

INDIANA GRAIN INDEMNITY BOARD

OFFICIAL MEETING MINUTES

Chairman William K. Johnson called the annual meeting of the Indiana Grain Indemnity Corporation Board of Directors to order at 10:02 a.m. on May 23, 2006. The meeting was held in Assembly Hall D on the first floor of the Indiana Farm Bureau Corporate Headquarters located at 225 South East Street, Indianapolis, Indiana.

PRESENT: The following voting members were present:

John Colvin	Atlee Oyler	Lee Rulon
Roger Hadley	Fred Reichart	Mike Shuter
Lynn Lykins	Herman Rettinger	William Tudor
		Don Villwock

The non-voting member or their representatives present were:

William K. Johnson, Director of Indiana Grain Buyers & Warehouse Licensing Agency
Duane Jasheway, representative of the Treasurer of State

ABSENT: The following non-voting member was absent:

Larry Hopkins, representative of the Attorney General

RESOURCE STAFF: The following resource people were present:

Dennis Henry, Indiana Grain Buyers & Warehouse Licensing Agency
Cress Hizer, Indiana Grain & Feed Association
Jerry Rulon, Retiring Board Member
Justin Schneider, Legal Counsel, Indiana Farm Bureau
Mark Thornburg, Legal Counsel, Indiana Farm Bureau

QUORUM: Chairman Johnson conducted a roll call of Board members and stated that there was a quorum present.

First order of business, Chairman Johnson introduced himself as the new director of the Indiana Grain Buyers and Warehouse Licensing Agency and gave the Board his background with the Agency. Bill will be taking over the duties as Chairman of the IGIC Board.

MINUTES: Copies of the minutes of the previous meeting (August 5, 2005) were mailed to board members. D. Villwock moved to dispense with the reading of the minutes and approve them as written. (Second from J. Colvin) *The minutes of the August 5, 2005, meeting were approved as written.*

BOARD

APPOINTMENTS: With the schedule of staggered terms of office, two (2) board member's terms had expired. Letters were mailed to the appointing organizations. The Indiana Grain & Feed Association has reappointed Fred Reichart to represent them on the board for an additional four (4) year term. The Indiana Corn Growers Association has appointed Michael (Mike) Shuter to represent them on the board for the next four (4) year term. These two terms will expire in 2010.

With the appointment of M. Shuter, Jerry Rulon retired from serving on the Board. Chairman Johnson thanked the charter member of the indemnity board for all his work through the years and presented J. Rulon with a service award.

NOMINATIONS

COMMITTEE: Chairman Johnson asked for the report from the Nomination Committee. A. Oyler reported that the nomination committee consisting of A. Oyler, F. Reichard & W. Tudor met via phone. Both D. Villwock and R. Hadley were asked and agreed to serve in their current positions. Nominations were as follows:
Don Villwock for Vice President
Roger Hadley for Secretary/Treasurer

Chairman Johnson asked for additional nominations from the floor. There were no additional nominations so A. Oyler made a motion that the nominations be closed and that the officers be elected by acclamation. (Second by H. Rettinger) *Motion carried and the nominees were elected to their respective offices unanimously.*

FINANCIAL: The next order of business was the financial report prepared by Duane Jasheway on April 30, 2006, disclosing a

fund balance of \$13,783,882.19. Along with the balance sheet was a statement of operation and a listing of fund investment information. Copies were distributed (Exhibit A). D. Jasheway announced to the Board that the average yield on investments is up to 4.7%. There was discussion on investing with Indiana banks and a question came up about appointing custodian, and could the indemnity funds be segregated from the General Fund. D. Jasheway stated that he would consult Michael Frick who is in charge of investments with the Treasurer's Office and send the answers to the Board's questions via email. (Exhibit B) A motion by D. Villwock was made to accept the financials as they were presented. (Second by W. Tudor) *The motion was carried and the financials were approved as presented as of April 30, 2006 and the amount of the fund on May 1, 2006 was certified to be \$13,783,882.19.*

OLD BUSINESS: Chairman Johnson notified the Board that the Indiana Grain Indemnity Corporation (IGIC) was named a claimant in the Citizens Grain litigation. He had talked with the attorney in the case and they are ready to probate and in about four to five weeks there should be a distribution. It is not sure at this time how much of the \$680,000.00 claim would be collected. Chairman Johnson said he would notify board members when the amount is known.

W. Johnson stated that the Agency (Indiana Grain Buyers and Warehouse Licensing) is still working with the Indiana State Department of Agriculture (Department) on developing a website for both the Agency and IGIC. The Agency is hoping to include listing of licensees on the new site, depending on what legal counsel advises.

