

ARKANSAS COTTON GROWER'S ORGANIZATION, INC.

Minutes of the June 25, 2004  
Board Meeting

Arkansas State Plant Board

Members present were Chairman Ritter Arnold, Laudies Brantley, Mark Bryles, Jack Carey, Trent Felton, Bobby Gammill, Daryl Little and Charles Tilmon, Jr.

Hal Hyneman was not present.

Also present were Cal McCastlain, legal counsel for ABWEF; *Danny Kiser, Michael Catanach, Lane Garner and Lora Harvey*, ABWEF; *Carol Griffiee*, Jonesboro Sun; *John Furyford and Mary Wagoner*, ABWEF; *Gene Martin*, Arkansas Farm Bureau; *Cecil Williams*, Cotton Producers of MO; *Gus Lorenz*, UACES; *Richard Myers*, Cheminova; *Claudette Harrod*, Arkansas Ag Aviation Association; *Richard Bransford*, Lonoke County Producers Gin; *Terry Walker and Mark Stoll*, Arkansas State Plant Board and *Jacob Wells and David Mosley*, Jeffrey, Phillips, Mosley and Scott.

Chairman Arnold called the meeting to order at 10:03 a.m. Cecil Williams led the group in prayer.

**Approval May 26, 2004 meeting minutes.**

Chairman Arnold asked if there were any additions or corrections to the minutes. Trent Felton stated that he would like to clarify some points and ask Danny Kiser and Michael Catanach to review them. Felton stated that he would like to add the following sentence to the minutes on the fourth page, second paragraph and second sentence: *"Mr. Felton also referred to the minutes of the original discussion in 2003 that the contribution amount was a maximum amount and it could be lowered if additional monies were made available from other outside sources or program costs were less than projected."* In the last paragraph the following statement was added; *"Mr. Felton requested that the finance committee meet with Lane Garner and Danny Kiser to value any equipment that was charged to other zones and contributed to the Delta as well as money spent on the Delta prior to June 22, 2003, which would be, in effect, expense not included on the 2003 NE Delta invoice. Mr. Felton stated that this and other expenses such as additional interest due to assessments being held in escrow, and additional revenues that have become available such as increases in federal APHIS grants above what had been projected need to be taken into consideration and deducted from the \$2.8 million ABWEF contribution."* Mr. Felton stated that he would like for everything to be tracked.

Trent Felton then moved to approve the minutes as corrected. Jack Carey seconded and the motion carried.

Darryl Little stated that we need an amendment to the second page of the minutes under "legal matters" update. The first paragraph, second sentence; "2004 needs to be deleted".

Darryl Little moved to amend the minutes as stated above. Laudies Brantley seconded and the motion carried.

### **Auditor Report.**

David Mosley and Jacob Wells with Jeffrey, Phillips, Mosley and Scott gave the 2003 audit report and provided draft copies of financial statements. David Mosley stated that best way to summarize this year's audit is to say that this was the most challenging audit that they have experienced since his company has been involved with ABWEP. Personnel changes contributed to this. He also stated that this is a very clean report. Jacob Wells stated that the financial report provided to everyone is a draft and he would like to get the board's input to finalize these reports and the audit. David Mosley and Jacob Wells extended a "thank you" to Lane Garner for the tremendous support he provided in order to complete this audit.

Lane Garner stated that at the last board meeting, he provided everyone with cash flow projections through 2009. He also stated that he had to take into consideration the Northeast Delta assessments currently held in escrow and if and when they would become available. Mr. Garner stated that we generated deficit positions in the first years of all the programs when our expenses were not fully covered by assessments and that is expected to change now that we are in the later years of program activities in most zones as expenses are coming down. Chairman Arnold suggested that all board members review the draft audit report and be prepared to review and adopt at the next board meeting.

### **Financial Report.**

Lane Garner presented a balance sheet and cash flow statement, including budget variances. Mr. Garner stated that starting next week, he will go back and reconcile ABWEP's book's with these adjustments so that effectively as of January 1, 2004 our books will match up with the audited financials. By next meeting, the balance sheet will no longer be in draft form. Mr. Garner stated that ABWEP has worked with Richard Sharp since the last board meeting and provided him with all year-end financial projections of what we expect through 2009.

Mr. Garner stated that all debt is carried at the Foundation level and not at zone level. Mark Bryles asked about the APHIS contributions and why 44% went to the Delta. Michael Catanach stated that it is based on the total projected expenditures when the budgets are sent in a year in advance to USDA and it is not based on acreage.

Chairman Arnold asked Danny Kiser and Lane Garner to be prepared to report on extra expenditures for the SE program due to the performance of personnel at the Pine Bluff office in the first two years of the program, and to evaluate other extra costs of spraying in the SE zone.

Mr. Garner stated that ABWEP has received funds in the amount of \$58,000 representing interest on the held assessments. It was provided to us for the purpose of reimbursing legal fees paid by the Ag Council relating to the Northeast Delta Zone. We have allocated that expense to all five (5) zones. The revenues have been recorded effectively as a net balance of zero (0) to the Foundation but each zone is bearing a pro-rata share of the legal expense.

