

**American Pecan Council  
Conference Call Meeting Minutes  
January 20, 2017**

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The American Pecan Council (Council) held a conference call meeting on January 20, 2017, with 30 participants on the call.

Council Chairman, Mr. Adams, called the meeting to order at 10:01A.M. CST. Jennie Varela, SEMFO, conducted roll call and a quorum was established.

**American Pecan Council Members**

<b>Seat</b>	<b>Member</b>		<b>Alternate</b>	
<b>Eastern-Grower</b>	Buck Paulk	Present	Angie S. Ellis	Not Present
	Trent Mason	Present	Randy Hudson	Present
	Molly Willis	Present	Claire Powell	Not Present
<b>Central-Grower</b>	Mike Adams	Present	Jennifer Ivey	Not Present
	Michael L. Spradling	Present	Lalo Medina	Present
	Billy Scott Landgraf	Present	Mike Montgomery	Not Present
<b>Western-Grower</b>	Louie J. Salopek	Present	Frank P. Salopek	Present
	G.L. Straley	Present	Leslie L. Daviet II	Present
	Phillip Arnold	Present	John Heuler	Not Present
<b>Eastern-Sheller</b>	Jeff Worn	Present <sup>1</sup>	M. Brandon Harrell	Present
	Lawrence Willson	Present	Kenny Tarver	Not Present
<b>Central-Sheller</b>	Daniel J. Zedan	Present	Helen Watts	Present
	William D. York, Jr.	Present	Rickey Jones	Present
<b>Western-Sheller</b>	Bruce Caris	Present	Deborah Walden-Ralls	Not Present
	Sonja Roeder	Present	Blake Houston	Not Present

Also present on the conference call was Christian Nissen, Regional Director, SEMFO, Abigail Campos, SEMFO, and Jennifer Hightower, Green Valley Pecan Company.

The Council reviewed the minutes of the meeting held on November 16-17, 2016, in Houston, TX. With no changes, Mr. Mason made a motion to approve the meeting minutes, seconded by Mr. L. Salopek. Mr. Daviet, commented that he did not receive a copy of the meeting minutes and would like to be added to the distribution list for future reference. Ms. Varela responded that if any one else did not receive a copy of the meeting minutes, they should contact her. The motion carried unanimously.

Mr. Straley reported on behalf of the Finance Committee that the Internal Control Policy is finalized, therefore the Council will be able to secure a bank account with First Financial Bank located in San Angelo, TX. He further informed members that his brother in-law is a trust officer with the institution, and was able to assist in establishing the account for the Council. Both Mr. Adams and Mr. Straley further informed the Council that the institution is based in

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<sup>1</sup> Alternate member Brandon Harrell was seated until Mr. Jeff Worn was able to join the meeting

Texas, as requested during the November meeting, which would facilitate the process of switching locations or banks if the Council found it necessary.

At the recommendation of First Financial Bank, Mr. Straley met with Armstrong, Backus & Co., LLP, an accounting firm also based in San Angelo, TX. During their meeting, the accounting firm went over the services that would be available to Council and the associated fees.

Mr. Straley reiterated that before opening a bank account and hiring an accounting firm, the Council must finalize and approve the Council's Internal Controls Policy which outlines the process for Council payments and expenditures. In anticipation for today's meeting, Members were informed that they were each emailed a drafted copy of the Internal Controls Policy for review and feedback. Mr. Straley further added that the Committee recently received feedback from USDA on the drafted document and wanted to review some of the changes that were made before calling a motion. The changes are as follows:

The following changes were made in section 2 (a) (iii), "*An email will be generated from bill.com to two members of the Administrative Board, who will log in, review and approve outgoing payments invoice.*" Mr. Straley further explained that the two members selected as reviewers will be given partial access to bill.com to review and approve outgoing payments only.

Mr. Straley also informed members that under Section 2 (a), three additional bullet points were added to cover Council travel guidelines. The following sections were added to the drafted document:

- iv. Committee personnel do not travel on a regular basis. However, when travel is approved, Committee personnel must follow travel policies.
- v. A committee-approved expense reimbursement form is used for all travel claims.
- vi. Original receipts, when available, are attached to the reimbursement form before review and approval by appropriate management.

Mr. York asked whether the pending bank account would be temporary until the Council address was established. Mr. Straley confirmed that the bank account was temporary but that the Council did have the option of transferring accounts to a closer branch. Mr. York asked for clarification of "administrative board." Mr. Straley responded that the administrative board is the officers of the Council.

Mr. Spradling asked if the travel policy was based on USDA guidelines and if the Council would be developing the guidelines. Mr. Straley responded that the Council will be developing their own guidelines but that they would meet USDA standards. He further added that Ms. Varela had provided him with samples that the Council will adopt in the future. For the time being, limited language had been added to allow the Council to reimburse members for travel.

