

ARKANSAS COTTON GROWER'S ORGANIZATION, INC.

Minutes of the
June 6, 2002 Meeting

Arkansas State Plant Board
Little Rock, AR

Members present were Mark Bryles, Perry Stratton, Don Alexander, Jack Carey, Trent Felton, Charles Tilmon, Ritter Arnold and Hal Hyneman.

Others present were Cal McCastlain, attorney for ABWEP; Doug Ladner, Mike Catanach, Danny Kiser, Ted Wagon, Patty Carr, and JoAnn Arnn, ABWEP; Cecil Williams, Ag Council of AR; Ronnie Antici, Rusty Griffin, Charles Hoover, and Ken Johnson, Griffin L.L.C.; Jim Plato, Plato Industries Ltd.; Richard Myers, UAP Mid-South; Jacob Wells, and David Mosley, Jeffrey, Phillips, Mosley, and Scott Accounting; Laudies Brantley, Jr., Lonoke County producer; Robert Banks and Darryl Little, ASPB; Don Johnson, UACES; Frank Carter, National Cotton Council; Gerald Wilson, Cheminova; Ron Harrod, AAAA.; and Greg Bell, Simmons Bank.

Vice-Chairman Stratton called the meeting to order at 10:10 a.m. After introductions Jack Carey was asked to lead in a word of prayer.

Approval of April 24, 2002, meeting minutes

Vice-Chairman Stratton asked for a motion to approve the April 24, 2002 minutes. Don Alexander interjected that he was notified on June 5, 2002, that Laudies Brantley, Jr. has been appointed by the governor to take Joe Burns' position on the Boll Weevil Eradication Board and Alexander said he would like to make that a part of the motion to adopt the minutes. Stratton asked if there were other changes. There were none. The motion was seconded by Ritter Arnold. The motion carried.

Stratton welcomed Laudies Brantley to the Board, saying that he will be a real asset to the Board.

Election of Chairman and Vice-Chairman

Jack Carey recommended that the Board consider having a term limit and revolve the chairmanship around the Board. Trent Felton suggested a two-year term, with an option to remain two more years if the person so desired. Hal Hyneman asked if it helps on the national scene to have someone who has built a reputation. He wanted to know if it would affect any influence we might have at a higher level if there was rotation every two years.

Frank Carter said it helps to have continuity, but he also said fresh representation is helpful.

Doug Ladner stated that it is very important that the Program feels confident that the Board knows the program. He said the Program is comfortable with the present Board.

Cal McCastlain said the Board is appointed for six-year terms, which have been renewed within the last year. He feels there is merit to having terms, so everyone is mindful that there is continuity and procedure in place. He said he didn't know if a term limit is necessary.

Mark Bryles made a motion to elect a chairman for a term of two years, with the option that if the individual wants to serve for an additional two years, and the Board agrees, he can be re-elected. Jack Carey seconded the motion. After discussion, the motion carried.

Hal Hyneman made the motion that Perry Stratton be elected chairman. It was seconded by Don Alexander. The motion carried.

Hal Hyneman made the motion that Ritter Arnold be elected vice-chairman. Trent Felton seconded the motion. The motion carried.

Stratton appointed a finance committee to be chaired by Hal Hyneman. Other members will be Ritter Arnold and the representative from the State Plant Board, Don Alexander until he retires.

Alexander stated that the chairman of the Plant Board has directed him to request that a report on the final audit be made to the State Plant Board Boll Weevil Committee to be reported to the Full Board. The Boll Weevil Committee will meet June 28, 2002.

Ladner suggested that a member of the finance committee present the financial update at the Grower Board meetings.

Mark Bryles asked for clarification of paragraph 7 on page 3 of the April 24, 2002 minutes. Jack Carey explained that the \$2.9 million was set up for new programs. That amount was to come in if the referendum had passed. Since it did not pass, the money had to go back. Eastern Poinsett County was given \$452,000.00. The remainder was divided among the entire belt wide program. Arkansas' portion was \$230,000.00. The total allocation for Arkansas was \$682,000.00.

Final Audit Report

David Mosley stated that they wanted to highlight a few changes that had been made since the February meeting in coming to what they believe should be the final financial statements and management letter. Copies were provided (Attachments 1 & 2). One issue in February was the grower assessments receivable number that was on the books, and they wanted to make sure the Board was comfortable with, and that they as the auditors were comfortable with the receivable that remained on the books for grower assessments that had not been received as of the year-end. Secondly, at that time the auditors discussed about the state grant, and whether there were restrictions on that money, and how it should be reflected in the financial statements in light of restrictions that may or maybe not be there. Thirdly, they had touched on litigation matters that were outstanding, and basically concluded from that meeting feeling that they wanted to get more information on those three issues before the audit report was finalized. He said they have done that.

He asked Jacob Wells to highlight the things that had changed from what was discussed in February.

