

Approved _____

Date

Fred A. Kerr 2/1/83

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Senator Fred A. Kerr at _____
Chairperson

10:00 a.m./~~p.m.~~ on Thursday, January 27, 1983, 19 in room 123-S of the Capitol.

All members were present except: Senator Ross Doyen (Excused)

Committee staff present: All were present.

Conferees appearing before the committee:

- Ivan Wyatt, Kansas Farmers Union
- Gerald Riley, Kansas Association of Wheat Growers
- Dale Sprague, Kansas Assn. of Independent Public Accountants
- Chris Walker, NFO
- Becky Crenshaw, Committee of Farm Organizations
- Tom Tunnell, Kansas Feed and Grain Dealers Association
- John Blythe, Kansas Farm Bureau
- Nancy Kantola, Kansas Coop Council

Senator Allen moved the January 26, 1983 committee minutes be approved, seconded by Senator Norvell. Motion carried.

Senator Kerr stated the committee will start working Senate Bills 1-6 next Tuesday.

SENATE BILLS 1 - 6

Ivan Wyatt presented his testimony as contained in Attachment 1. Mr. Wyatt stated he thinks the set of bills overall are good but the cause of many elevator failures is not dealt with. He feels until there is a prohibition of speculation and delayed or deferred pricing there cannot be a return of confidence to the elevator industry. Action should not be taken that might drive smaller local elevator operators out of business, such as setting bonding levels too high. He agrees with Senate Bill 3 in that the Director of the Grain Inspection Department should become the temporary receiver and also feels the legislature should direct the court to appoint the State Director of Grain Inspection Department to be the receiver, which he feels would speed up a bankruptcy settlement.

Gerald Riley stated they endorse all the bills. However, they would like to see a change in Senate Bill 1, line 58, from "compilation" to "review". (Note Attachment 2)

Senate Bills 2-4 - no changes recommended.

Senate Bill 3 - In lines 129 and 132, he recommended changing six months to three months.

Senate Bill 6 - He would like to see the director of KGID appointed by the Kansas Grain Advisory Board or the Kansas Board of Agriculture which are regulatory groups, rather than by the Governor, which would a political appointment, with no term specified other than as long as the duties are performed property.

Dale Sprague presented his testimony (Note Attachment 3) stating he does support Senate Bill 1 but feels the top priority should be that a third party look at the financial records of an elevator with no relationship between a management firm and an elevator. In answer to a question, he indicated he especially thought the compilation option in line 58 should be changed to a review.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,
room 123-S, Statehouse, at 10:00 a.m./~~pm~~ on Thursday, January 27, 1983, 19 .

Chris Walker stated they feel these bills do address some of the problems and anything which can be done to secure the grain for the farmers they certainly favor. They feel a speeding up of settlements should be considered.

Testimony as presented by Becky Crenshaw is contained in Attachment 4. Senate Bills 1-6 have been endorsed by the Committee of Kansas Farm Organizations stating these bills seem to be preventive rather than reactive in nature and they feel this is a less costly and more effective approach.

Tom Tunnell distributed Attachments 5, 6 and 7 indicating under Senate Bill 1, it should not show any deviation from current CCC storage requirement language.

He feels any qualified management firm would be a credible firm to perform the accounting requirements.

Senate Bill 3 - He feels the six months should be changed to ninety days (lines 129 and 132). Mr. Tunnell stated their association would oppose putting the KGID under the control of the Kansas Board of Agriculture.

Mr. Tunnell stated their association supports these bills in concept.

Senator Norvell questioned the word "should" over "shall" in the second paragraph of Attachment 6.

John Blythe presented his testimony (Note Attachment 8). He read the policy statement of their organization as shown on Pages 1-2 of this attachment. Mr. Blythe stated if a bond is too high it would force elevators to go to federal status since their bonds are lower. He suggested in Senate Bill 3 on lines 129 and 132, "six months" should be changed to "120 days or three months".

Mr. Blythe stated the KGID is funded completely by fees and he feels the \$200,000 paid to the State General Fund is too high, and his organization would like to see it reduced to \$30,000. He feels the bills are important.

Nancy Kantola distributed Attachment 9. She stated their organization would support stronger disclosure of an elevator's financial condition but would certainly go along with Senate Bill 1 as written. The organization is opposed to an indemnity fund which would be costly and not speed up settlement because it would not pay off unless exact losses were known.

Senate Bill 2 - they are opposed to a certain date being set out since their elevators send out statements after an audit or at the end of a fiscal year.

They are in favor of two inspections per year by the KGID, and they feel Kansas has a good record in its grain warehouse industry.

The meeting was adjourned.

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SENATE

AGRICULTURE AND SMALL BUSINESS COMMITTEE

10:00 a.m., Room 423-S

Thursday, Jan. 27, 1983
Date

NAME

ADDRESS

ORGANIZATION

NAME	ADDRESS	ORGANIZATION
Gerald Rife	Dighton, Ks	K.A.W.G.
Harvey Kartola	Tapoka	Ks Co-op Council
John Corbit	Marion	KGF D
Sam Reder	Tapoka	K & Q ID
Sam M. Rathwell	Lawrence	KSGED
Ronald & Tammen	Pawnee Rock	Self
Dale W. Bentley	Concordia	INTERN / Rep B. Fuller
Hal Johnson	Lawrence	LCA
Margaret P. Waters	K & Q ID	Tapoka
Frank McLeese	Salina	KGF DA
Jerry Ding	Prustan,	wheat grower
Samira Ding	Prustan	wheat grower

Statement
of
Ivan W. Wyatt, President
Kansas Farmers Union
before
The Senate Committee on
Agriculture and Small Business
on
SB-1, SB-2, SB-3, SB-4, SB-5, SB-6
(Elevator Bankruptcy)

Mr. Chairman, members of the Committee:

I am Ivan Wyatt, President of the Kansas Farmers Union.

Needless to say, the purpose of these proposed bills have to be two-fold. One, to protect the farmers from losses caused by grain elevators going into bankruptcy or foreclosure and second, to return farmers confidence in the elevators operating within the state, especially the independent, privately owned grain elevators.

Everytime I dump a load of grain in one of those elevators, I think of what's been happening--I don't like that--because I know the people operating those elevators are good hard working people trying to make a living for themselves and their family, but still I worry everytime I dump a load of grain, just, as I'm sure, every other farmer does also.

That's the task before us, to return the confidence of the farmer in his local grain elevator, confidence that his grain is as safe as reasonably possible.

This nation's banking system was in a similar situation during the early 30's, but proper legislation returned the people's confidence in our banking system. We must do the same for the grain elevator industry in Kansas.

However, we have to be wary we do not take actions that might drive the smaller local elevator operators out of business, such as setting bonding levels too high, etc. To do this would not serve the best interests of the farmer if it forced him to transport his grain further, especially at harvest time.

I think this set of bills over all are a good set of proposals. However, the cause of many elevator failures is not dealt with in these bills.

During the interim hearings, the problem of warehouseman speculating on commodity futures was spoken to and rightly so, as national figures indicate this is the major cause of elevator failures, both big and small, that figure is something over 95%.

The Kansas Farmers Union policy speaks directly to this problem and calls for the prohibition of state licensed warehousemen speculating on Commodity Futures except as a management tool in "legitimate hedging."

The Farmers Union policy also calls for the prohibition of the use of delayed and deferred pricing schemes, another major factor in elevator failures.

In most cases annual statements of deposits as in SB-No.2, and more in depth audits should give advance warning of operations that may be drifting into financial difficulties. However, in the case of a warehouseman involved in speculation of commodity futures, a massive loss can happen so suddenly, that even more frequent audits cannot pick up pending disaster.

Some of you may recall the incident back in December, 1980, when one of the state's larger farmers was ruined financially when he lost almost \$800,000 in four days in the futures market.

Such a loss can and may happen to any of the states licensed warehousemen.

There is no way the state can prevent the farmer from suffering a financial loss if he unknowingly places grain in one of these operations if bankruptcy or foreclosure occurs.

Even though only a few state licensed elevator operators may be involved in speculating on the futures market, but as long as it is allowed, a cloud of doubt or question hangs over every independent elevator operation in the state.

Until there is a prohibition of speculation and delayed or deferred pricing there cannot be a return of confidence to the elevator industry in the state.

We agree with Senate Bill No. 3 that the Director of the Grain Inspection Department should become the "temporary receiver" when examination indicates the need. However, after proper court procedures and if the facts warrant the courts appointment of a "receiver", the Legislature should direct the court to appoint the State Director of the Grain Inspection Department to be the "receiver".

In the past, we have seen court appointed "receivers" allowing simple settlements drag on for months and years; whereas the State Director would already be acquainted with the operation and understands the grain business. His expertice and experience should speed up settlements and prevent the long drawn out settlements of the past.

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Attachment 2 1/27/83

WHEREAS the Kansas Farm economy was a topic of concern of interim study in 1982; and

WHEREAS the Kansas Farm economy continues to be an issue of importance to the Kansas Legislature since the well-being of the state's economy is closely intertwined with the stability and vitality of Kansas agriculture; and

WHEREAS the producers of this state are dependent upon state governmental agencies to provide services which ensure safety, quality, and reliability of all types of farm products in both the consumers' and producers' interests; and

WHEREAS one of the most important duties of the state is providing the examinations, inspections, overseeing of state licensed public grain warehouses so that producers and farmers have a safe and reliable facility in which to deposit grain; and

WHEREAS the importance of the duties of the state in this area are overwhelming when it is noted that Kansas is the traditional leader in U.S. wheat production, traditionally ranks either first or second in grain sorghum production, ranks second in the nation in number of cropland acres, and ranks first in the nation in commercial grain storage capacity, with a 512,284,992 bushel capacity in 655 state licensed warehouses under the direct supervision of the Kansas State Grain Inspection Department; and

WHEREAS the quality of the services provided to the grain warehousing industry and the resulting safety for depositors of grain has never been so essential as it is in this period of time with farm prices being at near all time lows in comparison to the rest of the countries; and

WHEREAS some recent apparent warehouse failures have amplified the importance of the reliability of the state inspections; NOW THEREFORE,

BE IT RESOLVED by the Kansas Association of Wheat Growers that we as an Association work for the enactment of the following:

- A. Enhance the penalties for violation of public warehouse laws;
- B. Up-date the financial requirements for warehouse licensees in Kansas to meet the new Federal Warehouse Laws;
- C. Give the authority to the Director of the Kansas Grain Inspection Department to maintain grain in a facility after it has been closed by the Department;
- D. Require all Kansas public warehouses to send out statements to producers and/or depositors on an annual basis;
- E. Have a step-by-step procedure to be followed when an elevator is in trouble or has declared bankruptcy; this procedure should be carried out by the Attorney Generals office;
- F. The Director of the Kansas Grain Inspection Department should not be appointed by the Governor but should be appointed by the Kansas Grain Inspection Department Advisory Board or by the Kansas Department of Agriculture or other appropriate State agencies to serve an indefinite period at the discretion of the hiring body;
- G. All state licensed elevators should have two (2) full inspections per year;
- H. The audit should be up-graded to a review if not to a full unqualified audit;

The KAWG further reminds producers that it is up to them to pick a reputable public warehouse to do business with and to watch for the following six signs that an elevator is in trouble and headed for a bankruptcy:

1. Consistently offers a higher bid;
2. Consistently offers to store grain cheaper;
3. Offers to pick up grain at the farm for the same price as delivered grain;
4. Provides deferred pricing contracts with no service charge;
5. Offers a premium price if you will wait a few days for your money;
6. Manager begins talking about how much money he made or lost in the futures market;

Atch. 2

Gerald Riley, Kansas of Wheat Growers

Attachment 3-1/27/83

PUBLIC ACCOUNTANTS ASSOCIATION OF KANSAS

REGARDING S.B. 1

Mr. Chairman, members of the Committee, I am Dale M. Sprague, Legislative Counsel for the Public Accountants Association of Kansas (PAAK). Accompanying me today is Mr. Glen Gillmore, a partner in the accounting firm of Sink & Gillmore, Manhattan, KS, and Chairman of the PAAK Legislative Committee. We appreciate this opportunity to appear before the Committee in support of S.B. 1.

For your understanding, PAAK represents over 200 professional men and women and firms performing auditing, review, accounting, tax and management services throughout the State of Kansas, particularly to rural and farming interests and small businessmen, on a year-round basis, and should not be confused with seasonal tax preparers. As Public Accountants, PAAK members perform most of the same services as Certified Public Accountants (CPA) under professional guidelines. The Kansas Legislature has traditionally recognized and endorsed this right of individuals to engage in the practice of public accounting without restriction, thereby guaranteeing open, competitive pricing of accounting services within the consumer marketplace, a point particularly keen to farming interests and small businessmen distressed by current economic conditions.

Turning to the purpose of S.B. 1, PAAK shares the concern of this Committee for the protection of individuals who store grain in public warehouses licensed under the Kansas Public Warehouse Laws in light of the increased bankruptcies within the industry and supports S.B. 1. Throughout the 1982 Legislative and Interim Sessions, PAAK carefully monitored this Bill's progress. Our prime interest has been assuring legislative continuation of policies supportive of the practice of public accountancy by professional accountants whether CPA's or not. S.B. 1 recognizes and endorses this tradition in our State and strengthens grain warehouse licensing requirements, providing better financial controls.

Thank you for your attention to my report, Mr. Chairman, and please feel free to ask any questions. I will answer them to the best of my ability.

Dale M. Sprague
PAAK Legislative and Legal Counsel

Atch. 3

Attachment # 1/27/83

Testimony of the
COMMITTEE OF KANSAS FARM ORGANIZATIONS

with respect to

SB 1-6

presented by

Becky Crenshaw
Legislative Agent

to

Senate Committee on Agriculture & Small Business

Senator Fred Kerr, Chairman

January 27, 1983

Mr. Chairman and members of the committee, my name is Becky Crenshaw. I'm the legislative agent for the Committee of Kansas Farm Organizations, a coalition of 22 agricultural organizations representing Kansas farmers and ranchers on state legislative issues. Our committee certainly appreciates the opportunity to present our views on senate bills 1-6.

The Committee of Kansas Farm Organizations, as many of you know, require unanimous support before adopting a policy position. The committee has unanimously agreed to support the concept of senate bills 1-6.

This topic was studied extensively during the interim and I see no reason to reiterate all the reasons necessitating some revision in the Kansas warehousing laws.

Senate Bill 4, which strengthens the penalties for crimes committed under the Kansas Public Warehouse Law is an important part of this package of bills. We are hopeful that strengthening such penalties will act as a deterrent to the crimes of fraud, theft, or embezzlement of grain stored in public elevators.

Atch. 4

The members of the interim committee extensively studied the grain warehousing situation and we feel they have presented logical legislative proposals as a result of their study. Senate bills 1-6 seem to be preventive rather than reactive in nature and we feel this is a less costly and more effective approach. Bills 1-6 will help to solve some of the problems of public grain warehouse failures and we respectively urge their favorable consideration.

TESTIMONY

of

KANSAS GRAIN AND FEED DEALERS ASSOCIATION

on

SENATE BILLS

1 THROUGH 6

Submitted by:

Tom R. Tunnell
January 27, 1983

I am Tom R. Tunnell, Executive Vice President of Kansas Grain and Feed Dealers Association, Hutchinson, Kansas. Our Association is a voluntary organization that has as members approximately 95% of all grain and feed firms doing business in Kansas. Our membership includes both private and cooperative owned country and terminal grain operations with a total licensed storage capacity of approximately 750,000,000 bushels.

The Kansas Grain and Feed Dealers Association supports in concept Senate Bills 1 through 6. It is our position that these bills address most major areas of concern and offer a reasonable cost effective approach to providing added protection to Kansas producers that store grain in commercial state licensed elevators.

As you are all aware, Senate Bills 1 through 6 are the product of extensive hearings conducted this past Summer and Fall by the Special Interim Agriculture Committee. During these hearings several other ideas were considered such as an indemnity fund, increasing warehouse bond requirements, special insurance fund, unqualified audits and so on. None of these alternatives were recommended by the Interim Committee because the obvious cost versus benefit relationship was not justifiable.

It is the opinion of our Association too, that any further changes to the Kansas Warehouse Law other than those proposed in the six bills presently before this Committee, would certainly be costly overkill.

Comments regarding each bill.

Senate Bill 1

All changes proposed in this bill are acceptable as drafted. However, I caution this Committee against any deviation from current Commodity Credit Corporation audit requirement language.

You have heard earlier testimony stating a commission firm compilation report is inferior to a review or an audit. I offer this material (hand out material) recently received from the Commission firm of Benson-Quinn Co., Minneapolis, Minnesota as evidence of the obvious competency of such firms. Presently, there is no firm similar to Benson-Quinn Co. in operation in Kansas, but I can not understand the advisability of prohibiting the possible future establishment of a service organization of this type in our state. I can only believe that a competent Commission firm could provide accounting expertise as well as other needed services to Kansas grain warehouses at very competitive prices.