Ms. Varela further elaborated on Mr. York's question concerning the temporary bank account. She informed the Council that USDA Compliance recommended that the Internal Controls Policy include a 90 day time limit for revisiting the issue of maintaining the temporary bank account or moving it. Mr. Zedan recommended that the Council consider an extended period of 6 months rather than 90 days.

Mr. Adams added that during the Houston meeting, the executive committee (Chair, Vice-chair, Treasurer and Secretary) were selected by the Council to oversee Council interests. The Internal Controls Policy only requires two signatures for review and approval. Mr. Daviet responded that they should insure that one of the signatures member be the Council's Treasurer. Mr. Adams agreed with Mr. Daviet that the Treasurer be one of the two signatures assigned in the Internal Controls Policy.

Mr. Straley reviewed the following changes made to Internal Controls Policy:

2 (b): Accompanying the deposit, all first handlers will provide a detailed breakdown of information for funds submitted ~~fully completed form as provided by the American Pecan.~~

3 (e): Instead of reading "Administrative Board President and Treasurer will have online access to view all account activities," it will be replaced with the following:

- a. Until such time as a permanent address is established, all remitting handlers will mail checks directly to American Pecan Council, c/o Armstrong, Backus & Co., LLP, P.O. Box 71, San Angelo, Texas 76902-0071 for deposit.
- b. Accompanying the deposit, all remitting handlers will provide a detailed breakdown of information for the funds submitted.
- c. Armstrong/Backus personnel will receive and make daily deposit and retain a copy of the supporting form for each deposit.
- d. Armstrong/Backus will maintain and hold a confidential ledger of said receipts from handlers, which is only available to Armstrong/Backus personnel. Information on said ledger will include the name of the Remitting Handler, pounds of Improved, Native/Seedling, and Substandard pecans purchased. Information from said ledger can only be shared with approved members of USDA personnel to assure proper accounting and remittance of all handler funds. Detailed information from said ledger is held in strict confidence and will not be provided to any member of the American Pecan Council except as an aggregate in the monthly financial report accounting.

He further added that, the handler forms have not be approved by Office of Management and Budget (OMB). Once the forms are approved, the changes can be updated to reflect the proper procedure for handlers.

Mr. Adams added that the Council's detailed information for the financials would only be viewed by the accounting firm, Armstrong / Backus, for confidentiality reasons. Mr. Adams added that once management is in place, the CEO, office staff and Armstrong / Backus will be the only individuals who have access to the information.

Mr. Arnold moved to accept the revised Internal Controls Policy. The motion was seconded by Mr. Straley. Mr. York noted that the time frame for the Internal Controls Policy to be reviewed

should be changed to August 31, 2017, the last date assessments would be collected in this crop year. Mr. Medina agreed with the statement. Mr. Nissen, USDA, informed the Council that the time frame can be adjusted in the future but it is important for the Council to have a time frame in place.

Mr. Salopek asked when the bank account would be established and ready for industry deposits. Mr. Straley responded that as soon as the Council makes a motion, the account should be set up within the week. Mr. Adams asked Mr. Nissen if USDA was ok with the Council moving forward in establishing a bank account. Mr. Nissen responded that USDA was in agreement with the Council moving forward.

Mr. Adams re-addressed the motion for approving the revised Internal Controls Policy with a revised timeframe of 6 months. Mr. Arnold moved to accept the revised Internal Controls Policy. The motion was seconded by Mr. Straley. The motion carried unanimously.

Mr. Adams requested Mr. Straley send a copy of the revised Internal Controls Policy to all members after the conference call.

Mr. Caris reported on behalf of the Marketing, Research, and Promotion Committee and how, in order to be a successful committee, Council members should voice their inputs and interests. As a result of some inputs already received, Mr. Caris asked about bringing a consultant from the Business School from the University of Arizona to the Biloxi meeting to work as a facilitator targeting the Council's and industry marketing, research, promotion. Mr. Caris informed members that they were quoted \$6,000 which includes his services and travel arrangements. Mr. Medina, among other members, expressed that contracting the facilitator would be a good idea because he is familiar with the industry and can establish a point of direction for the Council. Mr. Caris made a motion to book meeting rooms for Tuesday, February 21, 2017, and contract the Dean from the Business School from the University of Arizona to help facilitate the meeting. Mr. Spradling asked if the cost of the facilitator would fall on the APC and if the Council currently had funds in the bank account. Mr. Adams confirmed that the cost of the facilitator would be covered by the Council but that they currently did not have a bank account open or any funds. Mr. Spradling further asked if the facilitator would then bill the Council for his services. Mr. Caris confirmed that it would be a billable expense but that if needed, Green Valley Pecan Company could cover the cost of the facilitator until Council funds become available. Ms. Varela confirmed that there was no problem agreeing to a payable but that it would not be possible for Green Valley Pecan Company to front the money for the Council. Mr. Adams agreed that the expense of the facilitator would be on the Council books as a payable.