- Page 2 - Grower Assessments Receivable – that number now reflects the final correct number. \$1,790,081.00 was the receivable at 12/31/01 and the full amount did come in to the State Plant Board and was transferred over to the Program.
- Page 2 - Grants receivable is now zero. They received clarification on the rest of the original \$5 million from the state. It is conditional upon availability of funds, so it was not appropriate for that to be a receivable. It is not revenue until the funds are available and they come into the Program.

- Page 11 – This change was only a disclosure. Enough time had passed so they had better additional information from Cal McCastlain.

A recommendation was added to the management letter on Page 2.

In the February meeting the Board inquired about the amount of work the auditors had been in observation of fixed assets. Mosley said that at the Board's request they have done some more work in that area. They went to Forrest City and did an actual inspection of a number of vehicles and other types of equipment. They felt like the staff had a good handle on that area. The auditors will continue to do this each year in connection with the audit.

For clarification McCastlain said that this is the report that the Plant Board would want presented, or at least, the information would come from this audit report.

Alexander said the Plant Board is responsible to review and approve a certification of the incomes of this Foundation.

Stratton asked for a motion that the audit report be accepted. Ritter Arnold so moved and Trent Felton seconded. The motion carried.

Charles Tilmon interjected that Don Alexander and the Plant Board should be commended for collection of the assessments and that it should be noted by the Board.

Rusty Griffin thanked the Board for the opportunity to sit in on the Board meeting. He wanted to say thank you for the relationship that Griffin has with the Foundation. He said it is a good partnership and they are committed to making sure it becomes a better partnership. He said they value the relationship they have with the Foundation and look forward to working with them in the future.

Report on TAC Meeting

Don Johnson reported that the Technical Advisory Committee met on May 20, 2002. Copies of the minutes were provided (Attachment 3).

Mark Bryles, Perry Stratton, and Don Alexander were present at that meeting.

Two things were accomplished at the meeting. They addressed the quarantine issues. They discussed how they needed to approach quarantine. No conclusion was reached and a sub-committee was appointed to address quarantine. David Blackburn is the chairman. They have met, but have not reached a good conclusion. The Technical Advisory Committee expects to have a report at its next meeting on June 24, 2002.

The other issue addressed was a re-vote in the Northeast Delta. A sub-committee, chaired by Glenn Studebaker, was appointed to draw up a proposal for the Technical Advisory Committee's meeting on June 24, 2002.

Stratton asked that the Board voice some thoughts as to what is expected from the sub-committee in reference to the Northeast Delta problem.

Ritter Arnold said he thought the development of an accurate budget for what eradication will cost in the NE Delta would be vitally important.

Trent Felton said the Committee should use the gridline information that is available, to come up with the number of weevils, whether the area needs to be subdivided, or one price for the full region. He said guidance is needed and it should be done as quickly as possible.

Hal Hyneman said he feels the growers should be given information on quarantine regulations and the cost of eradication, so they can decide whether they want to be in a quarantine area or pay for eradication.

Alexander said that the report given to the Technical Advisory Committee on June 24, 2002, would be given to the Plant Board Boll Weevil Committee on June 28, 2002 with a draft quarantine for discussion. If that quarantine is adopted by the Committee, that afternoon the full Board will set a public hearing date for the statewide quarantine. Alexander said what is currently being proposed is a statewide quarantine in existence this year with triggers. The triggers will be similar to the ones used with pink bollworms. If you have a certain level of weevils, then that portion of the state will be controlled. He said we have to go forward with it, not because the triggers in Pine Bluff are sufficient to cause real risk, but because of the Southwest that is in the maintenance program. Commercial harvesters can come in from south Texas and harvest in the Southwest without us stopping them. We have to have a quarantine in place. It will be internal and external.

Trent Felton asked Don Johnson when he expects to come back to the Grower Board with information as to how many payment levels there might be in the Delta, or if there will be only one level. Johnson said he hope they will have information by the next Grower Board meeting.

Stratton asked if the Boll Weevil Foundation has been invited to either of the sub-committee meetings. Ladner said that he, or his representative, Danny Kiser, is on the NE Delta sub-committee. Johnson said no one from the Foundation is on the quarantine sub-committee because it's more of a State Plant Board issue.

Report on State Plant Board Boll Weevil Committee Meeting

Alexander reported that David Griffin is the chairman of the newly formed sub-committee. Other members are Bill Yearian, Noel Lawhon and Lynn Lowe. This committee will meet at 10:00 am on June 28, 2002, and the full Plant Board will meet at 1:30 pm on the same date.

Alexander said there were two issues that he needed to get addressed. He said he received additional requests that did not meet the 30-day criteria. He was unable to contact the person who filed the extension. On all of the extensions he makes one statement, finances have not been completed. Alexander said he expects to get a lot of requests.