Senate Bill 2

I have visited with several KGFDA members about the annual notification of depositors requirement called for in this bill and find the general consensus is, compliance would present no problem.

Senate Bill 3

The maintenance of stored commodities in a defunct grain elevator is extremely important. We support any effort to expedite the appointment of a person to be responsible for that maintenance. Six months to settle and complete receivership seems excessive, ninety days should be adequate.

Senate Bill 4

The Kansas Grain and Feed Dealers Association has always supported strong criminal penalties for the crime of grain conversion by a warehouseman.

We are also pleased with the fine increase from \$5,000 to \$10,000 for selling encumbered grain.

Senate Bill 5

We support making the Attorney General responsible for prosecuting violators of the Kansas Warehouse Law.

Senate Bill 6

Changing the term of office for Director of Kansas Grain Inspection Department from two years to at the pleasure of the Governor helps add continuity to the office. Our Association would oppose putting the KSGID under control of Kansas Board of Agriculture.

I appreciate the opportunity to be here today to testify on these important issues and would be happy to respond to questions.

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United States
Department of
Agriculture

Agricultural
Stabilization and
Conservation Service

P.O. Box 2415
Washington, D.C.
20013

Attachment 6 1/20/83
1/20/83
Copy to Pantola
RECEIVED DEC 1 1982

*the
Commodity
Credit
Corporation*

NOV 29 1982

Mr. Tom Tunnel
Grain and Feed Association
1722 North Plum
Hutchinson, Kansas 67501

Dear Mr. Tunnel:

This is in response to your telephone request for information concerning the criteria used by the Commodity Credit Corporation (CCC) for approving management or commission firms.

CCC has determined that to qualify as an approved management or commission firm, a firm should maintain no ownership interest in the contracting firm. Additionally, the firm should provide some management control of grain merchandising and/or provide financing of the elevator's operations.

An applicant seeking approval is requested to submit the following information in writing to the Deputy Vice President of CCC:

1. The accounting and management services that are performed;
2. The name and/or title and functions of the firm's personnel providing the service. The qualifications of these personnel and those of the accountant, if any;
3. The frequency of the services performed;
4. What role the firm has in management decisions or recommendations, if any; and
5. List of warehousemen subscribing to the firm's services.

At present, the Miller Grain Company and the Evans Grain Company of Salina, Kansas, commission firms, have been approved in the State of Kansas. Nationally, we have approved six management or commission firms.

Sincerely,

Marie D. Markman

Deputy Administrator
Commodity Operations

Atch. 6

attachment 7 1/27/83
RECEIVED JAN 21 1983



BENSON-QUINN CO.

1075 Grain Exchange
Minneapolis, Minn. 55415

January 19, 1983

Mr. Tom Tunnell
Executive Vice President
Kansas Grain and Feed Association
1722 North Plaza
Hutchinson, Kansas 67501

Dear Mr. Tunnell,


Enclosed please find a copy of the letter I prepared for Mr. Raymond D. Lett at USDA regarding elevator audits.

I have enclosed a copy of a quarterly statement prepared by our firm and the year-end compilation report which has been approved by Commodity Credit Corporation.

I hope this will provide answers to some of your questions, if not please feel free to call.

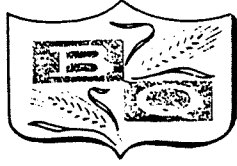
Yours truly,

BENSON-QUINN COMPANY



Roy O. Pinske, Vice President

ROP/dls



BENSON-QUINN CO.
Grain Commission
1075 Grain Exchange
Minneapolis, Minn. 55415

October 23, 1981

Mr. Raymond D. Lett
Executive Assistant to the Secretary
U.S.D.A.
Agricultural Stabilization and
Conservation Service
Post Office Box 2415
Washington, D. C. 20013

Dear Mr. Lett:

Why CPA audits proposed for UGSA warehouses are not workable in Minnesota, North and South Dakota.

Grain commission companies and their country services departments have provided stability to elevators in Minnesota, North and South Dakota for over a half century. We strongly recommend that this service continue as in the past for the protection of local farmers from bankruptcies.

What is a grain commission company and what are their country services.

1. The merchandising department of a grain commission company looks for a market and the best price possible for country elevators who consign their grains for sale.
2. Country services of a grain commission company.
 - (a) Provides seasonal financing for purchasing supplies and marketing patrons' grains.
 - (b) Acts as grain agent for country elevators doing business with Commodity Credit Corporation.

Mr. Raymond D. Lett
October 23, 1981
Page Two

- (c) Assists directors in obtaining qualified management.
- (d) Provides director and management seminars in marketing, management and record-keeping.
- (e) Offers the services of an accounting staff who are specialized in accounting for grain elevators.

There are four commission companies based in Minneapolis, Minnesota -- Benson-Quinn Company, Atwood-Larson Company, Kellogg Commission Company and GTA (Grain Terminal Association) -- that provide accounting services to over 650 elevators in the three states of Minnesota, North and South Dakota. Because of state accounting laws, these companies are not allowed to provide audits as the legal word infers. A compilation report (prepared in accordance with generally accepted auditing standards) is prepared for these 650 plus elevators. Sample copies of a compilation report as prepared by a grain commission company accountant are attached. A detailed examination of these reports will show the importance grain commission companies place on all money transactions and inventory transactions, whether they be actual inventory purchases or sales or delayed pricing, future delivery contracts or any other future payment contract or future delivery contract entered into with a farmer patron. In addition to annual reports, commission companies provide quarterly and monthly reports to elevators they serve.

Some of the concerns we have with the current proposal (CPA audits) are:

1. The expertise that exists in the country would not be able to continue under proposed guidelines. Note: Although commission companies have many CPAs and LPAs on their staff, they will not be able to provide the audit service because by state law they are restricted to compilation reports.
2. Minnesota, North and South Dakota do not have sufficient CPAs who are qualified to audit country elevators. Therefore, even though the CPA audit would be a mandatory proposal, the overall quality of the examination would be less.
3. Cost of USDA audit proposal would encourage many elevators to discontinue their uniform grain storage agreement.

Mr. Raymond D. Lett
October 23, 1981
Page Three

We in the commission business view the services we provide, along with a bonding company and CCC inspections, as a three-way partnership serving country elevators and their patrons. If any one of the three were no longer present, the stability of the elevator could be affected. If this were to happen, the ultimate loser would be the farmer patron.

Many of the country elevators serviced by commission companies have expressed a concern and want us to convey this message. We strongly urge that the requirement recommending annual audits prepared by a certified public accountant be deleted from the proposed rule-making.

In order to maintain the strength of the audit area, we suggest the following: A grain elevator operating under the Commodity Credit Corporation's Uniform Grain Storage Agreement file an annual financial statement prepared in accordance with generally accepted accounting standards. The following additional, supplementary information should also be a part of the financial report: a detailed weight statement showing grain inventory overages or shortages and a detailed market position showing all purchase and all sales contracts in addition to actual inventories and storage liabilities.

Thank you for your time and consideration. Please feel free to call any time for further information regarding our role in serving a country elevator.

Yours truly,

BENSON-QUINN COMPANY



Roy Pinske, Vice President

RP:sk

Attachments

April 21, 1981

Board of Directors

XYZ Company

Gentlemen:

The accompanying balance sheet of _____

as of March 31, 1981 and March 31, 1980, and the related statements of operations, members' and patrons' equity, changes in financial position and other data for the 3 months then ended have been compiled by us.

A compilation is limited to presenting in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures (and the statement of changes in financial position) required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusion about the company's financial position, results of operations, and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to _____

Respectfully submitted,

BENSON-QUINN COMPANY

NAME XYZ Company

STATION

Date March 31, 1981

BALANCE SHEET

ASSETS

LIABILITIES & EQUITY

CURRENT ASSETS	3-31-81	3-31-80	CURRENT LIABILITIES	3-31-81	3-31-80
Cash on Hand	\$ 242408	\$ 184651	Benson-Quinn Co.	\$ -	\$ 13088839
Cash in Bank	17448423	7518532	Outstanding Checks	18872376	7614891
Benson-Quinn Co.	69590	-	Price Later Conts.	8616730	7564700
Accounts Receivable	13422267	7478679	Deferred Payment Contracts	-	2432500
Secured Advances			Open Scale Tickets	52729256	9199435
Grain in Transit	127104431	113978097	Wage Taxes Payable	355512	269184
Grain Inventory in Elev	240263480	149628982	Accounts Payable	1127433	1796197
Less: Storage Liability	172132694	137006578	Notes Payable Current	-	35000000
Company Owned Grain	68130756	12622404	Current Portion, Long Term Debt	4195000	-
Mdse. Inventory	10048868	5872841	Accrued Loss, Open Trades	453750	3518750
Accrued Storage	2750000	3190000	Accrued Expenses	2722914	2853054
Accrued Gain, Open Trades			Patrons' Cred. Bal.	36243	1500950
Prepaid Expenses	1734584	1246156	Dividends Payable	13688024	9529966
			Prov. for Income Tax	861548	2900000
			Grain Advances	86454700	27000000
Total Current Assets	\$3,387,653,57	\$1,570,914,60	Total Current Liabilities	\$1,901,972,73	\$1,343,720,51
OTHER ASSETS			LONG TERM LIABILITIES		
Accounts Receivable	\$	\$	Notes Payable	\$	\$
Less: Res. for Bad Debts	()	()			
Unsecured Advances			Less Current		
Equities in Other Co-ops	41716411	46286356	Long Term Notes Payable		
			Investments Notes	4195000	4125000
			Less Current	4125000	-
Total Other Assets	\$ 417,164,11	\$ 462,863,56	Total Long-Term Liab.	\$ -	\$ 41,250,00
PROPERTY, PLANT & EQUIP.			MEMBERS' & PATRONS' EQUITY		
Buildings & Equipment	\$1,575,106,53	\$1,424,259,62	Capital Stock (Common)	\$ 157,250,00	\$ 157,250,00
Equipment			Capital Stock (Preferred)		
Transportation Equipment			Revolving Capital	1,528,918,56	1,224,047,92
			Cert. of Interest	14,500,00	14,500,00
			Capital Reserve	153,923,82	1,524,40,74
Total Cost Per Books	\$1,575,106,53	\$1,424,259,62			
Less: Accumulated Deprec'n	618,879,10	555,621,75	Profit (Loss)	51,847,60	24,570,00
Land	471,776,00	628,260	Total Equity	\$1,921,000,00	\$1,522,000,00
Net Book Value	\$1,005,405,00	\$875,000,47	Total Liab. & Equity	\$3,822,972,71	\$3,355,979,15
Total Assets	\$3,822,972,71	\$3,355,979,15			

NAME XYZ CompanySTATION

STATEMENT OF OPERATIONS

From 1-1 1981 to 3-31 1981 3 Months

EXPENSES	Receipts		Sales		Profit (Loss)				
	Yr. Ago	This Yr	Yr Ago	This Yr	Yr Ago	This Yr			
Directors Fees			Wheat	2 166	10 259	3 276	35 534	3 927 25	
Salaries & Wages	28 522	31 791 19	Oats	-	35 984	4 323	38 320	5 725 95	
Payroll Taxes	3 898	4 895 23	Corn	445 925	940 744	616 671	950 666	71 596 97	
Group Insurance	1 709	1 676 11	Soybeans	43 041	32 397	103 669	77 941	11 408 14	
Group Retirement									
			Total	491 112	1,019 864	727 719	1,102 766	8 927 559 4	8,400
Site & Other Rent	27 428	-	Merchandise/Sales:		Yr Ago	This Yr			
Repairs & Mainten.	3 868	4 414 39	Feed		289 TON	307 TON		10 470 13	10 700
Insurance, Bonds, Licenses	7 925	11 889 97	Fertilizer		7 TON	13 TON		306 22	770
Property Taxes	7 612	8 516 12	Fertilizer						
Depreciation	20 162	20 434 04							
Power, Light, Heat, Water	3 605	3 515 07	Chemicals					908 54	5 900
Telephone, Markets	1 201	1 247 84	Twine						
Elevator Supplies	375	164 08	Seeds					845 41	5 900
Dryer Fuel			Seed Grain						
Print, Post, Off Supp.	1 156	588 05	Other Merchandise						
Exchg. & Bank Charges			Feed Grinding & Mixing		2 679			3 412 60	
Advertising & Promotion	109	440 53	Storage & Handling		34 124			19 395 53	
Dues & Publications	162	318 30	Cleaning & Treating		223			3 275 87	
Legal & Accountants Fees	734	45 00	Custom Drying		7 337			-	
Pest Control	140	140 00	Trucking		1 608			2 251 25	
Meetings & Mileage	934	1 186 58							
Truck, Tractor & Auger	1 059	2 247 11							
			Patronage Dividends Rec'd -		954			858 89	
			Interest Income		2 634			11 213 06	
			Finance Charges		334			674 42	
			GROSS PROFIT (LOSS)		133 512			1 46 429 96	
Interest	3 338	721 75	DEDUCT: TOTAL EXPENSES		109 022			94 502 26	
Total Expenses	43 74	582 36	NET PROFIT (LOSS)		24 490			51 927 50	

SEE ACCOUNTANT'S COMPILATION REPORT

STATION XYZ Company

Date March 31, 19 81

COMMODITY	BOOK INVENTORY			OUTSTANDING STORAGE		
	Quantity	Price	Amount	Quantity	Price	Amount
Wheat	23 127	\$ 4.20	\$ 97 133 40	27 841	\$ 4.20	\$ 116 932 50
Oats	3 514	2.00	7 028 00	3 514	2.00	7 028 00
Corn	394 497	3.00	1 183 491 00	191 304	3.00	573 912 00
Soybeans	156 160	7.14	1 114 982 40	143 341	7.14	1 023 454 74
Merchandise			100 088 68			
Total			\$ 3 562 723 48			\$ 1 761 326 94

WORKING CAPITAL

AS AT	3-31 19 81	12-31 19 81	12-31 19 80
AVAILABLE WORKING CAPITAL	\$ 485 680 54	\$ 539 353 64	\$ 232 378 36
LESS: ACCOUNTS & NOTES RECEIVABLE AND UNSECURED ADVANCES	104 602 67	17 775 79	14 409 94
CASH WORKING CAPITAL (DEFICIT)	\$ 381 078 17	\$ 521 577 85	\$ 217 968 42

MARKET POSITION

COMMODITY	Wheat	Oats	Corn	Beans
In Elevator	23 127	3 514	394 497	156 160
In Transit, Sold				
In Transit, Unsold				
Stored at Terminals				
Contracts of Purchase	500	598	166 759	41 243
Open Futures (Bought)	20 000			
TOTALS	43 627	4 112	561 256	197 403
Outstanding Storage	27 841	3 514	191 304	143 341
In Transit, Sold				
Sold To Arrive			340 700	51 500
Open Futures (Sold)			20 000	
Price Later Contracts	20 516			
TOTALS	48 357	3 514	552 004	200 841
LONG		598	9 282	
SHORT	4 730			3 438

ANNUAL REPORT

Of The

XYZ COMPANY

As Of December 31, 1980

OFFICERS AND DIRECTORS

President

Vice President

Secretary-Treasurer

Director

Director

Director

Director

- Manager

XYZ COMPANY

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January 15, 1981

Board of Directors
XYZ Company

Gentlemen:

The accompanying balance sheet of the
as of December 31, 1980 and 1979 and the related
statements of operations, members' and patrons' equity, changes
in financial position, and other data for the year then ended have
been compiled by us.

A compilation is limited to presenting in the form of financial
statements information that is the representation of management.
We have not audited or reviewed the accompanying financial state-
ments and, accordingly, do not express an opinion or any other form
of assurance on them.

