and Treasurer for the Illinois Grain Insurance Corporation;
Keith Fanning, designee for the Illinois Department of Insurance; and
Laura Lanterman, Chief Fiscal Officer for the Illinois Department of Agriculture.

Prior to the meeting, it was noted that Mr. Buckles had not yet received a letter from Treasurer Dan Rutherford appointing Mr. Buckles as the designee of the State Treasurer. President Jennings was advised by Mr. Buckles that he would not be voting or making any motions at this meeting.

III. INTRODUCTION OF ATTENDEES AND ADVISORY COMMITTEE

The following members of the Grain Insurance Advisory Committee and other attendees introduced themselves:

A. Advisory Committee

The members of the Grain Insurance Advisory Committee present were:

Larry Brown–Illinois Banker's Association
Blain Cornwell–Community Bankers Association of Illinois
Dan Farney–Illinois Soybean Association
Dale Hadden–Illinois Farm Bureau
Donald Ludwig–Illinois Grain and Feed Association and Elkhart Grain

B. Other Attendees

Jeff Adkisson–Illinois Grain and Feed Association
Ben Jackson–Illinois Banker's Association
Rae F. Payne–Illinois Farm Bureau
Dominic Saebeler–Illinois Department of Agriculture
Stuart Selinger–Illinois Department of Agriculture
Shari West–Illinois Department of Agriculture

IV. TREASURER'S REPORT

Ed Buckles reported that on February 28, 2011, the Illinois Grain Insurance Corporation had on deposit a balance of $6,912,686.25 in the Illinois Funds account. The Illinois Funds account is fully collateralized. Mr. Buckles reported that the interest rate is still dismal. As of the close of business on March 25, 2011, the account had a balance of $6,913,877.41. Treasurer Buckles provided each of the members of the Illinois Grain Insurance Corporation Board of Directors with a copy of the reconciliation statement as of February 28, 2011, with the hand written update. A copy of the Treasurer's Report is attached hereto as Exhibit #1.

Keith Fanning made a motion to adopt the report of the Illinois Grain Insurance Corporation Treasurer. Tom Jennings seconded the motion. There was no discussion on the report. A vote was taken to approve the report. The report was approved.

V. SECRETARY'S REPORT

The minutes of the March 17, 2010, regular meeting were distributed to the Board members and the advisory committee members. After being approved, the minutes also will be available on the website for the Illinois Department of Agriculture at www.agr.state.il.us, (then click on Inspections and Regulation, then on Warehouses/Coops).

There were no additions or corrections suggested to the March 17, 2010, minutes. Director Jennings made a motion to approve the minutes as submitted. Laura Lanterman seconded the motion. There being no discussion, the motion was called for a vote and the minutes were approved.

VI. NEW BUSINESS

A. Illinois Grain Insurance Fund Balance and Assessment Update

Stuart Selinger, Bureau Chief of the Bureau of Warehouses at the Illinois Department of Agriculture, reported that as of February 28, 2011, there was $6,967, 22.99 in equity in the Illinois Grain Insurance Fund, which had a cash balance of $6,912,949.72.

Total revenues for assessments are $194,687.00. Included in these revenues are $341.19 in lender assessments; $47,559.00 from newly licensed grain dealers; $23,512.00 from newly licensed grain warehouses; $50,636.04 in permanent capacity fees; $44,798.50 in temporary capacity fees; $9.358.10 of recovery on claims paid; printing fees; and interest from the Grain Asset Preservation Fund and Illinois Funds. Stuart Selinger also reported there have been no expenditures.

B. Update on Grain Dealer and Warehouse Licensure

Stuart Selinger reported that there currently are 301 total grain companies licensed in Illinois at 1,011 locations. There are 281 warehouse licensees with a total permanent capacity of 1,264,816,000 bushels. Of those warehouses, 244 are Class I State licensed; 14 are Class II State licensed; 23 are federally licensed of which 16 are participants in the Grain Insurance program and 7 are nonparticipants.

Stuart Selinger also reported that there are 293 grain dealers. Of those, 286 are regular grain dealers and 7 are considered incidental.

Although there are fewer licensees as compared to past years, the storage capacity remains about the same.

VII. OLD BUSINESS

A. Mandatory Ethics Training for Board Members

Dominick Saebeler reminded each of the members that ethics training is required to serve on the Illinois Grain Insurance Corporation Board. Not only is the statutory member required to complete the training, but any designee also must fulfill this requirement. Committee members also must complete the training.