The other individual said he was forced to change lenders on May 12, 2002. The crop loan has been approved, but it will not be funded until the week of June 1-4. He could not meet the deadline. Both are in the same situation on financing. Alexander requested that the Board consider not having penalties issued.

Alexander said a decision needed to be made as to the University of Arkansas experimental cotton crops. A form sent out by FSA offices reads as follows: All cotton is subject to assessment except state research farms. For assessment purposes cotton means acreage, field acreage, as reported in

appropriate USDA, FSA county offices. No adjustment shall be made for skip-row planting patterns. He said Claude Kennedy at Marianna has asked for an exemption for his 89 acres of cotton. Alexander said he didn't think exemptions have been allowed in the past. They have had to pay their fair share, but because of the past year situation Alexander wanted support from the Board. He asked the Board to instruct the Plant Board to collect from all entities, including state research farms. Jack Carey moved that this be done. Mark Bryles seconded. There was no further discussion and the motion carried.

Program Update

Ladner reported that he had gotten information from Ken Pierce that the Gillam unit south of our Southwest zone picked up 20 weevils so far. We have picked up a total of 8 weevils in the Southwest zone.

Signature Leasing is bankrupt. We are working with our lawyer to get a lawyer to help us deal with this issue. We are looking at trying to buy out our lease. If we don't, these trucks are in their name, and we could lose our trucks. McCastlain has an affiliation with the bank in question, and has to remove himself from this issue.

Copies of the financial statements were provided (Attachment 4).

A postcard was sent out welcoming the growers in Eastern Poinsett County and telling them that if they have any questions about their assessment to contact the State Plant Board.

A news release containing information that was sent out in a newsletter was sent to the news media. We will continue to send out news releases to try to get as much information out to the public as we can.

Ladner said that a script has been developed for a video on how to operator a mist blower. They have enough video to set that up. It will be an 8 to 10 minutes training program. They are going to develop a video on how to handle accidental spills when operating a mist blower. There is already a procedure in place for accidental spills relative to an aircraft.

Regarding insurance, Ladner said they have met with Gallagher. We lost Zurich because they no longer deal with any agricultural organization. Gallagher suggested that we eliminate physical damage. We have looked at what we have lost physically, versus what the insurance covered. The premium is higher than the actual cost of getting the equipment repaired. There is now a \$10,000.00 deductible on property. That means we are not worrying about a single occurrence with a piece of property. We're worried about if we have a lot of property located in one area and we have a major catastrophe, then we can cover that with only a \$10,000.00 deductible.

Ladner said he is meeting with Gallagher at 9:00 am on June 7, 2002, to see the document.

Danny Kiser reported that we are 99% deployed across the state. Full inspections are being done by some offices this week. Some fields are still being planted.

Kiser presented an overview of each zone through a PowerPoint presentation.

Stratton asked if everyone had reviewed the minutes of the May 30, 2002, teleconference. Hal Hyneman moved that the minutes be approved. Charles Tilmon seconded. Motion carried.

New Business

After discussion of a possible phone survey in the NE Delta to see where the strengths and weaknesses were, it was decided to table the matter until a future date.

Special Presentation

A plaque was presented to Don Alexander in recognition of the work he has done for the Foundation and as a member of the Grower Board.

Joe Burns was not present to receive a plaque in recognition of the work he did as Chairman of the Grower Board.

Cal McCastlain stated that he had another item of business, the sweet sorghum issue. A settlement was agreed upon in the amount of \$6,750.00. McCastlain recommended that the Board settle for this amount. The number came from the Board's proposal and was accepted by Victor Zachary. Ritter Arnold moved that the Board accept the proposal. Trent Felton seconded it. Motion carried.

Trent Felton asked if the Foundation has a procedure to follow if a farmer's property is damaged. Ladner said when damage is reported by a farmer or by our own person, someone is sent to verify that with the grower. If there is damage and it is our problem, or we feel like it is to our interest to settle, we do.

Felton said he thinks that if property is damaged there should be procedure where the grower has to notify the Board within a certain number of days. We need to be sure that the growers know of the policy. Program personnel should meet with them and write out a list of what is damaged. The grower and Program representative should sign it. The grower should be told on the front end that he will have to get bids.

Felton suggested that, if there is written protocol, it should be brought to the next meeting for review.

McCastlain said the matter which caused the concern for protocol has been resolved. He said for corporate action the Board needed to ratify the resolution of that. The amount was \$3,900.00. He recommended that the Board ratify that payment as resolution to Joe Whittington. Felton so moved. Hyneman seconded. Motion carried.

The next Board Meeting was set for Tuesday, July 16, 2002, at 10:00 a.m. at the Arkansas State Plant Board.

The meeting adjourned to executive session at 12:45 pm and reconvened at 1:20 pm. The search committee was reactivated for the purpose of finding an Executive Director for the Program.

There was some general discussion of a date for stalk destruction.

The meeting adjourned at 1:25 pm.