We are not independent with respect to the

Respectfully submitted,
Benson-Quinn Company

XYZ COMPANY

BALANCE SHEET
As Of December 31, 1980 and 1979
(See Accountant's Compilation Report)

	<u>As Of</u> <u>12-31-80</u>	<u>As Of</u> <u>12-31-79</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash	\$ 624,468.61	\$ 489,286.09
Due from Commission Firm	123,074.27	162,988.11
Due from St. Paul Bank for Cooperatives	650,000.00	200,000.00
Accounts Receivable	17,775.79	14,409.94
Accrued Storage Receivable	44,026.29	35,542.81
Accrued Interest Receivable	11,883.17	4,320.83
Grain Inventory	4,162,699.17	2,788,850.69
Less: Storage Liability	(2,763,373.98)	(2,162,870.50)
Merchandise Inventory	32,371.95	26,006.83
Prepaid Expense	20,784.90	17,442.80
Total Current Assets	<u>\$2,923,710.17</u>	<u>\$1,575,977.60</u>
<u>PROPERTY, PLANT AND EQUIPMENT:</u>		
Buildings and Equipment	\$1,457,825.98	\$1,424,259.62
Less: Accumulated Depreciation	598,445.06	535,460.20
	<u>\$ 859,380.92</u>	<u>\$ 888,799.42</u>
Land	45,177.60	6,382.60
Net Book Value	<u>\$ 904,558.52</u>	<u>\$ 895,182.02</u>
<u>OTHER ASSETS:</u>		
Equities in Other Cooperatives	\$ 472,343.70	\$ 462,803.12
Total Assets	<u>\$4,300,612.39</u>	<u>\$2,933,962.74</u>
<u>LIABILITIES AND EQUITY</u>		
<u>CURRENT LIABILITIES:</u>		
Outstanding Checks	\$ 200,481.30	\$ 199,354.43
Deferred Payment Contracts	742,204.28	415,154.45
Price Later Contracts	233,419.42	201,490.22
Note Payable	1,000.00	-
Patrons' Credit Balances	319.40	12,524.91
Accounts Payable	973,669.18	339,225.25
Current Portion of Long-term Debt	41,950.00	-
Patrons' Net Margins Payable	136,880.24	95,699.66
Provision for Income Tax	15,000.00	29,500.00
Accrued Loss on Open Trades	3,037.50	17,260.00
Accrued Expense	36,392.21	33,390.32
Total Current Liabilities	<u>\$2,384,353.53</u>	<u>\$1,343,599.24</u>
<u>LONG-TERM LIABILITIES:</u>		
Investment Notes Payable	\$ 41,950.00	\$ 41,950.00
Less: Current Portion	41,950.00	-
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 41,950.00</u>

The accompanying notes are an integral part of these financial statements.

"UNAUDITED"

XYZ COMPANY

BALANCE SHEET

As Of December 31, 1980 and 1979
(See Accountant's Compilation Report)

As Of
12-31-80

As Of
12-31-79

LIABILITIES AND EQUITY

MEMBERS' AND PATRONS' EQUITY:

Common Capital Stock - Authorized 16,000 Shares, Par Value \$25.00, Issued and Outstanding 6,308 and 6,285 Shares Respectively	\$ 157,700.00	\$ 157,125.00
Preferred Capital Stock - Authorized 40,000 Shares, Par Value \$25.00, Issued and Outstanding - None	-	-
Certificates of Interest	14,800.00	14,800.00
Capital Reserve - Allocated	1,088.70	1,088.70
Capital Reserve - Unallocated	208,207.50	151,351.84
Revolving Capital	<u>1,534,462.66</u>	<u>1,224,047.96</u>
Total Members' and Patrons' Equity	<u>\$1,916,258.86</u>	<u>\$1,548,413.50</u>
Total Liabilities and Equity	<u>\$4,300,612.39</u>	<u>\$2,933,962.74</u>

The accompanying notes are an integral part of these financial statements

"UNAUDITED"

XYZ COMPANY

STATEMENT OF OPERATIONS
 For the Years Ended December 31, 1980 and 1979
 (See Accountant's Compilation Report)

	Year Ended 12-31-80	Year Ended 12-31-79
<u>SALES</u>	\$15,624,948.16	\$ 9,531,899.75
<u>LESS: COST OF SALES:</u>		
Beginning Inventory	\$ 2,814,857.52	\$ 2,478,716.25
Purchases	15,688,021.78	9,331,381.29
Ending Outstanding Storage	<u>2,763,373.98</u>	<u>2,162,870.50</u>
Totals	\$21,266,253.28	\$13,972,968.04
Less:		
Beginning Outstanding Storage	\$ 2,162,870.50	\$ 2,130,299.82
Ending Inventory	<u>4,195,071.21</u>	<u>2,814,857.52</u>
Totals	\$ 6,357,941.62	\$ 4,945,157.34
Cost of Sales	<u>\$14,908,311.66</u>	<u>\$ 9,027,810.70</u>
Gross Margins on Sales	<u>\$ 716,636.50</u>	<u>\$ 504,089.05</u>
<u>OTHER OPERATING INCOME:</u>		
Grinding and Mixing	\$ 14,146.93	\$ 12,865.45
Trucking	9,094.30	7,699.40
Grain Drying	85,992.16	143,471.38
Grain Cleaning	8,320.96	5,895.33
Storage and Handling	<u>132,505.78</u>	<u>128,382.82</u>
Total Other Operating Income	\$ 250,060.13	\$ 298,314.38
Total Gross Margins	<u>\$ 966,696.63</u>	<u>\$ 802,403.43</u>
<u>LESS: OPERATING EXPENSE:</u>		
Directors' Fees	\$ 1,625.00	\$ 1,230.00
Salaries and Wages	157,759.13	119,841.12
Payroll Taxes	9,802.17	7,512.84
Group Insurance	7,034.54	5,327.54
Site and Other Rents	18,335.40	495.00
Repairs and Maintenance	34,917.07	27,819.37
Insurance, Bonds and License	47,559.89	27,566.07
Property Taxes	32,171.70	31,287.18
Depreciation	81,736.17	77,628.42
Power, Light, Heat and Water	14,998.21	15,946.68
Telephone and Markets	4,901.99	4,192.76
Elevator Supplies	3,538.83	2,626.49
Dryer Fuel	16,700.66	58,612.50
Office Supplies	4,946.64	4,266.67
Advertising	2,313.24	4,714.70
Dues and Publications	281.66	322.00
Legal and Accounting Fees	2,922.64	2,720.35
Pest Control	560.00	512.20
Travel and Meetings	4,325.83	2,744.23
Truck Expense	10,801.72	7,728.49
Patronage Dividend Adjustment	-	1,583.32
Total Operating Expense	<u>\$ 457,232.49</u>	<u>\$ 404,677.93</u>
Net Operating Margins	<u>\$ 509,464.14</u>	<u>\$ 397,725.50</u>

The accompanying notes are an integral part of these financial statements

"UNAUDITED"

XYZ COMPANY

STATEMENT OF OPERATIONS
For the Years Ended December 31, 1980 and 1979
(See Accountant's Compilation Report)

	<u>Year Ended</u> <u>12-31-80</u>	<u>Year Ended</u> <u>12-31-79</u>
<u>OTHER INCOME:</u>		
Interest Income	\$ 32,477.93	\$ 16,403.88
Finance Charges	8,855.41	9,867.63
Patronage Dividends	38,264.27	29,757.22
Miscellaneous Income	292.00	1,091.93
Total Other Income	<u>\$ 79,889.61</u>	<u>\$ 57,120.66</u>
<u>OTHER DEDUCTIONS:</u>		
Interest Expense	<u>\$ 30,368.22</u>	<u>\$ 44,847.50</u>
Net Margins for Year	<u><u>\$ 558,985.53</u></u>	<u><u>\$ 409,998.66</u></u>

The accompanying notes are an integral part of these financial statements.

"UNAUDITED"

XYZ COMPANY

STATEMENT OF GROSS MARGINS ON SALES
For the Years Ended December 31, 1980 and 1979
 (See Accountant's Compilation Report)

	<u>Sales</u>	<u>Cost of Sales</u>	<u>Gross Margins</u>
<u>For the Year Ended December 31, 1980</u>			
<u>GRAIN:</u>			
Wheat	\$ 1,011,215.63	\$ 1,008,637.81	\$ 2,577.82
Oats	165,798.23	152,905.43	12,892.80
Corn	8,892,920.34	8,398,789.17	494,131.17
Soybeans	4,772,827.55	4,661,668.40	111,159.15
Sunflowers	<u>4,371.15</u>	<u>4,339.48</u>	<u>31.67</u>
Total Grain	<u>\$14,847,132.90</u>	<u>\$14,226,340.29</u>	<u>\$620,792.61</u>
<u>MERCHANDISE:</u>			
Feed	\$ 420,259.51	\$ 360,702.70	\$ 59,556.81
Fertilizer	108,811.78	93,484.49	15,327.29
Chemical	208,064.47	187,493.14	20,571.33
Seed	38,921.70	38,665.54	256.16
Twine	<u>1,757.80</u>	<u>1,625.50</u>	<u>132.30</u>
Total Merchandise	<u>\$ 777,815.26</u>	<u>\$ 681,971.37</u>	<u>\$ 95,843.89</u>
Totals	<u>\$15,624,948.16</u>	<u>\$14,908,311.66</u>	<u>\$716,636.50</u>
<u>For the Year Ended December 31, 1979</u>			
<u>GRAIN:</u>			
Wheat	\$ 693,609.06	\$ 664,910.13	\$ 28,698.93
Oats	91,699.23	77,616.49	14,082.74
Corn	4,165,181.43	3,900,503.18	264,678.25
Soybeans	3,865,990.65	3,767,769.65	98,221.00
Sunflowers	<u>21,397.88</u>	<u>21,321.08</u>	<u>76.80</u>
Total Grain	<u>\$ 8,837,878.25</u>	<u>\$ 8,432,120.53</u>	<u>\$405,757.72</u>
<u>MERCHANDISE:</u>			
Feed	\$ 389,056.99	\$ 336,794.85	\$ 52,262.14
Fertilizer	91,386.34	75,913.97	15,472.37
Chemical	182,308.92	156,667.43	25,641.49
Seed	29,961.25	25,137.17	4,824.08
Twine	<u>1,308.00</u>	<u>1,176.75</u>	<u>131.25</u>
Total Merchandise	<u>\$ 694,021.50</u>	<u>\$ 595,690.17</u>	<u>\$ 98,331.33</u>
Totals	<u>\$ 9,531,899.75</u>	<u>\$ 9,027,810.70</u>	<u>\$504,089.05</u>

The accompanying notes are an integral part of these financial statements.

"UNAUDITED"

XYZ COMPANY

EXHIBIT C

STATEMENT OF MEMBERS' AND PATRONS' EQUITY
(See Accountant's Compilation Report)

	<u>Common Capital Stock</u>	<u>Preferred Capital Stock</u>	<u>Cert. of Interest</u>	<u>Capital Reserve Allocated</u>	<u>Capital Reserve Unallocated</u>	<u>Revolving Capital</u>	<u>Current Net Margins</u>
<u>BALANCE -</u>							
<u>DECEMBER 31, 1979</u>	\$157,125.00	\$ -0-	\$14,800.00	\$1,088.70	\$151,351.84	\$1,224,047.96	\$ -0-
<u>ADD:</u>							
Net Margins for Year							558,985.53
Common Stock Issued	1,525.00					(1,525.00)	
Prior Year's Dividend Adjustment					726.99	(508.89)	
<u>DEDUCT:</u>							
Common Stock Redeemed	(950.00)						
Revolving Capital Redeemed						(6,938.62)	
Payment of Income Tax					(31,589.41)		
<u>DISTRIBUTION OF NET MARGINS:</u>							
<u>Association's Net Margins:</u>							
Capital Reserve					83,847.83		(83,847.83)
Provision for Income Tax							(15,000.00)
Capital Reserve-NPNI					3,870.25		(3,870.25)
<u>Patrons' Net Margins:</u>							
Patrons' Net Margins Payable - 30%							(136,880.24)
Revolving Capital Credits - 70%						319,387.21	(319,387.21)
<u>BALANCE -</u>							
<u>DECEMBER 31, 1980</u>	<u>\$157,700.00</u>	<u>\$ -0-</u>	<u>\$14,800.00</u>	<u>\$1,088.70</u>	<u>\$208,207.50</u>	<u>\$1,534,462.66</u>	<u>\$ -0-</u>

The accompanying notes are an integral part of these financial statements.

"UNAUDITED"

XYZ COMPANY

STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Years Ended December 31, 1980 and 1979
(See Accountant's Compilation Report)

	<u>Year Ended</u> <u>12-31-80</u>	<u>Year Ended</u> <u>12-31-79</u>
<u>WORKING CAPITAL PROVIDED FROM:</u>		
Net Margins per Exhibit B	\$ 558,985.53	\$409,998.66
Add: Expense not requiring outlay of working capital:		
Depreciation	81,736.17	77,628.42
Less: Non-cash Patronage Dividends	<u>(29,935.66)</u>	<u>(23,559.68)</u>
Working Capital Provided from Operations	\$ 610,786.04	\$464,067.40
Equities in Other Cooperatives Redeemed	<u>22,388.56</u>	<u>269.62</u>
Total Working Capital Provided	<u>\$ 633,174.60</u>	<u>\$464,337.02</u>
<u>WORKING CAPITAL APPLIED TO:</u>		
Additions to Property and Equipment:		
Buildings	\$ 39,488.12	\$ 13,412.67
Equipment	12,829.55	33,647.75
Land	38,795.00	-
Equity in Other Cooperatives	1,993.48	3,880.45
Dividends Payable	136,880.24	95,699.66
Payments due Within One Year on Long- term Debt	41,950.00	-
Redemption of Capital Stock	950.00	100.00
Redemption of Revolving Capital	6,938.62	34,324.18
Payment of Income Tax	46,589.41	30,447.73
Adjustment of Prior Year's Dividend	<u>(218.10)</u>	<u>(1,108.32)</u>
Total Working Capital Applied	<u>\$ 326,196.32</u>	<u>\$210,404.12</u>
<u>NET INCREASE IN WORKING CAPITAL</u>	<u>\$ 306,978.28</u>	<u>\$253,932.90</u>
<u>NET CHANGES IN WORKING CAPITAL:</u>		
<u>INCREASE (DECREASE) IN CURRENT ASSETS:</u>		
Cash	\$ 545,268.68	\$511,437.32
Receivables	19,411.67	(2,319.01)
Inventories	779,710.12	303,570.59
Prepaid Expense	<u>3,342.10</u>	<u>8,820.60</u>
Net Changes in Current Assets	<u>\$1,347,732.57</u>	<u>\$821,509.50</u>
<u>INCREASE (DECREASE) IN CURRENT LIABILITIES:</u>		
Outstanding Checks	\$ 1,126.87	\$ 51,494.95
Price Later Contracts	31,929.20	201,490.22
Deferred Payment Contracts	327,049.83	(15,965.74)
Note Payable	1,000.00	-
Patrons' Credit Balances	(12,205.51)	(3,093.10)
Accounts Payable	634,443.93	249,042.05
Current Portion of Long-term Debt	41,950.00	-
Patrons' Net Margins Payable	41,180.58	32,401.06
Provision for Income Tax	(14,500.00)	29,500.00
Accrued Loss on Open Trades	(14,222.50)	15,800.00
Accrued Expense	<u>3,001.89</u>	<u>6,907.16</u>
Net Changes in Current Liabilities	<u>\$1,040,754.29</u>	<u>\$567,576.60</u>
<u>NET INCREASE IN WORKING CAPITAL - AS ABOVE</u>	<u>\$ 306,978.28</u>	<u>\$253,932.90</u>

The accompanying notes are an integral part of these financial statements.

"UNAUDITED"

XYZ COMPANY

NOTES TO FINANCIAL STATEMENTS
(See Accountant's Compilation Report)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Assets and liabilities, revenues and expenses are recognized on the accrual basis of accounting.
- B. No allowance for bad debts is maintained. Doubtful accounts are charged against current income.
- C. Grain is valued at market and reflects appropriate adjustments for grade and location. Merchandise is valued at the lower of cost or market. Inactive items are valued at estimated realizable values. Grain inventories were measured by a qualified third party. Merchandise inventories were taken by the employees and directors. Inventories were priced and furnished by the manager.
- D. Open purchase and sales contracts, including open futures transactions, have been accounted for.
- E. Property, plant and equipment are recorded at cost. Additions and improvements to properties are capitalized. Maintenance and repair expenditures are charged to operations. When properties are retired by sale, the net value is removed and the resulting gain or loss is reflected in income; if retirement is by trade, the net book value is reflected in the valuation of the new property acquired. Depreciation is provided over the estimated useful lives of the various properties on the straight-line basis.
- F. Equities in other cooperatives are valued at cost or face value. These equities are payable only at the option of the issuing cooperative.
- G. The provision for income taxes is based on federal and state taxable income. Investment credits are recorded as a reduction of federal income taxes. Any unused credits are passed through to the patrons on the basis of patronage.

NOTE 2 - NOTES PAYABLE AND LONG-TERM DEBT

The notes payable and long-term debt at December 31, 1980 are as follows:

- 1. St. Paul Bank for Cooperatives - Seasonal Loan:
 Due November 30, 1981 \$ 1,000.00
- 2. Ten Year Building Notes:
 (7%) Due May 1, 1981 41,950.00

The St. Paul Bank for Cooperatives has extended a bank line of \$900,000.00 to the company to assist in financing the association. At year end \$1,000.00 was in use. The bank line is secured by all personal property and fixtures, which includes accounts and receivables, inventories, and machinery and equipment.

NOTE 3 - LEASE COMMITMENTS

The company leases seven covered hopper cars from North American Car Corporation at a cost of \$450.00 per month per car. The lease agreement expires in 1984.

"UNAUDITED"

XYZ COMPANY

NOTES TO FINANCIAL STATEMENTS
(See Accountant's Compilation Report)

NOTE 3 - LEASE COMMITMENTS (Continued)

The company leases three covered hopper cars from Benson-Quinn Company at a cost of \$440.00 per month per car. The lease agreement expires in 1984.

