

**MISSISSIPPI OFFICE OF THE STATE AUDITOR
BOND MONITORING**

***A LIMITED REVIEW OF THE MISSISSIPPI LAND, WATER AND TIMBER
RESOURCES ACT***



PHIL BRYANT
STATE AUDITOR

A report from the Performance Audit Division
Report # 103
May 12, 2006

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

PHIL BRYANT
AUDITOR

May 12, 2006

Honorable Haley Barbour
Governor's Office
501 N. West Street
Woolfolk Building, 15th Floor
Jackson, MS 39201

Honorable Amy Tuck
Lt. Governor's Office
315 New Capitol Bldg.
Jackson, MS 39201

Honorable Billy McCoy
Speaker of the House
House of Representatives
New Capitol Building
Jackson, MS 39201

Dear Governor Barbour, Lt. Governor Tuck and Speaker McCoy:

The Performance Audit Division of the Office of the State Auditor (OSA) has completed a limited review of the Mississippi Land, Water and Timber Resources Act. OSA submits this report for your consideration. It is our hope the information in this report will be beneficial to you and other parties interested in the program. This report provides a review of the numerous projects which have already or will receive funding from Land, Water and Timber.

I wanted to personally thank the staff at the Mississippi Development Authority and Mississippi Department of Agriculture for their assistance throughout this process and for the clarifications they were able to provide in the report review process.

With best regards, I remain,

Sincerely,

A handwritten signature in black ink that reads "Phil Bryant". The signature is written in a cursive, flowing style.

Phil Bryant
State Auditor

PB/dm

enclosure

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**Office of the
State Auditor of Mississippi
Phil Bryant**

**A Limited Review of the
Mississippi Land, Water and Timber Resources Act**

Executive Summary

The Mississippi Legislature in the 2000 Extraordinary Session, created the Mississippi Land, Water and Timber Resources Act (Act) in Sections 69-46-1 et seq., to assist the Mississippi agricultural industry in developing, marketing, producing, and distributing agricultural products. It provided for the creation of the Mississippi Land, Water, and Timber Resources Board (LWT). The Executive Director of the Mississippi Development Authority and the Commissioner of Agriculture, serve as co-chairmen of the Board, with other members coming from all areas of agriculture as well as from the State Legislature.

Since 2001, the Mississippi Legislature has authorized a total of \$41,000,000 in general obligation bonds for Board grants and loans. Nearly \$37,000,000 has been approved by the Board for forty-one (41) projects in thirty-two (32) counties throughout the State. At the time of this report, the Board has spent almost \$32,000,000 of the \$37 million for projects that have met the requirements of the Board.

In 2003, at the request of then Chairman of the House Ways and Means Committee, Representative Billy McCoy, the Performance Audit Division of the Office of the State Auditor (OSA) conducted its first limited review of the Mississippi Land, Water and Timber Resources Act. Over the next several years, the Division followed projects of the Board. During this time, numerous short briefs and reports were issued by the OSA regarding certain active projects.

Not all funded LWT projects are fully reviewed in this report. Two grant recipients in particular are not covered because detailed reports about their projects (Mississippi Beef Processors and Mississippi Technology Alliance Alternative Energy Program) were previously published and are available on the OSA website at <http://www.osa.state.ms.us>.

Even though numerous changes have been made to both the application and award process by the LWT Board, in the last two legislative sessions, several bills have been introduced to either restructure or eliminate this program.

Most notably in the 2006 regular session, SB 2563 would have abolished the LWT Board and moved all of its authority and responsibility under the Mississippi Development Authority (MDA) but it failed to pass the House.

Active projects are those who have their financing in place, have received funds from LWT, and are currently in a construction or operational phase. While some projects were approved to be funded several years ago, not all have received money immediately. LWT money is generally not provided until certain criteria such as additional outside funding is confirmed. Some projects are still trying to finalize their own financing. Therefore, some of the projects reviewed are still in the planning phase, but are awaiting disbursement of funds even though they have been approved by the LWT Board. Based on procedural changes, some of which were

The Board has steadily adopted stronger application requirements, award criteria and grant/contract standards...



recommended by OSA, LWT money is no longer disbursed until outside funding is secured. This report reviews all of the LWT funded and/or approved projects with the exception of some of those finalized in the last quarter of 2005 and the first quarter of 2006. Additionally, this report reviews functional and substantive changes to the policies developed by the LWT Board. While some of these projects are not yet completed, the majority of them appear to be achieving the purpose for which they were originally granted and/or loaned funds.