Members further added that, once the facilitator had been secured, the Council should be provided an information sheet and talking points that will be covered.

Mr. Worn, member, joined the conference call.

Mr. Medina informed the Council that it would be highly beneficial for the Council to put together talking points, post meeting summary / action plan and also provide the facilitator a copy of Council member Resumes / Bios so that he is familiar with the group.

Mr. Adams raised a question regarding the initial motion made by Mr. Caris for reserving a meeting room for February 21, 2017. He stated that the motion needs to be adjusted to include both February 21-22, 2017. Mr. Caris amended his motion to book meeting rooms for February 21 and 22, 2017, and contract the Dean of the Business School from the University of Arizona to help facilitate the Committee meeting. Mr. Mason informed the Council that the meeting room was already reserved for Thursday, February 23, 2017, for the Council meeting and wanted to know if the Committee and Council meetings needed to be combined in order to get the same room. Mr. Adams informed Mr. Mason that they would talk about the logistics further on another call.

Mr. Adams asked the members if there were any further question on the motion made by Mr. Caris. With no further questions, Mr. Adams called Mr. Caris' motion for approval of meeting space and contracting the facilitator. The motion carried unanimously.

Mr. Zedan reported on behalf of the Statistics and Reporting Committee and their current progress. He stated that they had a meeting with Sue Olsen with the Almond Board and went over their reporting process. As a result of this meeting, the Council was provided a copy of templates (Form 1 and 2) which were sent to all Council members. Both Almond Board Forms 1 and 2 were modified to match Council reports. Mr. Zedan stated that members should have also received an additional 5 forms which address some of the data the Council would like to collect, including import reporting (for information purposes not assessment) and inter-handler transfers. He stated that members have already provided him with feedback on the forms and some changes have been made. Mr. Zedan hopes that all forms will be approved at the upcoming meeting in Biloxi, Mississippi. Mr. Zedan pointed out that Mr. Straley contacted him concerning a space for calculating the assessment. He replied that the calculating space was not included but that the modification to the form would be simple and the calculations would automated.

Mr. Zedan asked if there was a data limit of what can be asked on the forms, such as what the product is being sold for or must it be done on a separate contract such as National Agricultural Statistics Service (NASS). He further stated that the Almond Board currently does a subjective estimate, which is conducted on May 1st, by asking growers the crop size. During the month of July, NASS conducts an objective estimate where employees are sent to the fields to conduct a physical survey which provides an actual number of industry acres. Mr. Zedan informed the Council that the Almond Board currently spends approximately \$200,000 for the estimate for one state. Mr. Zedan further raised a concern that the Council has approved \$257,000 to cover 15 states in order to obtain similar data for the industry, which would not be sufficient. Mr. Zedan has contacted USDA to get an estimate on what NASS would charge but has also reached out to other companies.

Mr. Hudson raised a question concerning the varieties listed on the form and how it would be difficult to complete because industry members from the east normally purchase blends. Mr. Zedan replied that the identified varieties in the order were listed on the forms but that on the top of the form, the category "blend / mix budded" is where the blends would be reported. He further added that anything that would be considered a blend or mix budded would be reported under that category. Mr. Hudson responded that he understood why almonds is able to have similar

categories but wanted to know if the pecan industry needs to have further categories, such as Stuarts. Mr. Zedan responded that the Almond Board is able to use the variety yield data to determine expenditure of funds for research and health studies for specific varieties. The pecan industry data collected on the forms would allow them to gather information on pecan applications which would include production by variety, exports, and products. Mr. Adams requested that Council members review the drafted forms and communicate any questions or concerns to the Statistics and Reporting Committee before the Biloxi meeting.

Mr. Spradling asked if the form displayed the assessment rate. Mr. Zedan responded that Form 1 would be revised to include an assessment column and the updated version would be sent to members within a day or two.

Mr. Spradling reported on behalf of the Communications Committee. Mr. Spradling expressed his congratulations to Sonny Perdue, nominee for Secretary of the U.S. Department of Agriculture. Moving forward, Mr. Spradling confirmed that Mr. Mason, Mr. Arnold and Ms. Walden-Ralls were members of the Committee. He informed members that the Committee will be working extensively in developing the industry database. Mr. Spradling mentioned that the Committee would like to work with Council members at the Biloxi meeting to discuss a strategy in approaching current grower and sheller organizations for their membership list to develop an industry wide database for communications purposes. He further emphasized that social media outlets such as Twitter and Facebook are useful platforms that can be used to communicate with industry members and consumers. Mr. Spradling recognized that the Council would be working with USDA in reviewing any publications and/or information that would be released.