NOTE 4 - PATRONS' NET MARGINS PAYABLE

The patrons' net margins are debts which were unconditionally payable to patrons in cash and were current liabilities on the balance sheet date. Because the patrons had subscribed an equal amount to the revolving capital and we have been advised that the board of directors will accept 70% of those subscriptions and collect them by setting off each subscriber's debt to the association for his subscription against its debt to him, and because the liabilities will thus be reduced and the revolving capital increased, we have included 70% of the patrons' net margins payable in the capital. Until the patrons' net margins are actually paid, either by set-off or otherwise, they are additional current liabilities and not capital.

XYZ COMPANY

ADDITIONAL INFORMATION

XYZ COMPANY

CASH
As Of December 31, 1980
(See Accountant's Compilation Report)

EMPIRE STATE BANK
Cottonwood, Minnesota

	<u>Amount</u>
Balance per Bank Statement - 12-31-80	\$510,406.34
Cash on Hand	<u>114,062.27</u>
Total to Exhibit A	<u>\$624,468.61</u>

XYZ COMPANY

DUE FROM COMMISSION FIRM

As Of December 31, 1980

(See Accountant's Compilation Report)

	<u>Amount</u>
Balances per Benson-Quinn Company Statements - 12-31-80:	
Regular Account	\$703,681.70
Interest Account	15,150.67
Margins Account	<u>22,691.90</u>
	\$741,524.27
<u>Less: Advances:</u>	
<u>Car Number</u>	
482141	\$ 9,200.00
482144	8,850.00
76907	8,850.00
482142	9,750.00
482003	9,750.00
482004	9,750.00
1003	9,100.00
1005	11,500.00
43668	9,700.00
43391	9,700.00
31200	8,450.00
460265	13,400.00
452190	13,700.00
482003	10,900.00
482004	10,900.00
482143	10,900.00
446163	12,800.00
26662	10,550.00
482015	10,700.00
482141	10,700.00
449206	<u>9,300.00</u>
	218,450.00
Draft - 12-31-80	<u>400,000.00</u>
Total to Exhibit A	<u><u>\$123,074.27</u></u>

XYZ COMPANY

DUE FROM ST. PAUL BANK FOR COOPERATIVES

As Of December 31, 1980

(See Accountant's Compilation Report)

<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Kind</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Accrued Interest</u>
10-27-80	1-2-81	Farm Credit Investment Bond	12.30%	\$200,000.00	\$ 4,443.67
10-31-80	1-2-81	Farm Credit Investment Bond	12.90%	100,000.00	2,186.94
11-17-80	1-2-81	Farm Credit Investment Bond	14.50%	200,000.00	3,470.74
12- 4-80	1-5-81	Farm Credit Investment Bond	15.75%	<u>150,000.00</u>	<u>1,781.82</u>
Totals to Exhibit A				<u>\$650,000.00</u>	<u>\$11,883.17</u>

"UNAUDITED"

XYZ COMPANY

ACCOUNTS RECEIVABLE
As Of December 31, 1980
(See Accountant's Compilation Report)

<u>Name</u>	<u>Total Amount</u>	<u>30 Days</u>	<u>31 Days to 90 Days</u>	<u>91 Days to 6 Months</u>	<u>6 Months to One Year</u>	<u>Over One Year</u>
	\$ 1,695.68	\$ 1,695.68				
	10.70	10.70				
	11.13	11.13				
	2,992.10	2,992.10				
	1,146.55	1,146.55				
	610.60	610.60				
	440.00	440.00				
	2,180.30	2,180.30				
	214.60	177.10	\$ 37.50			
	202.51	2.66	199.85			
	7.75	7.75				
	213.90	213.90				
	5.35	5.35				
	7.75	7.75				
	120.00	120.00				
	3,043.63	455.70	450.95	\$791.55	\$1,345.43	
	54.40	54.40				
	1,127.14	1,127.14				
	1,055.86	360.52	224.60	42.20	428.54	
	302.70	147.70	155.00			
	18.22	.50	1.00	16.72		
	1,064.95	1,064.95				
	295.01	295.01				
	23.82	.50	1.00	1.50	1.48	\$19.34

"UNAUDITED"

XYZ COMPANY

ACCOUNTS RECEIVABLE
 As Of December 31, 1980
 (See Accountant's Compilation Report)

<u>Name</u>	<u>Total Amount</u>	<u>30 Days</u>	<u>31 Days to 90 Days</u>	<u>91 Days to 6 Months</u>	<u>6 Months to One Year</u>	<u>Over One Year</u>
	\$ 7.75	\$ 7.75				
	257.14	257.14				
	666.25	666.25				
	<u>\$17,775.79</u>	<u>\$14,059.13</u>	<u>\$1,069.90</u>	<u>\$851.97</u>	<u>\$1,775.45</u>	<u>\$19.34</u>

SUMMARY

	<u>Amount</u>	<u>Percent</u>
30 Days	\$14,059.13	79.1%
31 Days to 90 Days	1,069.90	6.0%
91 Days to 6 Months	851.97	4.8%
6 Months to One Year	1,775.45	10.0%
Over One Year	<u>19.34</u>	0.1%
Total to Exhibit A	<u>\$17,775.79</u>	

XYZ COMPANY

INVENTORY
As Of December 31, 1980
(See Accountant's Compilation Report)

	<u>Quantity</u>	<u>Price</u>	<u>Amount</u>	<u>Total</u>
<u>GRAIN:</u>				
Wheat:				
In Elevator	48,062	\$4.39	\$ 210,992.18	
In Transit	19,328		83,009.83	
	<u>67,390</u>			\$ 294,002.01
Oats:				
In Elevator	3,775	1.84	\$ 6,946.00	
In Transit	25,167		45,803.73	
	<u>28,942</u>			52,749.73
Corn:				
In Elevator	404,379	3.01	\$1,217,180.79	
In Transit	350,810		974,084.02	
	<u>755,189</u>			2,191,264.81
Soybeans:				
In Elevator	201,704	7.25	\$1,462,354.00	
In Transit	22,066		162,328.62	
	<u>223,770</u>			1,624,682.62
Total Grain Inventory				\$4,162,699.17
<u>MERCHANDISE:</u>				
Feed	Pounds	164,720	\$ 29,518.65	
Seed	Pounds	2,280	304.00	
Fertilizer	Pounds	1,650	180.00	
Chemicals			2,269.30	
Twine	Bales	5	100.00	
Total Merchandise Inventory				32,371.95
Total Inventory to Exhibit A				<u>\$4,195,071.12</u>

"UNAUDITED"

XYZ COMPANY

STORAGE LIABILITY
As Of December 31, 1980
(See Accountant's Compilation Report)

	<u>Quantity</u>	<u>Price</u>	<u>Amount</u>	<u>Accrued Storage</u>
<u>GRAIN:</u>				
Wheat	46,788.63	\$4.39	\$ 205,402.09	\$ 2,086.71
Oats	1,709.64	1.84	3,145.74	254.20
Corn	332,974.64	3.01	1,002,253.67	25,152.45
Soybeans	206,120.92	7.25	1,494,376.67	16,532.93
<u>GRAIN BANK:</u>				
Oats	3,219.66	1.84	5,924.18	-
Corn	17,365.99	3.01	<u>52,271.63</u>	<u>-</u>
Totals to Exhibit A			<u>\$2,763,373.98</u>	<u>\$44,026.29</u>

"UNAUDITED"

F I X E D A S S E T S & D E P R E C I A T I O N

SCHEDULE 7
PAGE 18

FOR PERIOD ENDING 12 31 80

-DETAIL CODE

-A- DEPRECIATION --- 1-STRAIGHT LINE 2-DOUBLE DECLINING BALANCE -200%

3-150% DECLINING BAL 4-CHANGED TO STRAIGHT LINE

-B- DISPOSITION --- 1-SOLD 2-TRADED 3-ABANDONED

XYZ COMPANY

ELEVATOR DEPT LAND

DESCRIPTION	A B	DATE ACQUIRED	COST OR BASIS	RATE %	RESERVE			UNRECOVERED COST
					BEGINNING	ADDITIONS	ENDING	
LAND	1	11 00 80	\$ 38,795.00	0.00	\$.00	\$.00	\$.00	\$ 38,795.00
LAND	1	0 00 70	2,500.00	0.00	.00	.00	.00	2,500.00
LAND	1	0 00 71	3,882.60	0.00	.00	.00	.00	3,882.60
LAND		TOTAL	\$ 45,177.60		\$	\$	\$	\$ 45,177.60

ELEVATOR DEPT BUILDINGS

DESCRIPTION	A B	DATE ACQUIRED	COST OR BASIS	RATE %	RESERVE			UNRECOVERED COST
					BEGINNING	ADDITIONS	ENDING	
STEEL BLDG IMPRV	1	8 00 80	\$ 9,000.00	10.00	\$.00	\$ 375.00	\$ 375.00	\$ 8,625.00
PAVE ELEV LOT	1	11 00 80	30,488.12	10.00	.00	254.07	254.07	30,234.05
ELEV & EQUIPT.	1	0 00 38	17,558.90	0.00	17,558.90	.00	17,558.90	.00
ELEV & EQUIPT.	1	0 00 41	623.32	3.00	623.32	.00	623.32	.00
ELEV & EQUIPT.	1	0 00 42	705.90	3.00	705.90	.00	705.90	.00
ELEV & EQUIPT.	1	0 00 43	115.00	3.00	115.00	.00	115.00	.00
ELEV & EQUIPT.	1	0 00 48	208.61	3.00	200.84	6.26	207.10	1.51
STEEL TANKS	1	0 00 84	19,054.13	0.00	19,054.13	.00	19,054.13	.00
ELEVATOR	1	0 00 86	109,535.00	2.50	63,791.57	2,738.33	56,529.95	43,005.05
SIOUX BLDG	1	0 00 86	32,064.98	5.00	32,064.98	.00	32,064.93	.05
WAREHOUSE	1	0 00 88	2,123.92	5.00	2,123.92	.00	2,123.92	.00
MILL BLDG	1	8 00 82	32,774.86	4.00	23,051.60	1,310.99	24,362.59	8,412.27
2 CONCRETE TANKS	1	9 03 77	222,196.05	3.00	15,553.72	6,665.88	22,219.60	199,976.45

-UNAUDITED-

F I X E D A S S E T S & D E P R E C I A T I O N

ELEVATOR DEPT BUILDINGS -CONT-

DESCRIPTION	A	B	DATE ACQUIRED	COST OR BASIS	RATE %	RESERVE			UNRECOVERED COST
						BEGINNING	ADDITIONS	ENDING	
STEEL BLDG IMPRV	1		9 00 79	\$ 13,412.67	10.00	\$ 447.09	\$ 1,341.27	\$ 1,788.36	\$ 11,624.31
BUILDINGS			TOTAL	\$ 489,861.46		\$175,290.97	\$ 12,691.85	\$197,982.82	\$301,878.64

ELEVATOR DEPT EQUIPMENT

DESCRIPTION	A	B	DATE ACQUIRED	COST OR BASIS	RATE %	RESERVE			UNRECOVERED COST
						BEGINNING	ADDITIONS	ENDING	
JACOBSON MIXER	1		9 00 80	\$ 11,733.33	10.00	\$.00	\$ 391.11	\$ 391.11	\$ 11,342.22
VACUUM CLEANER	1		10 00 80	546.22	20.00	.00	32.31	32.31	613.91
1949 INT'L TRUCK	1		11 00 80	450.00	50.00	.00	37.50	37.50	412.50
EQUIPMENT	1		0 00 82	1,470.78	0.00	1,470.78	.00	1,470.78	.00
MIXER	1	3	0 00 89	3,088.00	0.00	3,088.00	.00	3,088.00	.00
HAMMER MILL	1	3	0 00 89	14,978.45	0.00	14,978.45	.00	14,978.45	.00
ROLLER MILL	1		0 00 80	2,756.91	5.00	2,630.63	126.28	2,756.91	.00
INTER COM	1		0 00 81	50.00	10.00	50.00	.00	50.00	.00
CHEV TRUCK 1965	1		0 00 85	3,075.00	0.00	3,075.00	.00	3,075.00	.00
CHAIR	1		0 00 85	65.00	10.00	65.00	.00	65.00	.00
BEAN TREATER	1		0 00 85	1,570.52	10.00	1,570.52	.00	1,570.52	.00
AIR CONDITIONER	1		0 00 86	258.00	10.00	258.00	.00	258.00	.00
GRAIN DRYER	1		10 00 86	38,158.21	10.00	38,158.21	.00	38,158.21	.00
ROTO FLOW	1		0 00 87	4,812.84	10.00	4,812.84	.00	4,812.84	.00
SPOUTING	1		3 00 88	936.63	0.00	936.63	.00	936.63	.00
FERT SPREADER	1		4 00 89	1,304.79	20.00	1,304.79	.00	1,304.79	.00
COPIER	1		7 00 89	405.27	10.00	405.27	.00	405.27	.00
RICHARDSON SCALE	1		3 00 70	1,500.00	10.00	1,475.00	25.00	1,500.00	.00
PUMP & MOTOR	1		7 00 70	310.00	20.00	310.00	.00	310.00	.00
SCREENER	1		7 00 70	1,596.70	10.00	1,516.86	79.84	1,596.70	.00
CHECKWRITER	1		8 00 71	273.67	10.00	229.89	27.31	257.20	15.07
TYPEWRITER	1		2 00 72	80.00	25.00	80.00	.00	80.00	.00
FERT SPREADER	1		4 00 72	2,386.88	20.00	2,386.88	.00	2,386.88	.00
VICTOR CALC 1800	1	2	10 00 72	196.06	20.00	196.06	.00	196.06	.00

F I X E D A S S E T S & D E P R E C I A T I O N

ELEVATOR DEPT

EQUIPMENT

-CONT-

DESCRIPTION	A	B	DATE ACQUIRED	COST OR BASIS	RATE &	RESERVE			UNRECOVERED COST
						BEGINNING	ADDITIONS	ENDING	
OLYMPIA CALC ELECT MOISTURE TESTER	1		10 00 72	\$ 61.04	20.00	\$ 61.04	\$.00	\$ 61.04	.00
CRIPPEN CLEANER MOIST TESTER	1		10 00 72	443.75	10.00	321.75	44.39	366.13	77.62
VICTOR CALC 1900 LOADER	1		9 00 73	8,234.27	10.00	5,215.06	823.43	6,038.49	2,195.73
LIQUID FD TANK	1		2 00 74	750.00	10.00	443.75	75.00	518.75	231.25
FIRE ALARM SYS.	1	2	8 00 74	488.80	20.00	488.80	.00	488.80	.00
BEAN TREATER	1		10 00 74	832.00	25.00	832.00	.00	832.00	.00
UDY PROT TESTER	1		12 00 74	3,241.71	10.00	1,647.86	324.17	1,972.03	1,269.68
MAGIE SPRAYER & TPL	1		12 00 74	9,539.73	5.00	2,424.70	476.99	2,901.69	6,638.04
JACOBSON FD MILL	1		4 00 75	465.00	20.00	441.75	23.25	465.00	.00
FIRE FILE	1		2 00 76	2,505.00	20.00	1,962.25	501.00	2,463.25	41.75
ELEV-MILL AUGER	1		5 00 76	14,417.67	16.67	8,812.25	2,403.43	11,215.68	3,201.99
1953 CHEV TRUCK	1		7 00 76	12,192.35	10.00	4,267.44	1,219.24	5,486.68	6,705.67
ELECTRNC SCALES	1		10 00 76	556.40	10.00	180.83	55.64	236.47	319.93
AUGER-14 FT	1		10 00 76	2,875.04	20.00	1,858.78	575.01	2,443.79	431.25
CASE TRACTOR	1		3 00 77	1,350.00	33.00	1,266.00	84.00	1,350.00	.00
SAFE	1		6 00 77	9,360.00	10.00	2,418.00	936.00	3,354.00	6,006.00
WILLMAR SPREADER	1		10 00 77	798.18	25.00	448.99	199.55	648.54	149.64
BULK FEED BOX	1		3 00 78	2,080.00	20.00	762.70	416.00	1,178.70	501.30
CHEV PICK-UP	1		3 00 78	1,728.48	10.00	316.85	172.85	489.70	1,238.78
GAS MOTOR	1		4 00 78	5,408.00	25.00	2,356.03	1,352.00	3,718.03	1,689.97
IHC TRUCK	1		4 00 78	7,520.24	25.00	3,290.09	1,880.06	5,170.15	2,350.09
WILLMAR SPRFADER	1		5 00 78	5,407.20	25.00	2,253.00	1,351.80	3,604.80	1,802.40
FURNACE	1		7 00 78	415.00	25.00	155.63	103.75	259.38	155.62
SHAFF CALCULATOR	1		7 00 78	11,000.46	25.00	4,125.18	2,750.12	6,875.30	4,125.16
AUGER BX31	1		8 00 78	2,132.22	25.00	755.16	533.06	1,288.22	844.00
AUGER BX52	1		9 00 78	2,395.50	20.00	638.82	479.10	1,117.92	1,277.58
STEINLITE TESTER	1		12 00 78	104.00	50.00	56.33	47.67	104.00	.00
WATER COOLER	1		3 00 79	1,300.00	20.00	216.67	260.00	476.67	823.33
	1		10 00 79	1,924.00	20.00	96.20	384.80	481.00	1,443.00
	1		11 00 79	1,041.75	20.00	34.73	208.35	243.08	798.67
	1		12 00 79	400.00	20.00	6.67	80.00	86.67	313.33