It is apparent from Board and screening committee meetings attended by OSA staff that the Board has steadily adopted stronger application requirements, award criteria and grant/contract standards since OSA's last review in 2003.

When the majority of these project applications were originally approved, the LWT Board was new and had fewer internal controls in place than they do now. The LWT Board has changed many of its original policies since the Board's inception and have

included in its granting processes many recommendations made by OSA to strengthen and protect the decisions they make. The Board's counsel has also been instrumental in providing guidance in grant agreement and contract development/implementation as well as taking a proactive role in maximizing the efficient use of bond funds for these projects.

It should also be noted that this comprehensive report was compiled through review of project documentation such as applications, contracts, and invoice testing, and where applicable, site visits (both announced and unannounced) by OSA Performance Audit staff. This report does not seek to make any assumptions or decisions about the worthiness of any project, but rather assesses project intent and compliance with agreements and contracts of the Board. While some projects progress smoothly and serve the purpose for which they are intended, from time to time, others may not.

Findings and Recommendations

In conducting this review of LWT and its funded projects, OSA finds that the LWT Board, over the past two years, has implemented numerous changes to its policies, procedures, and applications that have strengthened its own internal controls and processes. Many of these changes were at the recommendation of OSA after it was requested to begin monitoring and oversight of Board projects. Further, these changes have already served to better protect taxpayer dollars by making the process more closely mirror that of a private lender while maintaining the purposes for which the Board was created. Because of this, OSA recommends that the LWT Board continue to utilize these strengthened program measures while at the same time, continue seeking ways to maximize the number of successful projects that it funds. Additionally, OSA recommends that the LWT Board continue to make pre- and post- award site visits to increase the potential for a successful project. These site visits are important because:

- they provide agriculture specific technical assistance,
- they allow LWT staff to make sure the project is progressing at an appropriate pace, and finally,
- they provide an opportunity for the LWT Board to intervene if a project begins to have problems.

Finally, OSA recommends that the LWT Board continue its stringent application process that includes requiring financial documents proving a business' creditworthiness.

The chart on the following page presents a listing of LWT projects authorized since March 2003.

