

Iowa Grain Depositors and Sellers Indemnity Fund  
Iowa Grain Indemnity Fund Board  
Meeting Minutes for May 21, 2009  
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DATE: May 21, 2009  
TO: Members of the Grain Indemnity Fund Board  
FROM: Angela Burke Boston, Secretary Designee  
RE: Summary of the Minutes May 21, 2009

The Grain Indemnity Fund Board (hereafter “Board” or “Fund”) held a meeting on Thursday, May 21, 2009 in the second floor conference room at the Wallace State Office Building, 502 East 9<sup>th</sup> Street, Des Moines, Iowa, with John Whipple, Consumer Protection & Industry Services Division Director and president designee, as Chairperson.

Attending the meeting in addition to John Whipple (hereafter “Chairperson”) were the following:

Angela Burke Boston (Board Secretary Designee)	330 Maple St. Des Moines, IA 50319
Steve Larson (Board Treasurer Designee)	Lucas State Office Building Des Moines, IA 50319
Ed Hershberger (Board Member & Industry Rep.)	Kalona, IA 52247
Tom Kaldenberg (Board Member & Producer Rep.)	Albia, IA 52531
Sharon Smith (Board Member & Producer Rep.)	Knoxville, IA 50138
Sandy Simpson (Board Member & Industry Rep.)	Onawa, IA 51040
Richard Wahl, Bureau Chief Grain Warehouse Bureau	Wallace State Office Bldg. Des Moines, IA 50319
Jeff Walker, Accountant Grain Warehouse Bureau	Wallace State Office Bldg. Des Moines, IA 50319
Cheryl Petersen, Secretary Grain Warehouse Bureau	Wallace State Office Bldg. Des Moines, IA 50319

This meeting, upon duly prescribed notice, was called to order by the Chairperson at 1:07 P.M.

Steve Moline did not participate in the Board meeting.

The Chairperson asked if there was a motion to go into closed session pursuant to Iowa Code Section 21.5(1)(c) in order to discuss matters that are presently in litigation.

Administrative Law Judge Jean Davis suggested to the Chairperson that he amend that statement to include Iowa Code Section 21.5(1)(f) "to discuss the decision to be rendered in a contested case."

The Chairperson so noted Judge Davis' suggested amendment of his opening statement. He requested that Judge Davis' statement be added to the Board minutes.

The Chairperson again asked if there was a motion to go into closed session. Angela Burke Boston made a motion to go into closed session. Sandy Simpson seconded the motion, and the Board approved the motion unanimously.

At 1:08 P.M. the Board went into closed session.

At 1:45 P.M. the Chairperson announced that we were now in open session.

The Chairperson asked if there was a motion to direct Judge Davis to draft the appropriate documents based on the deliberation of the Board. Angela Burke Boston made a motion to approve the drafting. Ed Hershberger seconded the motion, and the Board approved the motion unanimously.

The Chairperson called for any additions or corrections to the April 16, 2009 and April 28, 2009 Board minutes respectively. There were no corrections or questions regarding both Board minutes. Sandy Simpson made a motion to approve both of the minutes. Ed Hershberger seconded the motion, and the Board approved the motion unanimously.

The Chairperson called on Richard Wahl to present the Treasurer's Report as Steve Larson had to leave the meeting early. Richard Wahl had received an earlier email from Steve Larson stating that the balance of the Fund as of May 20, 2009 was \$8,068,197.93. Angela Burke Boston made a motion to approve the Treasurer's Report. Sharon Smith seconded the motion, and the Board approved the motion unanimously.

The Chairperson called on Jeff Walker to present the financial statement. The balance in the Investment in State of Iowa Pooled Accounts as of April 30, 2009 was \$8,098,971.00. The Equity in the Iowa Grain Indemnity Fund as of April 30, 2009 was \$7,595,954.37. There is a decrease in the Fund for the month of April in the amount of \$515,182.37. Jeff stated that this

decrease was in large part to the projected Watkins Elevator, Inc. claims. There is a fiscal year to date decrease in the Fund for the ten months ending April 30, 2009 of \$588,864.13. The Chairperson asked if there were any questions about the financial statements. Hearing none, the Chairperson called for a motion to accept the financial statements. Tom Kaldenberg made a motion to approve the financial statements. Sharon Smith seconded the motion, and the Board approved the motion unanimously.