The mandatory training requires the participant to read through the material that is provided and then sign the form. Forms should be returned to Dominick Saebeler at the Illinois Department of Agriculture. If the member

is on more than one committee for an entity affiliated with the Office of the Governor or a Code agency, that person should complete only one form, but place the names of any other boards or commissions on the form. However, if the member is an employee or member of a board for another constitutional officer, that person is required to complete different training for each particular board. Dominick also indicated that effective April 1, 2011, Shari West will be the ethics officer for the Illinois Department of Agriculture.

B. Failure Updates

1. Stuart Selinger reported that no monies were needed from the Illinois Grain Insurance Fund in the past year to pay claims for failures of licensees. Towanda Grain did not fail, but is no longer in business. Evergreen FS succeeded in any obligations left by Towanda Grain. There were no losses and therefore no grain claimants which were paid through the Illinois Grain Insurance Fund. The demise of this grain company apparently arose because of one large depositor. Federal and State law enforcement officials continue to investigate this matter and there may be prosecutions.

   Tom Jennings indicated that because of a change in the risk portfolio, the failure of one entity to deliver can result in a failure. This is attributable to the change in complexion of oversight and risk in the current market. Tom indicated it is getting extremely difficult to assess risk. Dale Hadden asked about risk to elevators and chemical dealers. Tom responded that there has been some movement in reassessing how to and whether to have grain insurance. Indiana has a $10 million solvent fund and Ohio has a $12 million solvent fund. Tom indicated that in April there will be a meeting in which other States will participate to discuss the sizes of grain insurance funds, possible legislation, and amounts of claims when there is a failure. Tom also indicated that there was some discussion about removing the $1 million collateral limit, but he was not sure if the Commission on Banks still supported that proposal.

2. Mansfield Grain–Mansfield (Piatt County), Illinois. On November 1, 2010, Mansfield Grain voluntarily surrendered its licenses. Grain quality issues led to this failure. Stuart Selinger reported that the Illinois Department of Agriculture successfully merchandised the grain inventories at a negotiated discount. Grain claimants were paid $1,065,814.00, although no monies were used from the Illinois Grain Insurance Fund. The Illinois Department of Agriculture will recover $27,405 for expenses, and this will be deposited into the regulatory fund. Approximately $140,128.00 will be returned to Mansfield Grain. This facility had a storage capacity of 613,000 bushels and had annual purchases of approximately $572,607.00.

3. Heaton Grain–Rossville (Vermilion County), Illinois. Before there was discussion on this matter, Shari West left the meeting. She may be the Administrative Law Judge on any contested case.

   On March 21, 2011, the licenses of Heaton Grain were suspended. There is a hearing scheduled for April 4, 2011, to show cause why the Illinois Department of Agriculture should not revoke the license. Heaton Grain has a capacity of approximately 1,360,000 bushels and purchases of $7,910,842.00.

   Stuart Selinger reported that during a routine examination, the books were found in disarray and no management or bookkeeper could be located. Rather, only a truck driver was present in the office. Stuart also reported that approximately $300,000.00 is owed to nongrain claimants; there are approximately $200,000.00 in outstanding checks; there is $700,000.00 in cash, which has been preserved, but the Illinois Department of Agriculture does not know yet the extent of the obligations. There is an indication that the bookkeeper was paid for grain, but that bookkeeper has now left the business. Stuart said that he expected the manager will leave the business gracefully and, if the conditions can be met to reinstate the business, a new owner might assume the business. No draw on the Illinois Grain Insurance Fund is anticipated.

4. Grain Exchange–Carlyle (Clinton County), Illinois. This entity failed in March 2008, leaving 100 claimants. There were a total of $2,524,008.00 in claims, with $2,123,481.00 being paid. The Illinois Grain Insurance Fund was used to pay $935,000.00 in claims. There was approximately $400,528.00 in uncovered claims and producer losses. The Illinois Department of Agriculture is working with the Office of the Illinois Attorney General to prosecute 12 felony counts for violations of the Illinois Grain Insurance Code and one count of theft. A hearing is scheduled for July 2011. The Illinois Department of Agriculture also is working closely with federal officials to determine if there is bank and/or insurance fraud.