FIXED ASSETS & DEPRECIATION

ELEVATOR DEPT	EQUIPMENT	-CONT-	COST OR BASIS	BEGINNING	RESERVE ADDITIONS	ENDING	UNRECOVERED COST
			\$ 203,070.45	\$127,174.12	\$ 18,480.00	\$145,654.12	\$ 57,416.33
			LESS DISPOSITIONS			18,751.31-	.00-
			EQUIPMENT TOTAL			\$126,902.81	\$ 57,416.33

ELEVATOR DEPT	DRYING PLANT	DESCRIPTION	A B	DATE ACQUIRED	COST OR BASIS	RATE %	BEGINNING	RESERVE ADDITIONS	ENDING	UNRECOVERED COST
		DRYING PLANT	1	10 00 71	\$ 116,702.45	5.00	\$ 48,139.72	\$ 5,835.12	\$ 53,974.84	\$ 62,727.61
		SCALE W/HOIST	1	10 00 71	15,605.00	5.00	6,437.06	720.25	7,217.31	8,387.69
		LEGS	1	10 00 71	17,300.00	10.00	14,272.49	1,730.00	16,002.49	1,297.51
		DISTRIBUTOR	1	10 00 71	7,250.00	10.00	5,981.24	725.00	6,706.24	543.76
		SHIPPING SCALE	1	10 00 71	7,400.00	10.00	6,104.99	740.00	6,844.99	555.01
		SCREENERS	1	10 00 71	1,580.00	10.00	1,303.50	158.00	1,461.50	118.50
		AUGER SYSTEM	1	10 00 71	12,320.00	10.00	10,163.99	1,232.00	11,395.99	924.01
		DRYER	1	10 00 71	58,840.00	10.00	48,542.98	5,884.00	54,426.98	4,413.02
		BUTLER STEEL BIN	1	10 00 72	37,103.22	5.00	13,449.92	1,855.16	15,305.08	21,798.14
		BUTLER BIN & LEGS	1	1 00 75	203,506.13	5.00	50,876.55	10,175.31	61,051.86	142,454.27
		DRYER IMPRVMT	1	11 00 77	18,500.00	25.00	10,020.84	4,625.00	14,645.84	3,854.16
		TANKS-RELOCATE	1	11 00 77	9,969.00	10.00	2,159.96	996.90	3,156.86	6,812.14
		CHICAGO E BIN	1	11 00 78	238,587.59	5.00	13,917.62	11,929.38	25,847.00	212,740.59
		SHIPPING SCALE	1	8 00 79	38,982.00	10.00	1,624.25	3,898.20	5,522.45	33,459.55
		DRYING PLANT TOTAL			\$ 783,645.39		\$232,995.11	\$ 30,564.32	\$283,559.43	\$500,085.95
ELEVATOR DEPT	TOTAL				\$1,503,003.59		\$535,460.20	\$ 81,736.17	\$598,445.06	\$904,558.52

FIXED ASSETS & DEPRECIATION

FOR PERIOD ENDING 12 31 80

RECAP

XYZ COMPANY

ELEVATOR DEPT

	COST OR BASIS	-----RESERVE-----			UNRECOVERED COST
		BEGINNING	ADDITIONS	ENDING	
LAND	\$ 45,177.60	\$	\$	\$	\$ 45,177.60
BUILDINGS	489,861.46	175,290.97	12,691.85	187,982.82	301,878.64
EQUIPMENT	184,319.14	127,174.12	18,480.00	126,902.81	57,416.33
DRYING PLANT	783,645.38	232,995.11	50,564.32	283,559.43	500,085.95
ELEVATOR DEPT TOTAL	\$1,503,003.58	\$535,460.20	\$ 81,736.17	\$598,445.06	\$904,558.52
XYZ COMPANY TOTAL	\$1,503,003.58	\$535,460.20	\$ 81,736.17	\$598,445.06	\$904,558.52
GRAND TOTALS	\$1,503,003.58	\$535,460.20	\$ 81,736.17	\$598,445.06	\$904,558.52

XYZ COMPANY

EQUITIES IN OTHER COOPERATIVES

As Of December 31, 1980

(See Accountant's Compilation Report)

<u>Date</u>	<u>Number</u>	<u>Kind</u>	<u>Amount</u>	<u>Total</u>
1945	3369	Common Stock	\$ 1.00	
1947	1209758	Capital Equity Certificate	7,093.60	
1951	1114128	Capital Equity Certificate	255.57	
1953	0861854	Capital Equity Certificate	346.01	
1954	0861855	Capital Equity Certificate	354.84	
1955	1238334	Capital Equity Certificate	32.86	
1956	0861857	Capital Equity Certificate	821.81	
1957	0861858	Capital Equity Certificate	676.08	
1958	0861859	Capital Equity Certificate	603.50	
1959	0861860	Capital Equity Certificate	1,341.38	
1959	452541	Capital Equity Certificate	1.41	
1960	0861861	Capital Equity Certificate	1,375.63	
1961	0861862	Capital Equity Certificate	793.87	
1962	0861863	Capital Equity Certificate	570.75	
1963	0861864	Capital Equity Certificate	703.72	
1964	0861865	Capital Equity Certificate	965.68	
1965	0861866	Capital Equity Certificate	286.11	
1966	0861867	Capital Equity Certificate	759.75	
1967	914752	Capital Equity Certificate	1.09	
1967	920982	Capital Equity Certificate	367.03	
1970	1015810	Capital Equity Certificate	88.81	
1972	1097256	Capital Equity Certificate	132.70	
1973	1143152	Capital Equity Certificate	44.65	
1976	1224810	Capital Equity Certificate	17.19	
1978	1261556	Capital Equity Certificate	52.07	
1979	1283278	Capital Equity Certificate	22.95	
1980	1335509	Capital Equity Certificate	3,088.36	
		Capital Reserve	<u>2,006.18</u>	\$ 22,804.60
		Preferred Stock	\$ <u>5,904.49</u>	5,904.49
		Stock Credits	\$ 5,782.55	
		Capital Reserve	<u>177.73</u>	5,960.28
1962		Patronage Dividend Credit	\$ 1,037.85	
1966		Patronage Dividend Credit	128.59	
1967		Patronage Dividend Credit	453.52	
1968		Patronage Dividend Credit	21.30	
		Capital Reserve	<u>234.46</u>	1,875.72
	10380	Patrons Equity	\$ 1.28	
	163779	Patrons Equity	.84	
		Capital Reserve	<u>.12</u>	2.24

"UNAUDITED"

XYZ COMPANY

EQUITIES IN OTHER COOPERATIVES
As Of December 31, 1980
 (See Accountant's Compilation Report)

<u>Date</u>	<u>Number</u>	<u>Kind</u>	<u>Amount</u>	<u>Total</u>
1974	032249	Common Stock	\$ 25.00	
1974	036256	Common Stock	175.00	
1975	038822	Common Stock	300.00	
1976	041487	Common Stock	75.00	
1978	052421	Common Stock	25.00	
1979	056274	Common Stock	200.00	
1980	059484	Common Stock	<u>275.00</u>	\$ 1,075.00
		Revolving Capital	\$ 2.52	
		Capital Reserve	<u>.36</u>	2.88
		Revolving Fund	\$ 1,193.91	
		Allocated Reserve	<u>37.80</u>	1,231.71
		Deferred Dividend	\$ 162.26	
		Capital Reserve	<u>37.78</u>	200.04
1961	2396	Common Stock	\$ 25.00	
1969	4570	Debenture Bond	53.63	
1971	5995	Debenture Bond	175.49	
1972	6671	Debenture Bond	105.55	
1973	7452	Debenture Bond	226.83	
1974	8317	Debenture Bond	138.93	
1975	9080	Debenture Bond	123.61	
1977	656	Preferred Stock	75.00	
1980	2098	Preferred Stock	25.00	
		Revolving Capital	<u>1.54</u>	950.58
1961-79		Class A Common Stock	\$ <u>6,100.64</u>	6,100.64
		Class C Stock	\$ 20,731.85	
		Surplus	<u>2,577.68</u>	23,309.53
		Allocated Capital	\$ <u>7.84</u>	7.84

"UNAUDITED"

XYZ COMPANY

EQUITIES IN OTHER COOPERATIVES
As Of December 31, 1980
(See Accountant's Compilation Report)

<u>Date</u>	<u>Number</u>	<u>Kind</u>	<u>Amount</u>	<u>Total</u>
1973	A 1129	Common Stock	\$ 1,000.00	
1966		Allocated Patronage	24,044.40	
1967		Allocated Patronage	26,924.33	
1968		Allocated Patronage	26,924.33	
1969		Allocated Patronage	26,829.91	
1970		Allocated Patronage	22,650.17	
1971		Allocated Patronage	22,650.17	
1972		Allocated Patronage	22,650.17	
1973		Allocated Patronage	22,650.17	
1974		Allocated Patronage	21,873.54	
1975		Allocated Patronage	21,788.06	
1976		Allocated Patronage	21,897.98	
1977		Allocated Patronage	22,178.45	
1978		Allocated Patronage	29,527.95	
1979		Allocated Patronage	22,348.81	
		Capital Reserve	<u>66,573.54</u>	402,511.98
1980		Share Credit	\$ 355.40	
		Capital Reserve	<u>50.77</u>	<u>406.17</u>
Total to Exhibit A				<u>\$472,343.70</u>

XYZ COMPANY

OUTSTANDING CHECKS
As Of December 31, 1980
(See Accountant's Compilation Report)

<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
	<u>Cash Grain</u>		<u>Stored Grain</u>		<u>Purchase & Expense</u>
2323	\$ 396.46	1769	\$ 2,784.68	4009	\$ 180.10
1661	230.58	1771	2,093.56	4010	772.78
3430	655.17	1772	3,981.93	4011	2,766.69
4066	237.80	1774	4,804.57		
4515	1.08	1776	9,248.78		<u>Payroll</u>
4	253.09	1778	4,060.34	1313	357.86
282	2,619.92	1780	4,777.42	1314	348.78
283	10,687.17	1781	4,777.37	1315	449.33
284	9,963.25			1316	441.17
357	286.41		<u>Purchase & Expense</u>	1317	100.00
426	3,653.42	8221	52.50	1318	37.55
438	351.62	8999	7.00	1319	58.20
452	480.79	9566	21.00	1320	57.03
473	3,952.28	10211	7.00		
547	10,025.00	28	1,994.43		<u>Dividend</u>
552	946.02	471	94.20	Year	
599	189.49	485	57.28	1980	315.30
709	2,352.00	1690	25.00	1979	286.81
718	1,000.00	2703	20.00	1978	150.89
720	1,000.00	3916	14.98	1977	2,067.98
721	1,000.00	3924	956.90	Deferred	4,381.84
722	1,000.00	3938	61.48		
750	3,729.06	3940	14.98	Total to	
758	1,033.95	3954	9,599.22	Ex. A	\$200,481.30
766	300.00	3964	150.00		
777	1,092.75	3971	400.00		
778	2,003.11	3985	75.00		
779	7,703.08	3986	118.62		
780	1,075.61	3987	35.00		
781	812.44	3988	160.00		
782	1,738.94	3989	207.51		
784	2,393.33	3990	120.00		
785	2,419.62	3991	1,188.97		
786	3,152.94	3993	40.00		
787	160.83	3995	3,490.61		
788	191.78	3996	575.00		
789	2,883.57	3997	42.85		
		3998	25.00		
		3999	36.56		
	<u>Stored Grain</u>	4000	92.61		
1581	6,049.68	4001	2,238.35		
1626	4,999.92	4002	5.56		
1699	1,553.16	4003	4.50		
1703	199.59	4004	12.00		
1749	612.00	4005	94.00		
1760	27,620.48	4006	208.78		
1763	214.25	4007	205.00		
1766	1,441.17	4008	172.91		
1768	3,892.73				

XYZ COMPANY

DEFERRED PAYMENT CONTRACTS
As Of December 31, 1980
(See Accountant's Compilation Report)

<u>Date</u>	<u>Number</u>	<u>Payable to:</u>	<u>Amount</u>
1980			
3-4	696		\$ 24,395.00
6-12	697		5,958.96
7-2	698		1,595.18
7-2	699		6,643.34
7-2	700		26,659.08
7-11	701		6,331.20
7-24	702		2,182.00
7-25	703		12,528.78
7-29	704		5,134.70
7-30	705		1,641.10
7-30	706		2,288.24
7-30	707		2,062.50
7-30	708		1,759.84
7-31	709		1,957.55
7-31	710		846.33
7-31	711		15,125.29
8-21	712		2,761.89
8-25	713		2,789.28
8-27	714		27,805.69
8-27	715		3,317.37
8-27	716		16,338.09
8-29	717		25,390.00
9-5	718		42,180.00
9-5	719		3,596.15
9-5	720		6,365.60
9-9	721		9,146.97
9-9	722		35,075.67
9-10	723		24,339.29
9-15	724		5,015.81
9-17	725		4,776.30
9-19	726		17,236.16
9-23	727		14,794.82
9-23	728		2,000.00
9-30	729		10,926.02
9-30	730		10,489.77
10-1	731		11,163.85
10-1	732		9,785.97
10-2	733		2,124.00
10-4	734		5,160.00
10-6	735		4,820.14
10-6	736		10,000.00
10-7	737		11,859.42
10-7	736		11,650.00
10-7	739		7,310.00
10-10	740		5,191.91
10-11	741		2,462.62
10-11	742		9,193.23
10-11	743		4,902.12

"UNAUDITED"

XYZ COMPANY

DEFERRED PAYMENT CONTRACTS

As Of December 31, 1980

(See Accountant's Compilation Report)

<u>Date</u>	<u>Number</u>	<u>Payable to:</u>	<u>Amount</u>
1980			
10-14	744		\$ 2,295.07
10-14	745		27,733.24
10-14	746		5,358.10
10-14	747		3,540.11
10-14	748		21,989.57
10-15	749		5,832.09
10-15	750		2,225.77
10-16	751		7,390.00
10-20	752		12,598.21
10-20	753		10,249.45
10-20	754		2,523.62
10-20	755		7,308.10
10-22	756		9,162.06
10-22	757		7,613.35
10-22	758		7,512.29
10-22	759		3,516.86
10-22	760		2,301.28
10-22	761		8,427.70
10-24	762		7,455.15
10-28	763		2,758.00
11-1	764		889.13
11-12	765		18,631.31
11-17	766		3,552.34
11-17	767		1,683.11
11-17	768		1,683.14
11-26	769		4,050.67
12-4	770		33,859.26
12-11	771		9,150.00
12-17	772		4,213.43
12-18	773		17,400.00
12-22	774		12,224.64

Total to Exhibit A

\$742,204.28

Note: Contracts payable on or after 1-2-81 and before 1-10-81.

"UNAUDITED"

XYZ COMPANY

PRICE LATER CONTRACTS
As Of December 31, 1980

(See Accountant's Compilation Report)

<u>Date</u>	<u>Number</u>	<u>Seller</u>	<u>Bushels</u>
1980			
8-6	1926		431.76
8-6	1928		2,064.11
8-8	1937		101.45
8-8	1938		1,002.21
8-8	1939		410.88
8-5	1940		3,000.00
8-6	1942		501.76
7-31	1944		620.37
7-31	1945		156.10
8-1	2116		400.02
8-4	2119		276.22
8-4	2120		955.20
8-5	2123		1,070.28
7-31	8201		267.90
8-7	8203		593.07
8-6	8204		1,721.90
8-18	8210		368.28
8-19	8211		1,918.20
8-18	8212		437.36
8-11	8214		163.16
8-9	8215		983.12
8-4	8216		2,775.09
8-6	8217		1,264.71
8-18	8218		472.67
8-5	8220		210.01
8-1	8221		725.25
8-1	8223		48.67
8-5	8225		594.35
8-1	8228		513.41
8-1	8229		342.27
8-5	8234		25.67
8-5	8236		1,145.02
8-1	8237		480.67
8-7	8239		135.27
8-13	8243		392.50
8-16	8245		592.73
8-7	8246		1,471.82
8-18	8249		5,153.06
8-15	8250		1,046.85
8-4	8254		875.07
8-1	8259		241.79
8-5	8261		129.23
8-6	8263		1,993.73
8-4	8264		565.85
8-18	8267		2,449.54
8-2	8270		518.40
8-2	8273		27.99
8-5	8274		744.15

"UNAUDITED"

XYZ COMPANY

PRICE LATER CONTRACTS
As Of December 31, 1980
(See Accountant's Compilation Report)

<u>Date</u>	<u>Number</u>	<u>Seller</u>	<u>Bushels</u>
<u>1980</u>			
8-11	8277		1,567.22
8-11	8278		2,350.82
8-22	8279		249.00
9-16	8282		893.80
9-16	8283		615.71
8-2	8284		126.90
8-7	8285		94.91
8-5	8286		128.57
8-6	8287		3,400.00
8-18	8288		538.87
8-6	8222		825.49
Total Bushels			<u>53,170.71</u>

SUMMARY

	<u>Bushels</u>	<u>Price</u>	<u>Amount</u>
Wheat	53,170.71	\$4.39	<u>\$233,419.42</u>
Total to Exhibit A			<u>\$233,419.42</u>

Note: Seller Price Determination - between contract date and July 1, 1981.