Company	Municipality/ Other Sponsor	County Location	Type of Business	Loan/ Grant	Amount
Mississippi Polymer Institute	USM	Forrest	Research	G	\$1,000,000
Mississippi Beef Processors	N/A	Yalobusha	Beef Processing	G	\$5,000,000
MS Forest Products Lab	MSU	OkTibbeha	Forestry Research	G	\$1,000,000
MS Technology Alliance	Jackson	Hinds	Alternative Energy	G	\$849,750
Sylvester's Incorporated	Winston County Board of Supervisors/ Golden Triangle PDD	Winston	Aquaculture Equipment	G	\$92,500
Georgia Pacific	City of Louisville	Winston	Timber Processing	G	\$648,305
Nichols Enterprises, LLC	N/A	Rankin	Vegetable Processing Plant	G	\$61,512
Coast Transit Authority	N/A	Harrison	Non-Profit Public Transit	G	\$125,000
MTA Match Funds-biodiesel (STUDIES)	N/A	Hinds	Ethanol & biodiesel	G	\$92,500
INTIME	Institute for Technology Development	Bolivar	Crop input management	L	\$750,000
Thames Research Group	USM	Forrest	Soybean Research	G	\$250,000
Consolidated Catfish Companies, LLC	N/A	Humphreys	Catfish processing	G	\$2,300,000
Covington County Bd of Supervisors	Covington County	Covington	Blueberry processing	G	\$800,000
INDI-BEL, Inc.	N/A	Sunflower	Catfish feed mill	G	\$1,500,000
MTA Alternative Energy Devices	N/A	Statewide	Electricity reduction device	G	\$697,422
Sumrall Farms	N/A	Madison	Vegetable hydrocool facility	G	\$66,500
Heartland Catfish Company	N/A	Leflore	Catfish processing	G	\$1,250,000
Wayne County Bd of Supervisors	Wayne County	Wayne	Blueberry drop station	G	\$304,630
Yazoo Planters Gin Company Inc.	N/A	Yazoo	Cotton Gin	G	\$32,500
Rabbitman Farms	N/A	Marion	Rabbit Meat Production	G	\$40,000
MS Technology Alliance	Jackson	Hinds	Alternative Energy	G	\$876,915
Yazoo Planters Gin Company	N/A	Yazoo	Cotton Gin	L	\$97,500
Church Hill Produce	N/A	Jefferson	Vegetable Processor	G	\$110,000
Mississippi Fruit & Vegetable Cooperative	Calhoun County BOS	Calhoun	Vegetable Processing	G	\$2,000,000
Natchez Trace LLC	N/A	Attala	Horticulture/ Floriculture Industry	L	\$145,980
Koch Foods of Mississippi, Inc.	Town of Morton	Scott	Poultry Processing	G	\$500,000
Koch Foods of Mississippi, Inc.	Town of Morton	Scott	Poultry Processing	L	\$1,000,000
DG Foods, LLC	N/A	Copiah	Processing Poultry	G	\$500,000
DG Foods, LLC	N/A	Copiah	Processing Poultry	L	\$500,000
Blackwater Farms, LLC	East Central PDD	Kemper	Poultry Processing	G	\$100,000
MS State Univ-Forest and Wild. Res. Ctr.	N/A	OkTibbeha	Forest Products	G	\$1,029,168
Brinson Farms, LLC	N/A	Jefferson Davis	Poultry Operation-Energy Efficiency	G	\$501,124
Brinson Farms, LLC	N/A	Jefferson Davis	Poultry Operation-Energy Efficiency	L	\$85,000
WeGel, LLC	N/A	Clay	Catfish By-Products	G	\$250,000
Wildwood Gin, Inc.	N/A	Leflore	Gin By-products Manufacturer	G	\$375,000
Wildwood Gin, Inc.	N/A	Leflore	Gin By-products Manufacturer	L	\$375,000
Homan Industries	N/A	Itawamba	Timber Processing	G	\$150,000
Rosedale Cottonseed Terminal, Inc.	Port of Rosedale	Bolivar	Cottonseed Facility	G	\$275,000
Cooper Farms	N/A	Scott	Processing Fruits and Vegetables	G	\$100,000
Alcorn County Bd of Supervisors	Alcorn County BOS	Alcorn	Produce High Carbon Charcoal	G	\$350,000
MSCP, Inc.	Sunflower County EDD	Sunflower	Production of Sweet Corn	G	\$600,000
MSCP, Inc.	Sunflower County EDD	Sunflower	Production of Sweet Corn	L	\$497,000
Mississippi Institute for Forest Inventory	N/A	All	Non-Profit Ed Institution	G	\$276,000
Cooper Farms	N/A	Scott	Processing Fruits and Vegetables	L	\$100,000
Mills Dairy	N/A	Scott	Dairy Operation-Energy Efficiency	G	\$258,000
Scott Petroleum Corporation	N/A	Washington	Bio-diesel Production Facility	L	\$2,000,000
East Mississippi Pole Company	N/A	Neshoba	Wood Waste Kiln Conversion	L	\$400,000



Introduction

The Mississippi Legislature in the 2000 Extraordinary Session, created the Mississippi Land, Water and Timber Resources Act (Act) in § 69-46-1 et seq. of the Mississippi Code 1972, Annotated. The purpose of this Act is to provide a means to assist the Mississippi agricultural industry in developing, marketing, producing, and distributing agricultural products. It also provided for the creation of the Mississippi Land, Water, and Timber Resources Board (Board/LWT) to distribute and manage State bond funds set aside to fund projects approved under the guidelines of the Board. Both the Mississippi Development Authority executive director and the Commissioner of Agriculture serve as co-chairmen of the Board, with other members coming from all areas of agriculture as well as from the State legislature.

The Board may provide funds to public and private entities through grants, loans, and contracts (§69-46-5, *Mississippi Code of 1972, Annotated*). Project applications are submitted to and reviewed by a Board subcommittee known as the Screening and Finance Committee (screening committee). Projects have ranged in size from Rabbitman Farms in Marion County which was granted \$40,000, to Mississippi Beef Processors in Yalobusha County, which received \$5,000,000. Screening committee members appointed by the Board meet at least once a month to review projects for submission to LWT for consideration. The Board meets quarterly and additionally when necessary to conduct business. According to its 2005 Annual Report, the Board convened five (5) times and the screening committee convened nine (9) times. In the event of a loan or contractual default, the Board may seek repayment.

