

USCP Board of Directors Meeting
April 26-27, 2011

Board Members Present: Bill Greving, Bill Kubecka, Jeff Casten, Dale Artho, Troy Skarke, Jerry Van Zee, Billy Bob Brown, Gary Kilgore, Greg Shelor, James Vorderstrasse, Earl Roemer, Louise Rigdon and Stewart Weaver.

Others Present: Craig Shackelford, Virgil Smail, Tim Lust, Florentino Lopez, Sue Ann Claudon, Jenna Hightower, Laura Kelley, Lindsay Kennedy, Kathy Cornett, Jill Goodrich, Kevin Roepke, Barb Kliment, Mark Nelson, Sue Schulte, John Dvoracek, Bruce Knight, Tom Shanower, Clayton Short, Matt Splitter, Jill Barnhardt, and, via Skype, Shelee Padgett and Marsha Bryant.

Bill Kubecka called the meeting to order.

Greg Shelor presented the minutes of the December 15, 2010 meeting and the March 18, 2011 conference call. Two changes noted: (1) On the December 15, 2010 meeting Minutes, Louise Rigdon was present during the entire December meeting. (2) On the March 18, 2011 conference call Minutes, Jeff Casten seconded the motion to invest \$50,000 in the conservation project.

Billy Bob Brown made a motion that the minutes be adopted as amended with a second by Troy Skarke. Motion carried unanimously.

Earl Roemer presented the preliminary financial statements from April 18, 2011. Earl reported that collections to date are \$6,406,851.45. There was discussion about the overage in the printing budget. Earl reported on the amount of funds available following the passage of the referendum.

Jerry Van Zee made a motion to accept the financial statements with a second by Bill Greving. Motion carried unanimously.

Bill Kubecka opened a discussion about the referendum reserve and the refund reserve. Earl then explained that the Finance Committee is recommending that 45% of current year's budget be set aside into a future year reserve, with that percentage being addressed and reconsidered annually.

James Vorderstrasse made a motion to move the money out of the restricted reserve fund and move it into the general fund. Jeff Casten seconded the motion. Motion carried unanimously.

There was a discussion regarding the \$300,000.00 emergency reserve for shutdown mandated by the Act and Order.

Gary Kilgore made a motion to hold \$300,000.00 in a USDA required reserve fund for shutdown and Louise Rigdon seconded the motion. Motion carried unanimously.

Discussion continued regarding the percentage of funds to be set aside, over and above the \$300,000.00. Discussion was had regarding the challenge between being fiscally responsible with the reserve and using those dollars to promote the crop and increase producer profitability. Each Board member around the table was given an opportunity to voice his/her opinion on the amount of the reserve.

Troy Skarke made a motion to table this decision until a later time and Louise Rigdon seconded the motion. Motion carried unanimously.

Craig Shackelford congratulated the organization on the passing of the referendum. By July 1, 2015 we will have to have another referendum.

Tim Lust talked about what the organization has done well. Tim recognized and congratulated Virgil Smail and his work as Executive Director of the Checkoff. Virgil announced his intention to resign his position as Executive Director and move back to Manhattan.

Tim introduced Bruce Knight, principal and founder of Strategic Conservation Solutions, LLC.

Bruce Knight made his presentation on conservation and sustainability. (Action on this proposal was taken during the March 18, 2011 Board Conference Call.)

Bill Kubecka and Tim Lust presented the proposal for a US Farm and Ranch Alliance sponsorship. The Board was informed that most other checkoffs are already affiliated.
Bill Greving made a motion to approve a \$5000.00 sponsorship of the US Farm and Ranch Alliance with a second by Billy Bob Brown. Motion carried unanimously.

Tim introduced Ken Davenport, Chromatin.

Ken Davenport made his presentation.

Key Point: Sorghum as an energy crop. Chromatin sees a significant future for sweet, biomass and grain sorghum.

Bill Kubecka opened a discussion on USCP's priorities, structure and needed changes.

Bill Kubecka posed the question: Have we given the staff the proper direction on focus? All Board members participated in discussions.

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Bill Kubecka called the meeting to order.

Tim Lust presented staff perspectives of industry priorities and program focus.

Gary Pyrzenski presented on the status of KSU sorghum research efforts and Great Plains Sorghum Center.

Bill asked Tim to follow-up on his presentation. Tim stated that partnering with the state organizations definitely needs to be included.

Jeff Casten presented new research proposals on behalf of the Research Committee:

- Proposal from Stephen A. Ebelhar, University of Illinois, Dixon Springs Ag. Center for evaluation of grain sorghum varieties for southern Illinois in the amount of \$5,250.00;
- Proposal from John R. Rickertsen, South Dakota State University for grain sorghum performance testing in western South Dakota in the amount of \$6,515.00;
- Proposal from Kun-Jun Han, LSU Agricultural Center for planting management impact on sweet sorghum as a biofuel crop (double crop) in the amount of \$30,353.00;
- Proposal from Dr. Fred Miller, MMR Genetics for year three continuation of sorghum conversion program in the amount of \$119,000.00; and
- Proposal from Jeff Dahlberg, University of California, KARE Center for field demonstrations of sorghum forages for the California dairy industry in the amount of \$34,150.00, half of which is to be paid out of the Research budget.

Bill Greving made a motion to approve these projects with a second by Billy Bob Brown. Motion carried with one opposed.