XYZ COMPANY

NOTES PAYABLE

As Of December 31, 1980

(See Accountant's Compilation Report)

<u>Loan Number</u>	<u>Payable to:</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Accrued Interest</u>
5132-T		12%	\$ -0-	\$ 438.68
6113-S		13%	-0-	1,540.51
6760-S		13%	<u>1,000.00</u>	<u>7.84</u>
Total to Exhibit A			<u>\$1,000.00</u>	<u>\$1,987.03</u>

"UNAUDITED"

XYZ COMPANY

PATRONS' CREDIT BALANCES
As Of December 31, 1980
(See Accountant's Compilation Report)

<u>Name</u>	<u>Amount</u>
	\$257.65
	<u>61.75</u>
Total to Exhibit A	<u>\$319.40</u>

"UNAUDITED"

XYZ COMPANY

ACCOUNTS PAYABLE

As Of December 31, 1980

(See Accountant's Compilation Report)

<u>Payable to:</u>	<u>Amount</u>
	\$ 3,506.05
	597.00
	(36,865.00)
	1,323.20
	840.00
	2,187.56
	89.00
	(7,880.12)
	1,725.00
	44,000.00
	128,300.00
	388,400.00
	22,500.00
Open Scale Tickets:	
Wheat - 1,817.15 Bushels	7,960.74
Oats - 12,316.25 Bushels	25,228.74
Corn - 110,076.74 Bushels	333,413.98
Soybeans - 3,372.28 Bushels	26,570.53
Patron Prepayments	2,772.50
Additional Salaries	<u>29,000.00</u>
Total to Exhibit A	<u><u>\$973,669.18</u></u>

"UNAUDITED"

XYZ COMPANY

ACCRUED LOSS ON OPEN TRADES
As Of December 31, 1980

(See Accountant's Compilation Report)

<u>Date</u>	<u>Grain in</u> <u>Bought</u>	<u>000's</u> <u>Sold</u>	<u>Commodity</u>	<u>Trade</u> <u>Price</u>	<u>Settlement</u> <u>Price</u>	<u>Accrued</u> <u>Gain</u> <u>(Loss)</u>
8- 5- 80	45		Mpls Mar Wheat	\$4.835	\$4.72	\$(5,175.00)
12-5- 80		5	Mpls May Wheat	5.04	4.835	1,025.00
12-22-80	5		Mpls Mar Wheat	4.59	4.72	650.00
12-24-80	5		Mpls Mar Wheat	4.54	4.72	900.00
12-31-80		5	Mpls May Wheat	4.70	4.835	(675.00)
12-31-80		5	Mpls May Wheat	4.80	4.835	(175.00)
12-5- 80		5	Chgo Mar Oats	2.31	2.2275	<u>412.50</u>
Total to Exhibit A						<u><u>\$(3,037.50)</u></u>

"UNAUDITED"

XYZ COMPANY

INVESTMENT NOTES PAYABLE

As Of December 31, 1980

(See Accountant's Compilation Report)

<u>Number</u>	<u>Payable to:</u>	<u>Amount</u>
101		\$ 2,000.00
102		500.00
103		500.00
104		500.00
105		500.00
106		500.00
107		1,000.00
108		500.00
109		500.00
110		500.00
111		200.00
112		500.00
113		500.00
114		500.00
115		500.00
116		300.00
117		500.00
118		500.00
119		1,000.00
120		300.00
121		500.00
122		500.00
123		500.00
124		500.00
125		100.00
126		100.00
127		150.00
128		500.00
129		500.00
130		100.00
131		100.00
132		200.00
133		4,000.00
134		500.00
135		500.00
136		300.00
137		300.00
138		300.00
139		100.00
140		200.00
141		300.00
142		1,000.00
143		500.00
144		250.00
145		250.00
146		1,000.00
147		1,000.00
148		500.00
149		300.00
150		500.00

"UNAUDITED"

XYZ COMPANY

INVESTMENT NOTES PAYABLE
As Of December 31, 1980
(See Accountant's Compilation Report)

<u>Number</u>	<u>Payable to:</u>	<u>Amount</u>
151		\$ 1,000.00
152		500.00
153		500.00
154		500.00
155	son	500.00
156		500.00
157		1,500.00
158		200.00
159		500.00
160		500.00
161		500.00
162	n	500.00
163		500.00
165		1,000.00
166		1,000.00
167		1,000.00
168		200.00
169		500.00
170		200.00
171		300.00
172		<u>2,700.00</u>
Total to Exhibit A		<u>\$41,950.00</u>

Note: Ten Year Building Notes Dated - May 1, 1971
Due May 1, 1981
Interest Due Annually at 7%

XYZ COMPANY

WEIGHT STATEMENT

As Of December 31, 1980

(See Accountant's Compilation Report)

		<u>Quantity to Account For</u>	<u>Sales</u>	<u>12-31-80 Over (Short)</u>	<u>12-31-79 Over (Short)</u>
<u>GRAIN:</u>					
Wheat	Bushels	246,640	246,640	-	3,639
Oats		97,099	97,099	-	2,318
Corn		3,425,798	3,446,238	20,440	(25,207)
Soybeans		719,959	719,959	-	3,900
Sunflowers	Pounds	45,245	45,245	-	-
<u>MERCHANDISE:</u>					
Feed	Tons	1,270	1,257	(13)	-
Fertilizer	Tons	482	487	5	11
Twine	Bales	78	75	(3)	(2)

"UNAUDITED"

XYZ COMPANY

MARKET POSITION

As Of December 31, 1980

(See Accountant's Compilation Report)

	<u>Wheat</u>	<u>Oats</u>	<u>Corn</u>	<u>Soybeans</u>
In Elevator	48,062	3,775	404,379	201,704
Contracts of Purchase	14,968	2,684	703,957	90,889
Open Futures (Bought)	<u>55,000</u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>118,030</u>	<u>6,459</u>	<u>1,108,336</u>	<u>292,593</u>
<u>Less:</u>				
Outstanding Storage	46,789	8,973	332,975	206,121
Sold to Arrive			784,500	79,354
Open Futures (Sold)	15,000	5,000		
P. L. Contracts	<u>53,171</u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>114,960</u>	<u>13,973</u>	<u>1,117,475</u>	<u>285,475</u>
Long	3,070			7,118
Short	<u> </u>	<u>7,514</u>	<u>9,139</u>	<u> </u>

"UNAUDITED"

XYZ COMPANY

COMPARATIVE GRAIN PURCHASES AND MERCHANDISE SALES
For the Years Ended December 31, 1980 and 1979
(See Accountant's Compilation Report)

		<u>Year Ended</u> <u>12-31-80</u>	<u>Year Ended</u> <u>12-31-79</u>	<u>Increase</u> <u>(Decrease)</u>
<u>GRAIN:</u>				
Wheat	Bushels	271,679	179,889	91,790
Oats		123,106	65,136	57,970
Corn		3,526,038	1,989,480	1,536,558
Soybeans		<u>715,623</u>	<u>594,432</u>	<u>121,191</u>
Total Grain - Bushels		<u>4,636,446</u>	<u>2,828,937</u>	<u>1,807,509</u>
<u>MERCHANDISE SALES:</u>				
Feed	Tons	1,257	1,303	(46)
Fertilizer	Tons	487	483	4
Twine	Bales	75	86	(11)

"UNAUDITED"

XYZ COMPANY

INSURANCE IN FORCE
As Of December 31, 1980
(See Accountant's Compilation Report)

Insurer, Policy Number
and Effective Dates

<u>Kind</u>	<u>Coverage</u>	<u>Amount</u>
Fire, Lightning and Supplemental Hazards, Windstorm and Hail Debris Removal	Elevator, Additions and Machinery 2 Steel Tanks and Mchy Hess Dryer #1500A Liquid Feed Tank Sioux Building and Mchy Feed Warehouse Steel Corn Plant and Mchy RC Dryer 2 Concrete Silos and Equipment C-E Steel Bin & Machinery	\$ 498,000 19,000 30,000 1,500 46,000 6,500 750,000 110,000 280,000 215,000 <u>\$1,956,000</u>
Rebuilding	Elevator, Attached Addition & Machinery	\$ <u>85,000</u>
Fire, Lightning and Supplemental Hazards, Windstorm and Hail, Debris Removal	<u>On Stock</u> in Elevators, Steel Bins, Concrete Silos, Steel Building, Dryers, Feed Warehouse and Yard Stock	<u>\$5,000,000</u>
Fire, Lightning and Supplemental Hazards, Windstorm and Hail	<u>Income Protection</u> on Elevators, Attached Additions, Feed Warehouse, Utility Building, Garage, Sioux Steel Building, Steel Grain Tanks 1 & 2, Excluding Dryers	\$ <u>250,000</u>

XYZ COMPANY

INSURANCE IN FORCE
As Of December 31, 1980
 (See Accountant's Compilation Report)

Insurer, Policy Number
and Effective Dates

<u>Kind</u>	<u>Coverage</u>	<u>Amount</u>
General - Automobile Liability	Comprehensive General:	
	Bodily Injury:	
	Each Occurrence	\$ 500,000
	Aggregate	500,000
	Property Damage:	
	Each Occurrence	100,000
	Aggregate	300,000
	Personal Injury Liability	500,000
	Premises Medical Payments:	
	Each Person	500
	Each Accident	10,000
	Comprehensive Automobile:	
	Bodily Injury:	
	Each Person	250,000
Each Occurrence	500,000	
Property Damage:		
Each Occurrence	100,000	
Uninsured Motorists:		
Each Person	25,000	
Each Accident	50,000	
Motor Cargo	1965 Chev Truck	\$ 500
	1978 Intl. Truck	500
		<u>\$ 1,000</u>
Commercial Umbrella	Occurrence Limit	\$2,000,000
	Aggregate Limit	2,000,000
	Retained Limit	10,000
Workmen's Compensation	Employees	Statutory
	Employers' Liability	\$ 100,000

XYZ COMPANY

INSURANCE IN FORCE
As Of December 31, 1980
(See Accountant's Compilation Report)

Insurer, Policy Number
and Effective Dates

<u>Kind</u>	<u>Coverage</u>	<u>Amount</u>
Fidelity Bond	Commercial Blanket	\$ 15,000
Dishonesty Disappearance Destruction	Merchandise Money Inside Money Outside	\$ 36,000 2,500 2,500
Warehouse Bond	Stored Grain	\$ 500,000
Grain Bank Bond	Stored Grain	\$ 40,000
Directors', Officers' and Managers' Liability	Each Person Each Loss Aggregate Retention	\$ 50,000 500,000 500,000 1,000
Rolling Stock Coverage on Seven Leased Rail- road Hopper Cars	Per Hopper Car Deductible Amount	\$ 40,000 1,000

Loss Payable Clause to St. Paul Bank for Cooperatives.

Loss Payable Clause to St. Paul Bank for Cooperatives and
Benson-Quinn Co.

"UNAUDITED"

XYZ COMPANY

PATRONAGE DIVIDENDS RECEIVED
For the Year Ended December 31, 1980
(See Accountant's Compilation Report)

<u>Cooperative</u>	<u>Cash</u>	<u>Deferred</u>	<u>Total</u>
	\$ 350.22	\$ 817.18	\$ 1,167.40
	5,382.91	21,531.63	26,914.54
	106.50	425.98	532.48
	121.61	283.73	405.34
	165.35	275.00	440.35
	31.89	127.59	159.48
	82.20	328.81	411.01
	5.48	21.91	27.39
	1,323.58	3,088.36	4,411.94
	657.33	2,629.30	3,286.63
	101.54	406.17	507.71
Totals	\$ <u>8,328.61</u>	\$ <u>29,935.66</u>	
Total to Exhibit B			\$ <u>38,264.27</u>

XYZ COMPANY

MISCELLANEOUS INCOME

For the Year Ended December 31, 1980
(See Accountant's Compilation Report)

<u>Received from:</u>	<u>Amount</u>
	\$291.00
	<u>1.00</u>
Total to Exhibit B	<u>\$292.00</u>

"UNAUDITED"

Attachment 8 1/27/83

Statement to the
Senate Committee on Agriculture and Small Business
Regarding Senate Bills 1, 2, 3, 4, 5 and 6
Grain Warehousing
January 26, 1983
Topeka, Kansas

by
John K. Blythe, Assistant Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to appear before you today to express our views concerning grain warehousing and elevator bankruptcy.

Attached to this page is a statement that we made to the Interim Committee on Agriculture and Livestock regarding grain warehousing.

In addition to this statement, which I do not intend to read, I want to present to the Committee the policy statement that our Organization adopted at their Annual Meeting, December 7, 1982, regarding grain warehousing.

*Agricultural Commodity Storage
and Sales Security*

We urge farmers to be informed as to the payment risk involved in contracting for future sales of agricultural commodities already delivered to an elevator or feedyard.

We ask that if a check has been issued for payment of grain within 14 days prior to an elevator filing for bankruptcy or receivership, and if the check has not cleared the bank, the party to whom the check was issued be considered a first line and priority creditor in any bankruptcy settlement.

We believe all commercial elevators and grain warehousing facilities in Kansas should be licensed and bonded by the state, and/or federal government, and inspected by the Warehouse Division of the State Grain Inspection Department a minimum of twice each year. Any discrepancy in the grain account should be reported immediately to the bonding company holding the bond of the elevator or grain warehouse. Legislation should be enacted so that, in the event of discrepancy or insolvency, there will be appropriate maintenance of grain in storage. We firmly believe that all elevator insolvencies under state jurisdiction should be completely settled in a maximum of 120 days.

We ask that the statute (K.S.A. 34-229) which establishes the amount and conditions of warehouseman's bond be amended so as to increase the percentages and monetary factors presently used in the formula in order to significantly increase the dollar amount of bond required.

Atch. 8

We believe all licensed grain storage facility operators should be required to prove financial responsibility, should post and prominently display the bond for the facility, and should be audited annually for the protection of those who store grain in the facility.

Our statutes should be amended to place full responsibility for criminal prosecution of a warehouseman with the Attorney General. We further believe that the penalty language for an unlawful act or mishandling customer grain in storage should be evaluated and make all such criminal acts a Class D felony. Any person or persons so convicted of a Class D felony should be prohibited from obtaining an elevator license for a period of ten years following his or her conviction.

We recommend a legislative study of K.S.A. 84-2-403 and K.S.A. 84-7-205 (Kansas Uniform Commercial Code) as they apply to Kansas Public Grain Warehouses and their power to transfer grain entrusted to their care.

We believe that in an effort to make the warehouseman responsible to his customer it should be a requirement that the elevator manager send to all customers an annual statement of the amount and kind of grain in storage and name the location of the grain in storage.

Statement to the
Special Interim Committee on Agriculture and Livestock
Regarding Interim Study Proposal No. 1
Grain Warehousing
October 26, 1982
Topeka, Kansas

by
John K. Blythe, Assistant Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to appear before you today to express our views concerning grain warehousing and elevator bankruptcy.

I want to review, briefly, with you the elevator insolvencies that have occurred in Kansas since October of 1980. During this two year span, if my information is complete, Kansas has experienced four insolvencies. The first three insolvencies involved a single warehouse for each, and two warehouses for the fourth. We had the Tam Ann Feeds Company, in Council Grove on October 15, 1980, the Collins Grain Company at Kackley on November 6, 1980, followed by the Ames Elevator in Ames during 1981, then in March, 1982, the Plains Grain Inc. Warehouse at Plains and the Pittman Feed Company at Hayne, both owned by James Pittman, were ordered closed by the Kansas Grain Inspection Department.

All four of these elevator insolvencies represent different situations of failure. The Tam Ann Feeds Company, Council Grove, was the only one that went the route of Federal bankruptcy, the other three chose the route of receivership, which as I understand the procedure comes under the jurisdiction of state law.

I would like to briefly discuss with you some of the aspects of the Council Grove elevator and the Kackley elevator, some of which have not been brought to the attention of the Committee.

