

ILLINOIS GRAIN INSURANCE CORPORATION BOARD MEETING

Monday, March 13, 2013

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 11:03 a.m. in Room 66 of the IDOA on Monday, March 13, 2013. 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 Illinois Department of Insurance; Laura Cadagin, Chief Fiscal Officer of the IDOA; and Liz Turner, the designee of the State Treasurer.

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

Blain Cornwell; Community Bankers Association; Advisory Committee
Jodie Brooks; Grain & Feed Association of Illinois
Dan Litteken; Grain & Feed Association of Illinois; Advisory Committee
Ben Jackson; Illinois Bankers Association
Dale Hadden; Illinois Farm Bureau Board; Advisory Committee Member
Ryan Tracy; Illinois Farm Bureau
Dave Ramsey; Illinois Farmers Union; Advisory Committee
Jim Larkin; IDOA staff
Stuart Selinger; IDOA staff
Ray Watson, IDOA General Counsel

III. Treasurer's Report

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

The balance as of December 31, 2012, of the Illinois Grain Insurance Fund was \$7,023,582.92. The money market fund balance is invested in Illinois Funds, which currently is earning interest at 0.10 percent.

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

IV. Secretary's Report

- A. The minutes of the July 16, 2012, Special Meeting were distributed prior to the meeting. There were no additions or corrections.
- B. Keith Fanning moved to approve the minutes as written, and Laura Cadagin 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. Stuart Selinger reported that the balance of the Illinois Grain Insurance Fund as of February 28, 2013, had a current equity balance of \$7,056,237.58. The Illinois Grain Code provides that no additional assessments shall be made at this time. Revenues as of February 28, 2013, included:

Emergency capacity assessments	\$ 2,745.00
Interest from Illinois Funds	\$ 4,362.43
Interest on Grain Indemnity Trust Account Funds	\$ 34.64
Newly licensed grain dealer assessments	\$ 32,085.00
Newly licensed warehouse assessments	\$ 12,302.00
Penalties	\$ 1,000.00
Permanent capacity assessment	\$ 22,383.00
Printer fees	\$ 2,700.00
Recovery on claims paid	\$ 4,439.59
Temporary capacity assessments	\$ 13,324.50
Total revenues for the fiscal year to-date are	\$ 95,376.16

Because of the failure of Handy Feed/Handyscapes, Inc., there was a loss of \$160,000.00. The net decrease in the Fund is \$64,623.84. A copy of the Grain Insurance Fund Balance Sheet is attached hereto as Exhibit A.

- B. Update on Grain Dealer & Grain Warehouse Licensures.

Stuart Selinger reported that there are 289 total companies. Of these there are:

269	regular grain dealers
<u>7</u>	incident grain dealers
276	total grain dealers

228	Class I warehouses
14	Class II warehouses
<u>21</u>	federal licenses (of these 15 are members of the IGI program)
263	total grain warehouses

Stuart Selinger reported that there is a trend in mergers and consolidations of licensees.

C. Insolvency Update

Stuart Selinger reported that there has been only one failure in the last year. Handy Feed/Handyscapes, Inc. in Milstadt, Illinois, failed in April 2012. The last failure prior thereto was the Grain Exchange in 2008.

D. The Bureau of Warehouses

Stuart Selinger reported that currently there are 13 warehouse examiners in the field, although one is on an occupational disability and it is unlikely that he will return to work. The Bureau of Warehouses also has a Bureau Chief, a supervisor, and one secretary who are located at the IDOA building on the fairgrounds. On staff, 33 percent are currently eligible for retirement. Within 5 years, all but three staff members will be eligible for retirement.

Stuart Selinger indicated that last year, there were 220 examinations performed; 74 amended examinations performed; and 24 special examinations performed. Of the licensed facilities, 97.3 are materially compliant.

Director Flider requested Stuart Selinger to discuss some of the highlights of the Bureau. Stuart indicated that in July 2012, the Bureau of Warehouses was able to work with Englum Grain which was identified as being in financial distress. Coshocton Grain in Ohio purchased the facilities and succeeded grain obligations to ensure that producers were paid, which avoided an insolvency.

Mor-Ag had two facilities in Illinois and one in Wisconsin. In November 2012, the Bureau of Warehouses identified financial deficiencies, specifically with working capital. Examiners performed an immediate examination and determined that a failure would result and would cause a projected \$2.8 million loss to the Grain Insurance Fund. The Department worked with licensees and potential buyers to facilitate an orderly transition into a new joint venture. A guarantee from a Wisconsin licensee was obtained in the event the entity failed. The transition has been made in three phases: replacement of the lender; sale of the Wisconsin location; and formation of the new joint venture to succeed any obligations. This final phase should be

completed by the end of April 2013.