The Chairperson asked for any new business to come before the Board.

Richard Wahl stated that the Bureau received a bill from Petersen Court Reporters in the amount of \$184.17 for a prepared transcript fee. Richard asked the Board to approve the payment of the bill in the amount of \$184.17.

The Chairperson called for a motion to approve payment of the court reporter bill. Tom Kaldenberg made a motion to approve payment. Sandy Simpson seconded the motion, and the Board approved the motion unanimously.

Richard Wahl explained that there were 15 grain dealer claims to be presented this month. These claims represent the failure of Watkins Elevator, Inc. Richard also stated that the warehouse claims were not yet ready. The Bureau is waiting for receivership pricing information that will affect the valuation of those claims. Richard expected the pricing information to arrive next week, and to be presented at next month's Board meeting.

Richard presented the first claim to the Board, claim number G-4691-1.00 for Mary Elaine Harrington against Watkins Elevator, Inc. This claim was for priced grain for which a check was never written. Richard stated that it was the Bureau's recommendation that claim G-4691-1.00 for Mary Elaine Harrington, be approved in the amount of \$50,411.09. Richard asked for any questions regarding this claim.

With no questions, the Chairperson asked for a motion to approve the claim. Sandy Simpson made a motion to approve the claim, and Sharon Smith seconded the motion. The motion carried unanimously.

For claims G-4691-2.00 through G-4691-15.00, the Chairperson, along with Richard Wahl, agreed to accept a motion to approve the rest of the claims after all claims were presented to the Board. All 15 claims presented at this month's Board meeting involved Watkins Elevator, Inc. Richard felt these claims were not contentious in nature. The following claims were then presented:

<u>Claim No.</u>	<u>Claimant</u>	<u>Amount</u>
G-4691-2.00	Terence A. Harrington	\$ 39,154.56
G-4691-3.00	James B. Harrington	31,258.54

G-4691-4.00	Bryce J. Brecht	12,467.94
G-4691-5.00	LeRoy Ballard	19,925.75
G-4691-6.00	Jerry James Jones	3,647.21
G-4691-7.00	Allen J. Waterbeck	21,442.43
G-4691-8.00	Thomas Charles Becker	3,525.63
G-4691-9.00	James William Oberreuter	3,716.11
G-4691-10.00	Golden Grain Enterprises	127,343.45
G-4691-11.00	Faye Marie Gerig	42,563.48
G-4691-12.00	Dan B. Nolte	29,503.35
G-4691-13.00	Patrick Leon Schulte	3,749.69
G-4691-14.00	James Francis Kahle	6,440.73
G-4691-15.00	Dale Henry Schulte	6,966.45

The Chairperson asked if there were any questions on claims 2 thru 15. With no questions, the Chairperson asked for a motion to approve claims 2 thru 15. Tom Kaldenberg made a motion to approve those specific claims, Sharon Smith seconded the motion. The motion carried unanimously. This is a total of \$402,116.41 approved for the fifteen claims.

The Chairperson asked if there was any other business to discuss.

Richard Wahl updated the Board on Watkins Elevator, Inc. The department filed for grain dealer receivership, as the Bureau has a \$50,000.00 letter of credit. Richard added that there was also a warehouse receivership filed. The department was appointed as receiver and passed the first hearing date. The department's plan of disposition was approved. Richard shared that the department was currently trying to get grain vacuuming bids for loading trucks with the hope to sell the grain next week. There will be warehouse claims to be paid out of the Fund. Richard thought that the department would get decent recovery value on the grain, although the soybeans are short and the corn inventory will not make up the difference.

Tom Kaldenberg asked about grain quality issues within Watkins Elevator, Inc.

Richard Wahl explained that the grain is not secure at the elevator. The bad grain is isolated in small amounts in two bins. The quality looks good.

Ed Hershberger asked if things were squared away with the Watkins Elevator, Inc.'s bank.

Richard Wahl replied that this was not the case. Steve Moline has spoken with the bank. The hearing on disposition for receivership allayed the bank's fears for the most part. The bank worried that the department would be using the elevator's equipment and would not repair it, should it break while in use. The Bureau's grain examiner, an independent merchandiser, and

Richard did a walk-about at the elevator. The merchandiser suggested vacuuming out all the grain and not switching on any of the elevator's machines as their condition is not known.