Troy Skarke presented new market development proposals:

- Proposal from Jeff Dahlberg, University of California, KARE Center for field demonstrations of sorghum forages for the California dairy industry in the amount of \$34,150.00, half of which is to be paid out of the Market Development budget;
- Proposal from Randall Powell, Ph.D., Memphis Bioworks Foundation for the development of rural sweet sorghum ethanol biorefinery in the amount of \$46,900.00;
- Proposal from Robert C. Reigh, LSU Agricultural Center for the development of a feeding guide for sorghum use in aquaculture (plus \$5,000.00 for printing the feeding guide) for a total of \$12,985.00; and
- Proposal from E.C. Henley, JPZ Consulting Group for an effort to market grain sorghum for human consumption focusing on opportunities in gluten free and whole grain markets in the amount of \$50,000.00.

A discussion was had regarding the publication of the reports that result from the research that has been funded. Tim and Virgil advised that we recognize this as a place for improvement in the future.

Earl Roemer made a motion to approve these projects with a second by Jeff Casten. Motion carried with one opposed.

Tim Lust explained that while we are over budget on the research line item, we are not over budget overall. Billy Bob posed the question: Does the Board need to move funds or agree by consent to overrun the budget in the research line item?

Billy Bob made a motion to allow an overage on the research line item in the budget with a second by Stewart Weaver. Motion carried unanimously.

Dale Artho cautioned the Board to try to be very disciplined about staying within our budget. He also offered the suggestion that we create a Rapid Response Fund for these types of expenditures in the future.

Bill Kubecka introduced the presentation from US Grains Council.

Tom Sleight made a presentation on US Grains Council's commitment to sorghum in international markets. Alvaro Cordero addressed concerns of the transition between himself and Kevin Roepke in the role that Alvaro has been in up to now. He reassured the Board that he will remain involved as long as necessary and that we can feel confident of continued support from the Council.

Tim Lust presented the fee structure of Southwest Bank. Discussion followed. Tim stated that we are in the black but not by much. Billy Bob would like to see a breakdown of what services we are receiving for our money paid in fees. Tim suggested that for now we approve either Option 1 or Option 2 and then continue considering options with Southwest Bank coming to the next Board Meeting for presentation.

Dale Artho made a motion to accept Option 2 as presented by Southwest Bank and Louise Rigdon seconded. Motion failed.

Earl Roemer made a motion to accept Option 1 as presented by Southwest Bank and Bill Greving seconded. Motion passed with four opposed.

Billy Bob Brown made a motion to bring back to the table the discussion of how much to hold in a reserve fund with a second by Earl Roemer. Motion carried unanimously.

Discussion was had regarding options of what fixed amounts and/or percentage of budget to place in reserve.

Troy Skarke made a motion that the organization set aside \$1.5 million in a reserve fund. Dale Artho seconded the motion. Motion failed.

Discussion continued. Jeff Casten stated that it was too soon to make the decision, more discussion needed. It was suggested that the staff and/or the finance committee bring a recommendation. It was advised that those things had already been done and it is time to make a decision.

Dale Artho made a motion that the organization set aside 45% of last year's budget as set in August for the Fiscal Year ended 9/30/11 in a reserve fund, based on the recommendation of

the Finance Committee. Earl Roemer seconded the motion. Motion passed with three opposed.

Bill Kubecka opened a discussion regarding the negotiation of our management contracts. Tim advised the Board that a decision needs to be made on whether USCP continues with the management situation currently in place, just with a new contract or does USCP depart from the current structure altogether and go another way. Dale Artho requested clarification of job functions between the CEO and the ED. Bill Greving clarified for the board that the ED was hired by NSP, not by USCP. Troy stated that this is the reason for a conflict of interest. He believes that it may be in the best interest of the organization to hire its own ED outside of NSP.

Stewart Weaver called for question:

Bill Greving made a motion that USCP negotiate with NSP for a management services contract as a sole source provider. Louise seconded the motion. Motion passed with four opposed.

Earl Roemer made a motion that USCP negotiate a new financial services contract with Malachi3.10 LLC. Jerry Van Zee seconded. Motion passed with two opposed.

Tim Lust suggested that reconsideration of McCormick Company as an outside communication contractor needs to be based on an evaluation by the communications committee and communications staff. Billy Bob reports that the Communications Committee will meet and evaluate and discuss the future of our communications efforts and report back to the Board.

Jeff Casten made a motion authorizing the Communications Committee to evaluate and discuss the future of our communications efforts and report back to the Board. Gary Kilgore seconded the motion. Motion carried unanimously.

Tim presented a proposal of Committee structure and the possibility of a Bylaw change. Discussion was had regarding the possible expansion of the committees. After much discussion, the following action was taken:

Troy Skarke made a motion to send the issue back to staff to determine how committees and technical advisory boards can be developed to broaden the involvement of CPOs and other experts and industry professionals. Gary Kilgore seconded the motion. Motion carried unanimously.

Old Business

Tim advised that odor is an ongoing issue. Virgil advised that USCP cannot get involved in policy but has got to stay involved in this issue from a technical standpoint.

State organizations gave updates.

New Business

Tim reported that USCP has previously discussed having its fall board meeting in conjunction with SICNA in mid-September. The majority would like to see the Board Meeting in August as usual and then the Research Committee and any others attend SICNA as they are able. There was a discussion about having a Board Meeting the week of August 22nd in Tulsa, OK.

Troy Skarke made a motion to go into executive session, with a second by Gary Kilgore. Motion carried unanimously.

Troy Skarke made a motion to come out of executive session, with a second by Gary Kilgore. Motion carried unanimously.

Louise Rigdon made a motion to adjourn the meeting with a second by Earl Roemer. Motion carried unanimously.