Karen McNaught asked if the Bureau of Warehouses currently had enough examiners, based upon discussions from prior meetings. Stuart Selinger indicated that the bureau should have a staff of approximately 16-17 examiners. He also explained that it takes approximately 8 months to train an examiner. The last examiner was hired two years ago. All but two of the examiners hold the title of Warehouse Examination Specialists.

E. Mandatory Ethics Training for Board Members

Director Flider introduced Ray Watson, the new Chief Counsel for the Illinois Department of Agriculture. In addition to his duties as Chief Counsel, Ray will also serve as the Ethics Officer.

All Board members, designees, and Advisory Board members were reminded to complete mandatory ethics training for Appointees to State of Illinois Boards and send to Stuart Selinger. The training consists of reading the packet and then signing the acknowledgment page. When the form is completed, it should be returned to Stuart Selinger at the Illinois Department of Agriculture. A copy will be kept on file by the IGIC Secretary. Board members, designees, and Advisory Board members encouraged to keep a copy for their own files as well.

F. Procedural Rules

Karen McNaught advised that this matter could be eliminated from the agenda, since the by-laws contain a provision for the procedure to participate by electronic media and there is open discussion during the meetings.

VI. Old Business

A. Handy Feed/Handyscape, Inc.

Stuart Selinger reported that Handy Feed/Handyscapes, Inc. failed on April 12, 2012. The grain assets were liquidated, leaving indebtedness to 49 claimants in the amount of \$340,123.11. The difference between the grain assets and the indebtedness was a shortfall of \$159,025.35, so a transfer of \$160,000.00 was obtained from the Illinois Grain Insurance Fund. Thereafter, Handy Feed/Handyscapes, Inc. filed for bankruptcy protection.

Karen McNaught reported that a proof of claim was filed on February 25, 2013, in the Chapter 11 (reorganization) bankruptcy proceeding. Karen also indicated that a hearing on confirmation of the reorganization plan is set for April 2, 2013, at 9:00 a.m. in the federal courthouse in East St. Louis.

B. Indemnity Trust Account Update

Stuart Selinger explained that the Indemnity Trust Fund is the account used to place and expend monies for assets for the benefit of producers. Typically during a failure, the fund can be used to preserve assets.

By statute, the fund is to keep a balance of \$50,000.00. This year, no monies from the Indemnity Trust Account have been used. The current balance of this account is \$49,652.68.

VII. Adjournment

Laura Cadagin made a motion to adjourn the regularly scheduled meeting. Keith Fanning seconded the motion. There being no further business of the Illinois Grain Insurance Corporation, the meeting was adjourned at approximately 11:35 a.m. on March 18, 2013.

Respectfully submitted,

March 18, 2013

/s/ Karen L. McNaught

Karen L. McNaught
Secretary Designee

ILLINOIS GRAIN INSURANCE FUND
BALANCE SHEET
As of February 28, 2013

Assets:

Cash	\$7,054,601.08	
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	\$59.00	
Temporary Capacity Assessment Receivable	\$1,577.50	
Emergency Capacity Assessment Receivable	\$0.00	
Penalties Receivable	\$0.00	
Interest Receivable	\$0.00	
Recovery on Claims Receivable	\$0.00	
Total Current Assets		\$7,056,237.58

Other Assets:

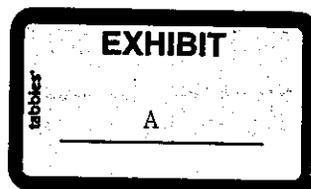
Due From Grain Indemnity Trust Account	\$49,651.50	
Total Other Assets:		\$49,651.50
Total Assets		<u>\$7,105,889.08</u>

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)	(\$64,623.84)	
Fund Balance	\$7,170,512.92	
Reserve for Encumbrances	\$0.00	
Reserve for Encumbrances - Prior Year	\$0.00	
Total Fund Equity		<u>\$7,105,889.08</u>
Total Liabilities and Fund Equity		<u>\$7,105,889.08</u>



**ILLINOIS GRAIN INSURANCE FUND
STATEMENT OF INCOME (LOSS)
MONTH OF FEBRUARY 2013**

	<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	\$500.00	\$32,085.00
Newly Licensed - Grain Warehouse Assessment	\$5,669.00	\$12,302.00
Permanent Capacity Assessment	\$0.00	\$22,383.00
Temporary Capacity Assessment	\$0.00	\$13,324.50
Emergency Capacity Assessment	\$0.00	\$2,745.00
Penalties	\$0.00	\$1,000.00
Printers Fees	\$400.00	\$2,700.00
Interest on Grain Indemnity Trust Account Funds	\$1.95	\$34.64
Interest on IL Prime Fund	\$0.00	\$0.00
Interest on ILLINOIS FUNDS	\$282.96	\$4,362.43
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	\$316.16	\$4,439.59
Total Revenue	\$7,170.07	\$95,376.16
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	\$160,000.00
Total Encumbrances	\$0.00	\$160,000.00
Net Increase (Decrease) in Fund	\$7,170.07	(\$64,623.84)