Tam Ann Feeds of Council Grove

The Tam Ann Feeds Company filed for bankruptcy on October 15, 1980, under Federal Bankruptcy Law, and on November 21, the Kansas Grain Inspection Department certified that the elevator had 3755.35 bushels of grain (wheat=3344.65 bu; corn=369.45 bu; oats=41.25 bu).

Open storage grain of customers totaled 3,220 bushels, leaving 533.35 bushels of grain owned by the Tam Ann Feeds Company.

The elevator had only seven grain accounts.

In addition, the elevator was bonded in the amount of \$34,600. Not only was there sufficient grain in the elevator to cover the liability to the farmer, but the bond was equal to \$10.75 for each bushel of customers grain.

Jerold Berger, a Topeka attorney, was appointed as the trustee in the bankruptcy proceedings.

In April, 1981, it was discovered that the grain had gone out of condition and was "sample" grade grain. Buyers for the grain were found and the grain was sold.

We believe that the trustee or federal bankruptcy Judge should be questioned as to who is responsible for the grain in the elevator and why the grain went out of condition.

In December, 1980, the farmers might have sold their wheat for \$4.30 per bushel; but they could not because it was tied up in bankruptcy proceedings that had been filed for more than 60 days. The farmers had to borrow money instead of selling wheat and their money cost 18% interest, which, for a year will amount to 77½¢ per bushel of wheat.

On April 12, 1982 -- 18 months after the bankruptcy was filed and 12 months after the grain was sold --- Mr. Berger sent checks to the seven persons who had

grain stored in the Tam Ann Feeds elevator. Those checks amounted to \$2.5242 for each bushel stored, irregardless of whether the grain was wheat or corn. There were no allowences for storage charges or indication of length of storage. This, in my opinion, was a very "sloppy" settlement of the bankruptcy.

A copy of Mr. Berger's settlement statement and the Kansas Grain Inspection Department's reports are attached.

There is a sum of \$200.75 that was deducted from one of the grain depositors account that Mr. Berger did not account for, and I believe that that money should have been distributed to the grain depositors.

Consider that the wheat might have been sold for \$4.30 per bushel, but the final price was \$2.52 or a loss of \$1.78 per bushel, then add to that the interest of \$1.03 per bushel and we have a net loss of \$2.81 per bushel, most of which could have been avoided if prompt action had been taken in this bankruptcy.

The farmers received only \$2.52 for each bushel of wheat and we believe that there should be some responsibility for the trustee or the bonding company to make up the difference between the settlement price and the market price of wheat. The bonding company to date has not made any payments in the Tam Ann elevator bankruptcy.

Collins Grain Company of Kackley, Kansas.

The Collins Grain Company at Kackley presents an entirely different situation from the Tam Ann feeds elevator, for the Collins elevator was short nearly 100,000 bushels of grain. The Kackley elevator asked to be placed in a receivership on November 6, 1980. At that time, there was on track: three cars of corn totalling 8,435 bushels, one car of milo with 3,546 bushels, and one car of soybeans with 3,350 bushels. The five cars of grain were unloaded into the elevator, but because three cars (one car corn of 3,589 bushels, one car milo of 3,546 bushels, and one car of soybeans of 3,350 bushels) were sold and the draft received, they were reloaded and shipped to the consignee.

In summary of the Kackley elevator situation, it appears that the following figures are correct:

	<u>Elevator Open Storage and Warehouse Liability</u>	<u>Grain Inspection Measurement (less shipped grain)</u>	<u>Grain Shortage</u>
Wheat	48,013 bushels	1,360 bushels	46,653 bushels
Corn	80,940 bushels	44,424 bushels	36,516 bushels
Milo	17,240 bushels	7,811 bushels	9,429 bushels
Soybeans	7,540 bushels	4,701 bushels	2,839 bushels

You can observe from the above figures, the shortage of grain (95,437 bushels) in the Kackley elevator. As we view the Kackley situation, we question the length of time it took to settle the bankruptcy and make distribution of the money from the sale of the grain that remained in the elevator plus the bond money available-- and the more serious question is . . . What happened to the grain that was short?

I do want to emphasize that the shortage of grain was brought to the attention of the County Attorney and to the Attorney General.

The attached news item indicates the charges brought against the former owner of the Kackley Grain Elevator and the sentence he received.

A complete copy of the indictment was obtained from the Office of the U.S. District Attorney, and is attached. An attorney in the U.S. District Attorney's office, upon reviewing the file of the case, said that Mr. Collins pleaded guilty to counts I, V and X.

We estimated the shortage of grain to be approximately \$320,000, with the elevator bond in the neighborhood of \$113,000.

The insolvency of the Ames elevator resulted in considerable inconveniences to its many customers, but the shortage of grain was sufficiently covered by its bond.

The James Pittman elevators in Plains and Hayne have been previously discussed by this Committee, therefore, I will not spend any time in further discussion of these elevators.

I do want to look at one section of our statutes, KSA 34-2, 104 and if the language is not plain enough or strong enough to warrant immediate action by the Kansas Grain Inspection Department, our Courts and the Attorney General's office, upon discovery of an insolvency in a grain warehouse by the Kansas Grain Inspection Department, then we would strongly support legislative amendments to correct this deficiency and provide for immediate supervision of the warehouse by the Kansas Grain Inspection Department, and if the insolvency is handled by a receiver, under Kansas statutes, legislation should clearly define the responsibility for the immediate appointment of a receiver.

Although I am sure that KSA 34-2,104 is not the only statute that the Committee should consider amending, I believe it to be important enough to reprint here. I have also included KSA-34,2,107, which was enacted during the 1981 Legislative Session.

34-2,104. Grain shortage in warehouse; action for possession by director; audit and investigation; receivership, when; recovery of expenses. Whenever it appears to the satisfaction of the director of the state grain inspection department that a licensed warehouseman has not in his possession sufficient commodities to cover the outstanding receipts and scale tickets issued or assumed by him or when such warehouseman refuses to submit his records or property to a lawful examination, the direc-

tor may give notice to the warehouseman to comply with all or any of the following requirements: (1) Cover such shortage; (2) give additional bond as requested by the director; (3) submit to such examination as the director may deem necessary.

If such warehouseman fails to comply with the terms of such notice within twenty-four (24) hours from the date of its issuance or within such further time as the director may allow, the director may petition the district court of any county in which is located one of the principal places of business of the licensed warehouseman's for an

order authorizing the state grain inspection department to take possession of all or a portion of any and all commodities located in the licensed warehouse or warehouse of such warehouseman, and all pertinent records and property.

Upon receipt of the director's verified petition setting forth the circumstances of the warehouseman's failure to comply and further stating reasons why immediate possession by the grain inspection department is necessary for the protection of depositors, warehouse receipt holders, or sureties, the court shall forthwith issue an order authorizing the department to take immediate possession for the purposes stated in this section. A copy of the petition and order shall be sent to the warehouseman.

At any time within ten days after the grain inspection department takes possession, the warehouseman may file with the court a response to the petition of the director stating reasons why the department should not be allowed to retain possession. The court shall set the matter for hearing on a date not less than five nor more than fifteen days from the date of the filing of the warehouseman's response. The order placing the de-

partment in possession shall not be stayed nor set aside until such time as the court after hearing determines that possession should be restored to the warehouseman.

Upon taking possession the director shall give written notice of its action to the surety on the bond of the warehouseman and may notify the holders of record, as shown by the warehouseman's records, of all receipts and scale tickets issued for commodities, to present their receipts or scale tickets for inspection, or to account for the same. The director may thereupon cause an audit and other investigation to be made of the affairs

of such warehouse, especially with respect to the commodities in which there is an apparent shortage, to determine the amount of such shortage and compute the shortage as to each depositor as shown in the warehouseman's records if practicable. The director shall notify the warehouseman and the surety on his bond of the approximate amount of such shortage and notify each depositor thereby affected by sending notice to the depositor's last known address as shown by the records of the warehouse.

The grain inspection department shall retain possession obtained under this section until such time as the warehouseman or the surety on his bond shall have satisfied the claims of all depositors, or until such time as the grain inspection department is ordered by the court to surrender possession.

If during or after the audit or other investigation provided for in this section, or at any other time, the director has evidence that the warehouseman is insolvent or is unable to satisfy the claims of all depositors, the director may petition the district court for the appointment of a receiver to operate or liquidate the business of the warehouseman in accordance with the law.

All necessary expenses incurred by the grain inspection department or any receiver appointed under this section in carrying out the provisions of this section may be recovered from the warehouseman in a separate civil action brought by the director in the said district court or may be recovered at the same time and as a part of the seizure or receivership action filed under this section. As a part of the expenses so incurred, there is authorized to be included the cost of adequate liability insurance necessary to protect the grain inspection department, the receiver, and others engaged in carrying out the provisions of this section.

History: L. 1967, ch. 238, § 1; April 26.

34-2,107. Priority of owner's interest in stored grain defined. The owner of grain held in storage by a public warehouseman, as defined in K.S.A. 34-223, in this state, whether such grain is held under open storage or pursuant to the issuance of a warehouse receipt, shall have a prior right to such grain against any other person, subject only to the payment of accrued warehouse charges and the satisfaction of any lien or liens upon such grain and valid against the owner thereof, until the grain is either removed from storage by the owner or sold by the owner.

As used in this section, the term "open storage" means the storage of grain pursuant to the issuance of a scale ticket regardless of whether the grain is retained in the warehouse or elsewhere; and the term "owner" means the holder of any warehouse receipt or receipts or of any scale ticket or tickets for grain held in storage by a public warehouseman.

History: L. 1981, ch. 180, § 1; July 1.

In regard to criminal prosecution of warehousemen who fail to hold in proper trust the grain stored in their warehouses, or who misappropriate grain entrusted to their care, we believe that the full responsibility for criminal prosecution should be with the Attorney General. We further believe that the criminal punishment for illegal acts of warehousemen should be reviewed and appropriate criminal penalties enacted.

Grain Warehousing Statement
October 27, 1982
Page 7

Thank you for the opportunity to appear before this Committee. If there are any questions, I will attempt to answer them.

OPEN STORAGE REPORT TO EXAMINER

KSG-322

TAM ANN FOODS

Company

Council Grove, KS

Location

LIST ALL

Customer Storage Covered by Trust Receipts or Scale Tickets Only—and Loading Orders to be Shipped

NOTE: Upon receipt of a loading order (CCC or others) accompanied by the Warehouse Receipts, the receipts must be cancelled and the grain reported as open storage until shipment is completed. Shipments on loading orders must be made as soon as cars can be obtained.

Customer's Name	Wheat, Bu.	CORN, Bu.	OATS, Bu.	, Bu.
Robert Bacon	50 -			
Keith Bacon	40 -			
Max Davis	416.73			
Max Davis	39.64			
Sobke	39.61			
Robert Taylor Rocksides Ranch		369.45		
No deferred pricing contracts AMS				
Total Open Storage Acct.	585.95	369.45	-0-	
Less Open Stg. to Term.	-0-	-0-	-0-	
Open Storage in Elev.	585.95	369.45	-0-	
Total Outstanding W. H. R.	-0-	-0-	-0-	
Stg. Liability in Elev.	585.95	369.45	-0-	
Company Owned	2759.70	-0-	71.25	
Total Stock in Elev.	3344.65	369.45	71.25	Total contracts 3955.35
Use Other Side for Additional Listings				

The foregoing statement of customer storage upon which no warehouse receipts have been issued is true and correct to the best of my knowledge and belief, and includes the unshipped portion of loading orders that have been received and the warehouse receipts covering same have been cancelled.

Dated November 21 1980

Signed Herbert G. Stone

By Tam Ann Foods
Manager, Owner or Executive Officer

STATE OF KANSAS,

Title General Manager

COUNTY OF Missouri } ss.

On this 21st day of November 1980, personally appeared before me, a notary public in and for the State and County aforesaid Herbert G. Stone, who being duly sworn says that he is the person who signed the foregoing statement in the name of the Licensed Warehouse; that he is duly authorized to do so, and that the statements contained in the said statement are true to the best of his knowledge, information and belief.

Byronne Brand
Warehouse Examiner or Notary Public

My commission expires _____ 19__

Jerold E. Berger
HUMPAGE, BERGER AND HOFFMAN
314 West Seventh Street
Topeka, Kansas 66603
(913) 235-3477

April 12, 1982

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS

IN RE:)
)
GLEN LAVON SKEEN, d/b/a)
Tam Ann Feed,) Case No. 80-40829
)
Debtor.)
_____)

APPLICATION FOR
APPROVAL TO PAY GRAIN OWNERS

COMES NOW the trustee, and makes his Application to the Court for an Order permitting him to make payments to certain owners of grain which was stored in the debtor's elevator. The trustee shows the Court the following:

1. That he sold the grain that was in the elevator at the time of filing the bankruptcy. That the total receipt from the sale was \$8,618.21.

2. That in order to sell the grain, it cost the trustee \$390.00 for labor, and \$100.00 for trucks, for a total of \$490.00, thereby leaving a net balance of \$8,128.21.

3. That there were several people who had grain stored in the elevator at the time of filing of the bankruptcy. That in order to determine a fair distribution, the trustee totaled the amount of bushels the individuals had stored and divided that by \$8,128.00 which was the amount received. This gave the trustee a figure of 2.5242 per bushel. The trustee then multiplied this by the number of bushels each individual had stored in said elevator. Based on the above, the trustee is requesting permission to pay the following individuals the following amounts of money:

11-21-70

Grain Inspection Report

Wheat = 3344.65 bu
 Corn = 369.45 bu
 Date = 41.25 bu

Tal 3755.35 bu.

Gen Storage 3220.00 bu

Surplus 535.35 bu.

A.	Sager Wilson	bushels 1884. wheat	\$4757.49
D	Dale Suplee	380.6 PP	959.19
(Suplee does not appear on KGI report)			
C.	Robert Taylor	369.45 bu corn	932.56
	(less \$200.75 owed for molasses)		<u>-200.75</u>
	NET:		731.81
D.	Max Davis	456.34 wheat	\$1151.86
E.	Robert Bacon	50 wheat	126.20
F.	Keith Bacon	40 wheat	100.96
G.	Sobke	39.61 wheat	99.97
		<u>3220.0</u>	<u>8128.23</u>

WHEREFORE, the trustee prays the Court for an Order

permitting him to pay out the above sums of money.

$$8128.23 \div 3220.0 \text{ bu} = 2.5243 \text{ per bu.}$$

Jerold E. Berger, Trustee

CERTIFICATE OF SERVICE

I, Jerold E. Berger, hereby certify that on the 12th day of April, 1982, a copy of the above and foregoing Application was deposited in the United States mail, first class, postage prepaid and addressed to the following individuals:

Sager Wilson Route 1 Council Grove, KS 66846	Keith Bacon Route 1 Council Grove, KS 66846
Dale Suplee c/o Charles Rayl P. O. Box 640 Cottonwood Falls, KS 66845	Sobke Route 1 Council Grove, KS 66846
Robert Taylor 900 S. Neosho Street P. O. Box 135 Council Grove, KS 66846	
Max Davis Route 3 Council Grove, KS 66846	
Robert Bacon Route 1 Council Grove, KS 66846	

Jerold E. Berger, Trustee

Former elevator owner indicted

By JIM SUBER
Capital-Journal rural development writer

The former owner of a Kackley grain elevator was indicted Tuesday in Topeka by a federal grand jury for 10 counts of federal criminal violations involving his business before it went into state receivership in November 1980.

Mark W. Collins was charged with four counts of making false statements to Farmway Credit Union of Beloit, to obtain loans in amounts up to \$60,000, five counts of giving false warehouse invoices to the U.S. Department of Agriculture's Commodity Credit Corp. to get warehouse storage and service payments and one count of selling CCC-pledged corn to a grain company in Salina.

Collins was proprietor of Collins Grain Co. Inc. in Kackley, a small town in southwest Republic County in north-central Kansas.

U.S. Attorney Jim Marquez said the

indictment ended a 16-month investigation that originated with the Kansas State Grain Inspection Department.

Bradley Smoot, assistant state attorney general, said the state also had been investigating the elevator since it went into receivership, but that the federal agencies were first to bring charges because the USDA started the investigation. The state turned its information over to Marquez, Smoot said, and it's unlikely the state will file further charges unless it can find some different from the federal ones.

If found guilty, Collins could be fined up to \$5,000 and jailed for up to two years on each of the first four counts and fined \$10,000 and sentenced up to five years on each of the remaining six counts.

Some farm groups had complained loudly this winter about the apparent failure of the attorney general's office to investigate circumstances before the elevator's failure.

A proposal now in the legislature,

supported in part by persons specifically dissatisfied with the Kackley elevator case, would ensure that the Grain Inspection Dept. would inform the attorney general of possible wrongdoing at elevators.

Each had been accused in legislative hearings of not pursuing possible illegalities leading up to the failure of the elevator.

The creditors lost much money in the failure, with the receiver only ending the case earlier this winter when he filed final distribution papers in Republic County.

According to a copy of the motion filed in Republic County District Court to allow distribution of assets, wheat growers received \$1.61 a bushel, soybeans growers received \$5.48, milo growers received \$1.97 and corn growers received \$2.40.