Chairman Johnson updated the board on the workings of the American Association of Warehouse Control Officials (AAWCO) and stated that pre-emption is at a stand still and the USDA is waiting until the next Farm Bill before continuing action. He also stated that the USDA has requested from states copies of audits done at federal warehouses. Miller & Associates, an AAWCO member, is developing a database that would allow the USDA to do this.

NEW BUSINESS: Chairman Johnson reported to the board of the potential retirement status of the audit staff for the Agency. Of the six audit staff the Agency is expecting two to retire within the next two years. With four experienced auditors the Agency is expecting the training process for new staff to be successful. He also stated that the Department has issued State vehicles for the audit staff. These are used Soil Conservation vehicles that are in poor quality. The Agency's goal is to obtain new vehicles for the audit staff.

W. Johnson stated that the Agency has now licensed its second Ethanol plant. With the licensing of these plants, the Agency is looking at the issue of interpreting their financial statements and how to value the final product.

Chairman Johnson reported to the Board that the Agency's licensing manager, Rebecca Uhl, will be retiring from the State after twenty-four years of service. Her last day will be July 14, 2006.

C. Hizer informed the board on the new developments with the Indiana Grain & Feed Association. The board of directors has formed an Energizing Feed Committee that is schedule to meet. They are also forming a Biofuels Trade Association by June of this year. They have a committee that has devolved Risk Management & Merchandising training at the first purchaser level.

ADJOURNMENT: It was motioned that the meeting adjourn by R. Hadley. (Seconded by F. Reichart) The meeting adjourned at 11:10 a.m.

Claim forms and travel vouchers for mileage and per diem submitted by:

Roger Hadley	\$166.00	Jerry Rulon	\$78.00
Lynn Lykins	\$98.00	Lee Rulon	\$80.40
Atlee Oyler	\$102.00	Mike Shuter	\$94.00
Fred Reichart	\$102.00	William Tudor	\$74.00
Herman Rettinger	\$140.40		

John Colvin & Don Villwock declined submitting a claim for mileage & per diem.

Respectfully submitted by Dennis Henry on June 14, 2006.

Exhibit A

INDIANA GRAIN INDEMNITY CORPORATION
BALANCE SHEET
04/30/2006

ASSETS

Cash	\$51,253.51
Investments	13,732,628.68
Total Assets	<u>\$13,783,882.19</u>

LIABILITIES AND FUND BALANCE

Fund Balance	\$13,783,882.19
Total Liabilities and Fund Balance	<u>\$13,783,882.19</u>

INDIANA GRAIN INDEMNITY CORPORATION
STATEMENT OF OPERATIONS
FOR THE TEN MONTHS ENDING APRIL 30, 2006

Revenues:

Investment Interest	\$378,944.63
Total Revenues	<u>378,944.63</u>

Expenses:

Bank Charges	1,194.84
Travel	818.88
Supplies	21.49
Total Expenses	<u>2,035.21</u>
Net Income	376,909.42
Fund Balance, 07/01/05	<u>13,406,972.77</u>
Current Fund Balance	<u>\$ 13,783,882.19</u>

Exhibit A Continued

FUND LIST: TYPE = TF
FROM 05/01/2006 THRU 12/31/2015

Inv #	Investment #/Institution	CO	Purchase date	Maturity date	Par Original Cost	Coupon Yield	Interest Amt	Fund / Center	TOS#
62055	PRODUCER PREMIUM FD FLAGSTAR BANK 427841208	99	03/30/2006	09/28/2006	1,115,000.00	5.1700	29,143.00	6990-100400	146
					1,115,000.00	5.1700			
62058	PRODUCER PREMIUM FD LAKE CITY BANK	43	04/06/2006	07/06/2006	1,000,000.00	5.0900	12,866.39	6990-100400	146
					1,000,000.00	5.0900			
					2,115,000.00	5.1322	42,009.39		
	CERTIFICATE OF DEPOSIT TOTAL				2,115,000.00	5.1322			
37104	PRODUCER PREMIUM FD BANK OF NEW YORK	00	02/01/2006	06/01/2006	1,755,000.00	4.3600	25,506.00	6990-100400	146
					1,729,494.00	4.4860			
	TREASURY BILL TOTAL				1,755,000.00	4.3600	25,506.00		
					1,729,494.00	4.4860			
36990	PRODUCER PREMIUM FD BANK OF NEW YORK	00	12/05/2005	06/02/2006	920,000.00	4.3700	19,990.32	6990-100400	146
					900,009.68	4.5290			
37207	PRODUCER PREMIUM FD BANK OF NEW YORK	00	04/04/2006	07/03/2006	1,000,000.00	4.7500	11,875.00	6990-100400	146
					988,125.00	4.8740			
	GOVERNMENT AGY DISCOUNT NOTES TOTAL				1,920,000.00	4.5679	31,865.32		
					1,888,134.68	4.7087			
36810	PRODUCER PREMIUM FD BANK OF NEW YORK	00	07/27/2005	07/27/2007	1,000,000.00	4.0000	81,111.11	6990-100400	146
					1,000,000.00	4.5000			
36890	PRODUCER PREMIUM FD BANK OF NEW YORK	00	09/16/2005	01/26/2007	1,000,000.00	4.1250	56,947.92	6990-100400	146
					1,000,000.00	4.1015			
36998	PRODUCER PREMIUM FD BANK OF NEW YORK	00	12/14/2005	12/14/2006	1,000,000.00	4.7500	48,159.72	6990-100400	146
					1,000,000.00	4.7500			
37066	PRODUCER PREMIUM FD BANK OF NEW YORK	00	01/18/2006	01/18/2008	1,000,000.00	5.1250	103,923.61	6990-100400	146
					1,000,000.00	5.1250			
37070	PRODUCER PREMIUM FD BANK OF NEW YORK	00	01/20/2006	10/20/2006	1,000,000.00	4.6000	34,883.33	6990-100400	146
					1,000,000.00	4.6000			