### **Legal Matters Update.**

Cal McCastlain stated that there are no legal updates in connection with litigation and that the Plant Board regulatory process has been completed. The NE Delta regulations are now final which include a \$14 assessment.

As discussed in a teleconference call regarding the quarantine regulations, the Plant Board took comments into account and chose to take the draft regulations back to the staff and the Boll Weevil Committee. They will be edited during the summer and used as a backup at the September quarterly meeting. That is very consistent with federal timing and Bill Griffenstaff with USDA APHIS was at the Boll Weevil Committee Meeting and provided some good feedback on timing for federal regulation, which looks like it may be in place by Spring 2005.

McCastlain stated that we need to resolve on the staggering of terms among our directors. McCastlain recommends amending the bi-laws in connection with that so that they will be consistent with our statute. McCastlain also presented for action the contract between the Foundation and the Plant Board, which is essentially the same contract as last year with just a date change. Copies of this contract were distributed and McCastlain suggested that action be taken today.

A copy of the black line dialogue was distributed to all board members to help lead the discussion. The "black lines" indicate recommended changes. The primary change indicates four (4) year terms and zone representation as per statute. Other changes include changing references from President and Vice President to Chairman and Vice Chairman and the specific duties of those offices. These recommended changes address the nature of this operation and the statute. McCastlain suggested that the Board adopt these changes.

Board representation is based pro rata on the number of acres in each zone, subject to the qualification that no more than two (2) representatives come from the same zone. If a vacancy develops, a different person could succeed that person from the same zone.

McCastlain stated that the statute reads that within sub-section G-3-b, cotton growers shall insure that their representation is reflective of the five eradication zones that currently exist. Sub-section G-3-b also stated that beginning July 1, 2004 cotton growers should cause the board to be composed of *"at least one, but not more than two"*.

Chairman Arnold made a motion to amend the bi-laws. Laudies Brantley seconded and the motion carried.

Chairman Arnold stated that he would like to recommend the following appointments:

- 1 Bobby Gammill- 4 Year Term
- 2 Laudies Brantley- 4 Year Term
- 3 Trent Felton- 3 Year Term

- 4 Ritter Arnold- 3 Year Term
- 5 Mark Bryles - 2 Year Term
- 6 Jack Carey- 2 Year Term
- 7 Charles Tilmon, Jr- 1 Year Term
- 8 Hal Hyneman- 1 Year Term

Darryl Little, Director of the State Plant Board, will remain on the Board as a representative of the State.

McCastlain stated that these term dates would run from July 1 through June 30 of each year.

Laudies Brantley made a motion to accept these proposed terms. Trent Felton seconded and the motion carried.

McCastlain stated another legal matter, which is the operational contract in the NE Delta between the Foundation and the Plant Board. This is the same contract that was entered into for the 2003 operation. The only change is the date to apply to 2004. McCastlain stated that this is a cost reimbursement contract. The reimbursement will not exceed the 2004 assessments collected.

Laudies Brantley made a motion to accept this contract. Trent Felton seconded and the motion carried.

#### **TAC Update:**

Gus Lorenz stated that the TAC Committee has kept in contact with Danny Kiser weekly. Jack Carey asked Mr. Lorenz if they were seeing any boll weevils in the field and Mr. Lorenz stated that they were not. Mr. Lorenz also stated that there was a little hot spot down south of Pine Bluff but they are not seeing any damage. There is a secondary infestation of mites statewide. Chairman Arnold requested that later in the year Danny Kiser and Gus Lorenz and the TAC Committee to take a hard look at how we are doing in the NE Delta and if we have had a lot of success, if there is any way or need to restructure our spraying protocol to further reduce our expenses.

#### **Program Update:**

Danny Kiser had a presentation for the board on the number of weevils caught per zone. Kiser stated that we still have caught no weevils in the SW Zone for 2004. Also we are catching fewer weevils than projected in the SE and Central Zones. Numbers are very low in these zones and with the exception of a few small areas where we are receiving weevil migration into Zones and a small area in the Pine Bluff district, we are at eradication levels. In the NE Ridge Zone we are very close to projected estimates. We are still seeing effects of migratory weevils from the Delta Zone on the east side of the Ridge Zone. Numbers are very low in the SW portion of this Zone where there is increased separation from the Delta.

Kiser stated that ABWEP is spraying more acres in the NE Delta Zone than projected. Weevil numbers were higher than expected following a very moderate winter. Kiser stated that he had hoped that we would be spraying only about 10% of the acreage on a weekly basis, but at this time we are spraying around 20% of the acreage.

#### **New Business:**

Michael Catanach stated that some of our aerial contractors were complaining concerning the increase in fuel prices. Mark Bryles suggested that we wait and see what will happen with the fuel

prices before we make a decision. Chairman Arnold suggested that AAAA and management gather information for future discussion. Bobby Gammill suggested that we figure out how to set a baseline for fuel prices and the different prices of fuel based on the type of plane.

**Set Next Meeting Date:**

The next meeting has been set for Friday, July 30, 2004 at 10:00 a.m.

The meeting adjourned at 12:20 p.m.

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RITTER ARNOLD, Chairman