Mr. Straley asked if the Communication Committee would be communicating with handlers on the establishment of a Council bank account and instructions for deposits. Mr. Spradling agreed that those duties would fall on the Committee and suggested that they would initially contact the Pecan South and Georgia Pecan Growers Magazine to get the word out but emphasized their need in establishing a database with the help of handler and grower organizations. He further added that the Council should also look into developing a news release to send to current contacts.

Mrs. Roeder asked Mr. Straley if it would be helpful if current Council members send the Committee a list of known industry contacts in order to get the database started. Mr. Spradling suggested that perhaps it would be best for the Council to develop a Council email to start receiving information vs sending it to his personal e-mail.

Mr. Mason added that the Pecan Publication usually has an extensive list of industry contact information that may be useful. Mr. Adams added that the Committee has to start somewhere and informed members that the American Pecan Board would be meeting on Friday and he would request a membership list. Mr. Spradling notified Council members that he has requested a contact information list from USDA but has yet to receive it. Mrs. Roeder suggested that it would be best for the Communication Committee to first establish a list and send to Council members for cross-referencing. Mr. Spradling acknowledged Mrs. Roaders' idea and suggested that if any Council members were associated with an industry organization, they should send him an email with the point of contact for requesting a membership list.

Mr. Adams suggested that Mr. Spradling consider making a motion that would allow the Communications Committee to establish communications accounts, including social media and email. Mr. Spradling moved to have the Communications Committee create a Council email and social media accounts which would include Facebook, Twitter, and Constant Contact. Mr. Nissen quickly added that Mr. Spradling and the Communications Committee work closely with USDA (Jen and Abby) in developing social media communications. Mr. Spradling acknowledged Mr. Nissen's suggestion.

Mr. Caris informed Mr. Spradling that the Committee would work on developing a communication that can be sent out to industry organizations to request data information. Mr. Caris further added that, once the communication was finalized by the Committee, he would personally reach out to the National Pecan Sheller's Association on behalf of the Council.

With no further questions, Mr. Adams called Mr. Spradling's motion for the Communication Committee to create a Council email and social media accounts which would include Facebook, Twitter, and Constant Contact. The motion carried unanimously.

Mr. Adams informed members that the conference call had exceeded the hour time frame but they would continue in order to cover the remaining agenda items. Mr. Adams mentioned that most of the items under old business, such as nominations for At-Large members, interim management firm and executive search, would be addressed by the Governance Committee in Biloxi on Wednesday, February 22, 2017. He further added that the Governance Committee is currently in the process of developing a request for proposals (RFP) for both interim management firms and the executive search.

Mr. Caris provided members with an update on nominations for the At-Large member seats and informed the Council that they should have each received three resumes (two accumulators and one public member) via email. Mr. Caris encouraged members to review the submitted resumes and further reminded them to submit any resumes of individuals whom they would like to be considered for the positions. Mr. Adams added that he intends for the Council to select the members at the meeting in Biloxi. In addition, Mr. Adams stated that all resumes be submitted to Mr. Caris no later than one week prior to the meeting, which would provide sufficient time for distribution and member review. Mr. Medina recommended that the Council consider a candidate with a strong background in marketing to better benefit the Council. Mr. Adams stated that it is the Council's responsibility to bring forward nominees with various strengths that can be an asset to the Council. Mr. Salopek further added that the nominee for the public and alternate public member may not be associated to the industry. Mr. Spradling further asked to what degree the "involvement to the industry" is defined. Mr. Nissen stated that the Council should consider members who have no financial interests in the industry which extends to family members. Mr. Zedan asked if an executive from a major food company that purchased nut products, including pecans, could be considered. Mr. Nissen informed him that USDA would have to review the extent of involvement and financial interest in the industry which could be a disqualifier. Mr. Adams agreed with Mr. Nissen and stated that the language in the order states that the public and alternate public member may not have a financial interest which could be

open to interpretation. However, Mr. Adams recommended that if any member had any questions or concerns, they should contact Jen or Chris with USDA.

Under new business, Mr. Salopek wanted to entertain the possibility of discussing Edward Avalos as a nominee for Under Secretary for the United States Department of Agriculture. Mr. Nissen, USDA, informed members that the topic was outside the order and could not be entertained by the Council.

Mr. Spradling asked if there was a scheduled meeting in Texas for the Council. Mr. Adams said that the only meeting on the calendar for the Council is Biloxi and that any future meetings would be discussed at that time.

With no other business to discuss, Mr. Mason moved to adjourn the meeting and Mr. L. Spradling seconded the motion. Without opposition, the meeting was adjourned.