C. Proposed Rules to the Illinois Grain Code

The Illinois Dep artment of Agriculture has worked on changes to the administrative rules of the Illinois Grain Code, which now have been approved by the Governor's Office. The proposed rules now are proceeding before the Joint Committee on Administrative Rules. The rules address grain inventory and accountability reporting and monthly quality and quantity reporting. Software has been deployed to grain facilities to assist with

meeting these requirements. This software was purchased through recoveries from the regulatory control fund and truck registration fees. Stuart Selinger reported that nearly every Illinois licensed grain facility has the software installed, but some entities are still continuing to use the manual process. The Illinois Department of Agriculture developed the software, and it is proprietary to the Department. There is no charge for licensees to use the software. Licensees must report 11 of 12 months. Most licensees are already complying. Occasionally, physical measurements may be taken, but these can vary and be inaccurate depending upon the ability of the licensee to measure. In a full-blown inventory when there is a specific concern, an infra-red measuring devise can be used, but these cost between $500 and $600. Don Ludwig asked if Illinois Department of Agriculture officials could take the measurements, but Tom Jennings responded that OSHA regulations prohibit this. Rae Payne also inquired about the need in the industry to make monthly measurements and whether there would be training on how to use the software. Stuart Selinger replied that training was available, if needed. Stuart also indicated that the Illinois Department of Agriculture might consider quarterly reporting in the future.

E. Transfers from the Indemnity Trust Account to the IGIF

Stuart Selinger reported that there was no money to be returned to the Illinois Grain Insurance Corporation at this time.

VII. ADJOURNMENT

Tom Jennings thanked all of the attendees at the meeting. There was no other business to discuss. Keith Fanning made a motion to adjourn the meeting of the Illinois Grain Insurance Corporation, and this motion was seconded by Karen McNaught. The meeting of the Illinois Grain Insurance Corporation was adjourned at approximately 10:45 a.m. on March 28, 2011.

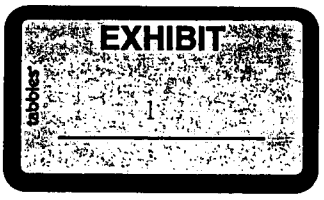
Respectfully submitted,

March 28 , 2011
Date

Karen L. McNaught
Secretary Designee

ILLINOIS GRAIN INSURANCE FUND
BALANCE SHEET
AS OF FEBRUARY 28, 2011

Assets:		
Cash	$6,912,949.72	
Grain Seller Assessment Receivable	$14.56	
Lender Assessment Receivable	$0.00	
Subsequent Assessment Receivable	$0.00	
Newly Licensed Assessment - Grain Dealer Receivable	$615.00	
Newly Licensed Assessment - Grain Warehouse Receivable	$296.00	
Permanent Capacity Assessment Receivable	$2,790.00	
Temporary Capacity Assessment Receivable	$443.00	
Emergency Capacity Assessment Receivable	$649.00	
Penalties Receivable	$0.00	
Interest Receivable	$0.00	
Recovery on Claims Receivable	$0.00	
Total Current Assets		**$6,917,757.28**
Other Assets:		
Due From Grain Indemnity Trust Account	$49,565.71	
Total Other Assets:		**$49,565.71**
Total Assets		**$6,967,322.99**
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**
Fund Equity:		
Retained Earnings (net profit / net loss Year to Date)	$194,867.92	
Fund Balance	$6,772,455.07	
Reserve for Encumbrances	$0.00	
Reserve for Encumbrances - Prior Year	$0.00	
Total Fund Equity		**$6,967,322.99**
Total Liabilities and Fund Equity		**$6,967,322.99**



ILLINOIS GRAIN INSURANCE FUND
STATEMENT OF INCOME (LOSS)
MONTH OF FEBRUARY 2011

	MONTH	YEAR TO DATE
Revenue		
Grain Seller Assessment	$0.00	$0.00
Lender Assessments	$0.00	$341.19
Subsequent Assessment	$0.00	$0.00
Newly Licensed - Grain Dealer Assessment	$0.00	$47,559.00
Newly Licensed - Grain Warehouse Assessment	$0.00	$23,512.00
Permanent Capacity Assessment	($392.00)	$50,636.04
Temporary Capacity Assessment	$100.00	$44,798.50
Emergency Capacity Assessment	$0.00	$9,356.00
Penalties	$0.00	$0.00
Printers Fees	$200.00	$2,500.00
Interest on Grain Indemnity Trust Account Funds	$8.11	$50.56
Interest on IL Prime Fund	$0.00	$0.00
Interest on ILLINOIS FUNDS	$500.76	$6,756.53
Reinbursement from Grian Indemnity Trust Account	$0.00	$0.00
Subsequent Assessments Written Off	$0.00	$0.00
Services in Kimd From IDOA	$0.00	$0.00
Recovery on Claims Paid	$2,872.47	$9,358.10
Total Revenue	**$3,289.34**	**$194,867.92**
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	**$3,289.34**	**$194,867.92**