On the loans involving Farmway, the jury basically found that Collins had falsely told the credit union he had grain on hand to use as collateral. The four loans were for \$8,000, \$35,000, \$7,500 and \$60,000. Farmway got back \$38,094.11 on the \$60,000 loan.

One farming partnership from near Courtland had some 12,000 bushels of various grains involved in the failure.

Others paid from the various funds included: Internal Revenue Service, \$8,271; Kansas Department of Revenue, \$1,023; the receiver, Eugene Waring, \$18,500; his attorney, Robert Meyer, \$18,500; an auditor, Rex Woods, \$3,800; the Kansas Grain Inspection Dept., for inspecting grain after appointment of the receiver, \$2,333, and the Santa Fe Railway, demurrage charges, \$1,800.

Collins was sentenced 6 mo. in
a half-way house and two years
probation

Max Penalty \$50,000 fine + 38 years

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS
(TOPEKA DOCKET)

UNITED STATES OF AMERICA,)	
Plaintiff,)	
)	
vs.)	No.
)	18 USC §1014
MARK W. COLLINS)	15 USC §714m(a)
Defendant.)	15 USC §714m(c)
)	

I N D I C T M E N T

The Grand Jury Charges:

COUNT I

On or about the 18th day of March, 1980, at Beloit, in the District of Kansas,

MARK W. COLLINS

did unlawfully, knowingly, willfully, intentionally and feloniously make a false statement upon an application for a loan for the purpose of influencing in any way the action of the Farmway Credit Union, a state chartered credit union insured by the National Credit Union Administration, in that MARK W. COLLINS pledged warehouse receipts for 3500 bushels of corn stored at Collins Grain Company's elevator as collateral for a loan of \$8,000.00, whereas, as MARK W. COLLINS then and there knew, at that time Collins Grain Company was approximately 11,925.23 bushels of corn short as of March 18, 1980, in violation of Title 18, United States Code, Section 1014.

COUNT II

On or about the 23rd day of May, 1980, at Beloit, in the District of Kansas,

MARK W. COLLINS

did unlawfully, knowingly, willfully, intentionally and feloniously make a false statement upon an application for a loan for the purpose of influencing in any way the action of the Farmway Credit Union, a state chartered credit union insured by the National Credit Union Administration, in that MARK W. COLLINS

pledged warehouse receipts for 14,000 bushels of corn stored at Collins Grain Company's elevator as collateral for a loan of \$35,000.00, whereas, as MARK W. COLLINS then and there knew, at that time Collins Grain company was approximately 4,903.38 bushels of corn short as of May 23, 1980, in violation of Title 18, United States Code, Section 1014.

COUNT III

On or about the 4th day of September, 1980, at Beloit, in the District of Kansas,

MARK W. COLLINS

did unlawfully, knowingly, willfully, intentionally and feloniously make a false statement upon an application for a loan for the purpose of influencing in any way the action of the Farmway Credit Union, a state chartered credit union insured by the National Credit Union Administration, in that MARK W. COLLINS pledged warehouse receipts for 2400 bushels of corn stored at Collins Grain Company's elevator as collateral for a loan of \$7,500.00, whereas, as MARK W. COLLINS then and there knew, at that time Collins Grain Company owned approximately 1,723.72 bushels of corn in its elevator as of September 4, 1980, in violation of Title 18, United States Code, Section 1014.

COUNT IV

On or about the 7th day of October, 1980, at Beloit, in the District of Kansas,

MARK W. COLLINS

did unlawfully, knowingly, willfully, intentionally and feloniously make a false statement upon an application for a loan for the purpose of influencing in any way the action of the Farmway Credit Union, a state chartered credit union insured by the National Credit Union Administration, in that MARK W. COLLINS pledged warehouse receipts for 16,000 bushels of corn, 60,000 pounds of milo, and 1,060 bushels of soybeans stored at Collins Grain Company's elevator as collateral for a loan of \$60,000.00, whereas, as MARK W. COLLINS then and there knew, at that time

Collins Grain Company was short approximately 25,706.27 bushels of corn, and 44,890 pounds of milo in its elevator as of October 7, 1980, in violation of Title 18, United States Code, Section 1014.

COUNT V

On or about 9th day of April, 1980, at Shawnee Mission, in the District of Kansas, and within the jurisdiction of this Court,

MARK W. COLLINS

did unlawfully, intentionally, feloniously and willfully make a material statement, knowing it to be false, for the purpose of influencing the action of Commodity Credit Corporation and for the purpose of obtaining for himself and others, money, property, and other things of value from Commodity Credit Corporation. That is to say, that on or about the date stated and in the District aforesaid, MARK W. COLLINS executed and caused to be filed with the Kansas City Agricultural Stabilization and Conservation Service Commodity Office at Shawnee Mission, Kansas, for the purpose of obtaining a periodic payment to Collins Grain Company, Inc., Kackley, Kansas, of warehouse charges by Commodity Credit Corporation for the period ending March 31, 1980, a Form entitled "Invoice for Warehouse Charges," reciting in substance as follows:

"I hereby certify that this invoice has been verified in detail by me or by someone under my direction, which verification has included the careful examination of complete records of inventories and storage obligations, and that all services for which payment of charges is claimed have been performed in full conformity with the provisions of my storage warehousing agreement with the Commodity Credit Corporation."

This statement was material in obtaining payment of warehouse charges by Commodity Credit Corporation. The statements contained in said certification, as MARK W. COLLINS then and there well knew, were false for the reason that the services during the period January 1, 1980, through March 31, 1980, for which payment was claimed, had not been performed in conformity with the provisions of COLLINS GRAIN COMPANY'S storage warehousing

agreement with Commodity Credit Corporation in that:

1. COLLINS GRAIN COMPANY did not at all times maintain in its elevator at Kackley, Kansas a stock of grain (wheat) equivalent in quantity, class and grade, and fairly representative of the quality which he was obligated to deliver to the holders of warehouse receipts and other documents representing the grain.

2. COLLINS GRAIN COMPANY had sold, shipped, or otherwise disposed of wheat owned by Commodity Credit Corporation.

All in violation of Title 15, United States Code, Section 714m(a).

COUNT VI

On or about 9th day of July, 1980, at Shawnee Mission, in the District of Kansas, and within the jurisdiction of this Court,

MARK W. COLLINS

did unlawfully, intentionally, feloniously and willfully make a material statement, knowing it to be false, for the purpose of influencing the action of Commodity Credit Corporation and for the purpose of obtaining for himself and others, money, property, and other things of value from Commodity Credit Corporation. That is to say, that on or about the date stated and in the District aforesaid, MARK W. COLLINS executed and caused to be filed with the Kansas City Agricultural Stabilization and Conservation Service Commodity Office at Shawnee Mission, Kansas, for the purpose of obtaining a periodic payment to Collins Grain Company, Inc., Kackley, Kansas, of warehouse charges by Commodity Credit Corporation for the period ending June 30, 1980, a Form entitled "Invoice for Warehouse Charges," reciting in substance as follows:

"I hereby certify that this invoice has been verified in detail by me or by someone under my direction, which verification has included the careful examination of complete records of inventories and storage obligations, and that all services for which payment of charges is claimed have been performed in full conformity with the provisions of my storage warehousing agreement with the Commodity Credit Corporation."

This statement was material in obtaining payment of warehouse

charges by Commodity Credit Corporation. The statements contained in said certification, as MARK W. COLLINS then and there well knew, were false for the reason that the services during the period April 1, 1980, through June 30, 1980, for which payment was claimed, had not been performed in conformity with the provisions of COLLINS GRAIN COMPANY'S storage warehousing agreement with Commodity Credit Corporation in that:

1. COLLINS GRAIN COMPANY did not at all times maintain in its elevator at Kackley, Kansas a stock of grain (wheat) equivalent in quantity, class and grade, and fairly representative of the quality which he was obligated to deliver to the holders of warehouse receipts and other documents representing the grain.

2. COLLINS GRAIN COMPANY had sold, shipped, or otherwise disposed of wheat owned by Commodity Credit Corporation.

All in violation of Title 15, United States Code, Section 714m(a).

COUNT VII

On or about 9th day of April, 1980, at Shawnee Mission, in the District of Kansas, and within the jurisdiction of this Court,

MARK W. COLLINS

did unlawfully, intentionally, feloniously and willfully make a material statement, knowing it to be false, for the purpose of influencing the action of Commodity Credit Corporation and for the purpose of obtaining for himself and others, money, property, and other things of value from Commodity Credit Corporation. That is to say, that on or about the date stated and in the District aforesaid, MARK W. COLLINS executed and caused to be filed with the Kansas City Agricultural Stabilization and Conservation Service Commodity Office at Shawnee Mission, Kansas, for the purpose of obtaining a periodic payment to Collins Grain Company, Inc., Kackley, Kansas, of warehouse charges by Commodity Credit Corporation for the period ending March 31, 1980, a Form entitled "Invoice for Warehouse Charges," reciting in substance

as follows:

"I hereby certify that this invoice has been verified in detail by me or by someone under my direction, which verification has included the careful examination of complete records of inventories and storage obligations, and that all services for which payment of charges is claimed have been performed in full conformity with the provisions of my storage warehousing agreement with the Commodity Credit Corporation."

This statement was material in obtaining payment of warehouse charges by Commodity Credit Corporation. The statements contained in said certification, as MARK W. COLLINS then and there well knew, were false for the reason that the services during the period January 1, 1980, through March 31, 1980, for which payment was claimed, had not been performed in conformity with the provisions of COLLINS GRAIN COMPANY'S storage warehousing agreement with Commodity Credit Corporation in that:

1. COLLINS GRAIN COMPANY did not at all times maintain in its elevator at Kackley, Kansas a stock of grain (corn) equivalent in quantity, class and grade, and fairly representative of the quality which he was obligated to deliver to the holders of warehouse receipts and other documents representing the grain.

2. COLLINS GRAIN COMPANY had sold, shipped, or otherwise disposed of corn owned by Commodity Credit Corporation.

All in violation of Title 15, United States Code, Section 714m(a).

COUNT VIII

On or about the 26th day of June, 1980 at Shawnee Mission, in the District of Kansas, and within the jurisdiction of this Court

MARK W. COLLINS

did unlawfully, intentionally, feloniously and willfully make a material statement, knowing it to be false, for the purpose of influencing the action of Commodity Credit Corporation and for the purpose of obtaining for himself and others, money,

property, and other things of value from Commodity Credit Corporation. That is to say, that on or about the date stated and in the District aforesaid, MARK W. COLLINS executed and caused to be filed with the Kansas City Agricultural Stabilization and Conservation Service Commodity Office at Shawnee Mission, Kansas, for the purpose of obtaining a periodic payment to Collins Grain Company, Inc., Kackley, Kansas, of warehouse charges by Commodity Credit Corporation for the period ending June 8, 1980, a Form entitled "Loading Order, Trust Order and Invoice for Charges" reciting in substance as follows:

"I hereby certify that this invoice has been verified in detail by me or by someone under my direction, which verification has included the careful examination of complete records of inventories and storage obligations, and that all services for which payment of charges is claimed have been performed in full conformity with the provisions of my warehousing agreement with the Commodity Credit Corporation."

This statement was material in obtaining payment of warehouse charges by Commodity Credit Corporation. The statements contained in said certification, as MARK W. COLLINS then and there well knew, were false for the reason that the services during the period April 1, 1980, through June 8, 1980, for which payment was claimed, had not been performed in conformity with the provisions of COLLINS GRAIN COMPANY'S storage warehousing agreement with Commodity Credit Corporation in that:

1. COLLINS GRAIN COMPANY did not at all times maintain in its elevator at Kackley, Kansas a stock of grain (corn) equivalent in quantity, class and grade, and fairly representative of the quality which he was obligated to deliver to the holders of warehouse receipts and other documents representing the grain.

2. COLLINS GRAIN COMPANY had sold, shipped, or otherwise disposed of corn owned by Commodity Credit Corporation.

All in violation of Title 15, United States Code, Section 714m(a).

COUNT IX

On or about the 14th day of October, 1980 at Shawnee Mission, in the District of Kansas, and within the jurisdiction of this Court

MARK W. COLLINS

did unlawfully, intentionally, feloniously and willfully make a material statement, knowing it to be false, for the purpose of influencing the action of Commodity Credit Corporation and for the purpose of obtaining for himself and others, money, property, and other things of value from Commodity Credit Corporation. That is to say, that on or about the date stated and in the District aforesaid, MARK W. COLLINS executed and caused to be filed with the Kansas City Agricultural Stabilization and Conservation Service Commodity Office at Shawnee Mission, Kansas, for the purpose of obtaining a periodic payment to Collins Grain Company, Inc., Kackley, Kansas, of warehouse charges by Commodity Credit Corporation for the period ending September 26, 1980, a Form entitled "Loading Order, Trust Order and Invoice for Charges" reciting in substance as follows:

"I hereby certify that this invoice has been verified in detail by me or by someone under my direction, which verification has included the careful examination of complete records of inventories and storage obligations, and that all services for which payment of charges is claimed have been performed in full conformity with the provisions of my warehousing agreement with the Commodity Credit Corporation."

This statement was material in obtaining payment of warehouse charges by Commodity Credit Corporation. The statements contained in said certification, as MARK W. COLLINS then and there well knew, were false for the reason that the services during the period July 1, 1980, through September 26, 1980, for which payment was claimed, had not been performed in conformity with the provisions of COLLINS GRAIN COMPANY'S storage warehousing agreement with Commodity Credit Corporation in that:

1. COLLINS GRAIN COMPANY did not at all times maintain

in its elevator at Kackley, Kansas a stock of grain (wheat) equivalent in quantity, class and grade, and fairly representative of the quality which he was obligated to deliver to the holders of warehouse receipts and other documents representing the grain.

2. COLLINS GRAIN COMPANY had sold, shipped, or otherwise disposed of wheat owned by Commodity Credit Corporation.

All in violation of Title 15, United States Code, Section 714m(a).

COUNT X

On or about the 19th day of September, 1980, at Kackley, in the District of Kansas, and within the jurisdiction of this Court,

MARK W. COLLINS

did willfully, intentionally, unlawfully and feloniously steal, conceal, remove, dispose of, and convert to his own use and to the use of another, property having a value in excess of \$500.00 owned, held by, and pledged to Commodity Credit Corporation. That is to say, during the period and in the District aforesaid, MARK W. COLLINS did willfully steal, conceal, remove, dispose of, and convert to the use of MARK W. COLLINS approximately 1,925 bushels of corn pledged to Commodity Credit Corporation which had been stored in the Collins Grain Company elevator at Kackley, Kansas. Such corn, having an approximate value of \$5,794.00 was sold and delivered to the Wright-Lorenz Grain Company, Inc., Salina, Kansas, as part of a total sale of 17,500 bushels of corn; approximately 1,925 bushels of which represented corn pledged to the Commodity Credit Corporation on a price support loan by Frank, Ralph and Darlene Standley of Courtland, Kansas and stored at Collins Grain Company's elevator as part of a total pledge of 8,997.14 bushels, the value of said 1,925 bushels being \$5,794.00.

All in violation of Title 15, United States Code, Section 714m(c).

A TRUE BILL.

DATE

FOREMAN OF THE GRAND JURY

UNITED STATES ATTORNEY
District of Kansas

[It is requested that trial be held in Topeka, Kansas]

Bond fixed at: \$ _____

UNITED STATES DISTRICT JUDGE

Attachment 9 1/27/83

Senate Agriculture and Small Business Committee

January 27, 1983

by Nancy E. Kantola, Executive Vice President

Kansas Cooperative Council

Senate bills 1 through 6 have been drafted after considerable debate; through the committee process last session and through extensive hearings this summer by the interim committee.

We feel this is reasonable, responsible action to reduce losses to producers and even to reduce the potential of bankruptcy among elevators.

As I've testified in the past, we could support stronger financial disclosure requirements, but because small private companies feel it would be too great a cost, agree with the proposal to support the commodity storage requirements instead as outlined in Senate Bill 1.

Several suggestions beyond the realm of the 6 bills have been made the last two days. I wish to go on record again opposing a statewide indemnity fund. We feel there is no way to administer the fund without penalizing the sound companies to protect the poorly managed or financed grain companies. Producers who sell for cash would be paying the same price as those who store grain or use deferred payment or pricing plans. It would not solve the producer's problem in the short run, as settlement could not be made until the court proceedings ascertained the actual loss to each producer.

We also disagree with Mr. Webb's recommendation to change Senate Bill 2 to require the verification of grain in storage be at the year end. Our CPAs send them now

Atch. 9

at the fiscal year end of each firm, which is a date set by each cooperative's bylaws. Any producer can call for an update on their position as they make their decisions prior to the calendar year end.

We sincerely hope that KGID will continue to endeavor to make two inspections per year when possible and will use the recommendations of the Post Legislative Audit to keep Kansas' record low for elevator failures.