The Chairperson asked if there was any idea on the amount of the losses.

Jeff Walker projected losses at around a half million dollars.

Richard Wahl relayed that the bank for Watkins Elevator, Inc. may pursue some type of claim against the receivership for which it perceives that the grain is company owned and for which the bank has security interest.

Richard also updated the Board on Plymouth Energy LLC, an ethanol plant in Merrill, Iowa. This company is relatively new in processing and has not been operating that long. This company has financing issues, one of which is that their current ratio is deficient by quite a sum of dollars. The Bureau immediately began an exam as a result of their financing deficiencies. Upon examination, the Bureau revealed that the company's grain record keeping was nonexistent. Improper grain settlement sheets were kept, inaccurate scale tickets were found, and miscalculations resulted in either underpaying or overpaying sellers. The Bureau is reconstructing their grain records to the time when Plymouth Energy LLC first began their operation several months ago.

Richard explained that the company is planning on setting up a new LLC to purchase the grain. Richard assumed that the new LLC would be a subsidiary of Plymouth Energy. Richard added that the new LLC will need to give much thought to how much capital they put into the new company. If the capital isn't enough to cover the unpaid grain, they will be back in the same boat with other financial issues. Richard stated that the new LLC will need to commit to keeping accurate grain records before a new license is issued.

Richard said that across the driveway from Plymouth Energy LLC is Plymouth Oil. This plant extracts corn oil either before or after it goes through the ethanol process. The company received their grain dealer license several months back. Plymouth Oil took over a local feed mill called Plymouth Feed Company. Plymouth Oil isn't in operation yet, but since the company was also originating feed grain for Plymouth Feed Company the Bureau required Plymouth Oil to be licensed. Plymouth Oil is in the same financial boat as Plymouth Energy LLC. Plymouth Oil has a financial deficiency on current ratio. They have not been suspended yet, as they have 30 days to correct the noted deficiencies. The Bureau feels they will be unable to correct the problem within 30 days, as the company is struggling to procure adequate financing despite the fact that they did not appear to be in default on their existing notes.

Richard stated that all three businesses are soon to be four. All have the name "Plymouth" and are interrelated. Mr. David Hoffman is at the head of each company, yet each company has their own financing.

The final topic of business Richard Wahl discussed with the Board was the harsh realities of the state budget. Secretary Northey required all his bureau chiefs to devise a contingency plan for their respective bureaus in the event that a staff reduction would be necessary. Richard explained his reason for sharing this information with the Board involved the “probability of failure” rating that the Bureau maintains and regulates. The current trigger for extra exams is a 40% “probability of failure” rating. If there were to be a staff reduction, a 55% trigger would result in less exams being required to be completed by fewer remaining grain examiners. This would allow the Bureau to more quickly address the companies that have the higher “probability of failure” rating, as well as allow the Bureau more breathing room on the exam schedule. Professor Ginder in Ames, who implemented the “probability of failure” rating at 40%, thought it acceptable to raise the percentage to 50%.

Ed Hershberger asked Richard Wahl who would make the decision to raise the percentage from 40% to 50%. Richard replied that Secretary Northey would make that decision. Because it is Administrative Rule, any changes would require a published notice in the state administrative bulletin.

The Chairperson interjected that Secretary Northey would like to maintain the 40% of “probability of failure” rating for one more year, but the Chairperson conceded that any changes were ultimately the Board’s decision. The Chairperson felt there was a good chance that departmental staff will be okay with the new budget proposal presented by the department to Governor Culver, DAS, and the AFSCME Union.

The Chairperson asked for any other questions or any other business. There was none.

The next regularly scheduled Board meeting will be a telephone conference meeting on Thursday, June 18, 2009 at 2:00 P.M. in the office of Richard Wahl at the Henry Wallace State Office Building.

With no further business, the Chairperson asked for a motion to adjourn. Angela Burke Boston made a motion to adjourn. Ed Hershberger seconded the motion, and the Board approved the motion unanimously.

The meeting adjourned at 2:13 P.M.