37092	PRODUCER PREMIUM FD BANK OF NEW YORK	00	01/26/2006	01/26/2007	1,000,000.00	4.7500	48,159.72	6990- 100400	146
					1,000,000.00	4.7500			
37150	PRODUCER PREMIUM FD BANK OF NEW YORK	00	02/28/2006	08/28/2006	1,000,000.00	4.7200	23,731.11	6990- 100400	146
					1,000,000.00	4.7200			
37193	PRODUCER PREMIUM FD BANK OF NEW YORK	00	03/29/2006	09/29/2006	1,000,000.00	5.0000	25,555.56	6990- 10040	146
					1,000,000.00	5.0000			
					8,000,000.00	4.6338			
	GOVT AGENCY COUPONS TOTAL				8,000,000.00	4.6933		<u>422,472.08</u>	
	TOTAL FOR FUND CODE				13,790,000.00	4.6662		<u>521,852.79</u>	
					13,732,628.68	4.7364			

Date: 05/01/2006

Exhibit B

Below are Mike Frick's responses to the questions brought up at Tuesday's Grain Indemnity Meeting:

The Treasurer's office custodializes securities pursuant to IC 5-13-10.5-5. A custodian bank can be either in or out of Indiana and have a combined capital and surplus of at least ten million dollars according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Bank of New York meets this criteria as an out of state bank, but it is also an approved depository for public funds in Indiana because they now have branches in Indiana.

The TOS used a Broad Agency Announcement for selecting a custodian. One of the requirements that we were looking for was that the custodian must also offer a securities lending program which results in additional interest earnings. The Bank of New York performs custodial services for free because of the size of the overall funds the Treasurer's office custodializes with them and because we also use their securities lending program. We have a 90/10 securities lending split with them. Most securities lending programs offer a 60/40 or 70/30 split. 5%, or \$15,000, of the Grain Indemnity's interest totals earnings of \$302,232 for fiscal year 2005 was from the securities lending program.

The Treasurer's office is always conscious about "Buy Indiana" and does a lot of our purchases of treasury and agency securities with broker/dealers that have offices in Indiana. We also invest up to 20% of our total \$3 billion portfolio in Certificates of Deposits with approved depositories in Indiana. The Grain Indemnity Fund has 15% of its investments with CD's in Indiana Banks. Any more than that would not be a good idea, because if they needed to be cashed out early in case of a grain failure the fund would risk losing interest and receiving penalties, so we stay liquid by being invested in T-Bills or discount notes and agency coupon securities issued by either Freddie Mac, Fannie Mae, Federal Home Loan Bank, or Farmer Macs.

As far as using a separate custodian for just this fund, it wouldn't be a good decision based on the incurrance of custodial fees and loss of securities lending fees. The General Assembly from what I have always seen gives the investment authority to the Treasurer's office on all funds (even for quasi-state agencies), because of the benefit that each individual fund receives when included in the overall portfolio invested by the Treasurer's office. If each individual fund was managed and invested separately by their own boards or staffs, there would be a much greater cost to each fund as well as a loss in interest earnings.

We use a rating service (Highline Data Services, formerly known as Sheshunoff) for researching the financial condition of financial institutions. The Bank of New York ranks in the top tier of its peer group.

If you have any further questions, please let us know...

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