Since 2001, the Mississippi Legislature has authorized a total of \$41,000,000 in general obligation bonds for Board grants and loans. Nearly \$37,000,000 have been approved by the Board for forty-one (41) projects in thirty-two (32) counties throughout the State. At the time of this report, the Board has spent almost \$32,000,000 of the \$37,000,000 for projects that have met the requirements of the Board.

In 2003, at the request of the Speaker of the House of the Mississippi Legislature, the Performance Audit Division of the Office of the State Auditor (OSA) conducted its first LWT general review. At the beginning of that same year, OSA began monitoring Mississippi Beef Processors, a major LWT grant recipient and released information reports. House bill 1596, 2003 Regular Session authorized OSA to be reimbursed up to \$50,000 for monitoring *all* Mississippi Land, Water, and Timber Resources Board projects. In August 2003, the State Auditor released a limited review of the Mississippi Land, Water and Timber Resources Act. In addition to attending Board meetings and bond monitoring general oversight, OSA has continued to make on-site monitoring visits as well as reviewing financial records, and has released numerous short briefs and reports regarding certain active projects.

Not all funded LWT projects are fully reviewed in this report. Two grant recipients in particular are not covered because detailed reports about their projects were previously published and are available on the OSA website at <http://www.osa.state.ms.us>. One of those reports was about the Mississippi Beef Processors project.

Since 2001 \$41 million in bonds has been authorized by the Legislature for Board grants and loans.

Nearly \$37 million dollars have been approved by the Board for 41 projects in 32 counties throughout the State.

...the majority of them appear to be achieving the purpose for which they were originally granted and/or loaned funds.

...the Board has steadily adopted stronger application requirements, award criteria and grant/contract standards since OSA's last review in 2003.



A thorough review of Mississippi Beef Processors was completed in January 2005 and is available for review on the OSA website. Since completion of that review OSA has begun its criminal investigation of the failed beef plant in late November 2004. The Federal Bureau of Investigations and the U.S. Attorney's Office joined the investigation in early 2005. Prior to the commencement of the investigation, OSA conducted site visits and provided information to LWT, Mississippi Department of Agriculture (MDAC), Mississippi Development Authority (MDA), and the Legislature. Since the investigation began, former MBP owner Richard Hall, Jr., pleaded guilty on January 25, 2006 to federal charges of money laundering (1 count), mail fraud (1 count) and state charges of mail fraud (3 counts). He is currently awaiting sentencing. The joint investigation continues.

The other grant recipient not covered in this report is the Mississippi Technology Alliance's (MTA) Alternative Energy Program. This division of MTA was responsible for managing and conducting projects and studies about ethanol, biodiesel, solar and wind power as well as methane gas capture for electricity use reduction. This division is no longer in existence as a part of MTA, but the bond monitoring performance review of this report is available on the OSA website.

For these and other projects OSA works closely with MDAC and MDA staff to ensure accountability in the use of State General Obligation bonds. Over the last several years the Board has made many improvements in their application and award processes, their policies, and their procedures. However, in the last two legislative sessions, several bills have been introduced to either restructure or eliminate this program. Most notably in the 2006 regular session, Senate Bill 2563 would have abolished the Mississippi Land, Water, and Timber Resources Board and would have established the Mississippi Development Advisory Council. This particular bill was referred to the House Agriculture Committee whose Chairman is Representative Bo Eaton. The Committee amended the bill to transfer the powers and duties of the LWT Board to the Mississippi Development Authority and repeal the Board's authorizing language. The House passed it as amended and then it subsequently died on the calendar. At this time, the LWT Board continues to operate under its existing authority.

Active projects are those who have their financing in place, have received funds from LWT, and/or are currently in a construction or operational phase. While some projects were approved to be funded several years ago, not all have received money immediately. LWT money is generally not provided until certain criteria such as additional outside funding is confirmed. At the time of this report, some projects are still trying to finalize their own financing. Therefore, some of the projects reviewed are still in the planning phase and are awaiting disbursement of funds even though they have been approved by the LWT Board. While some of these projects are not yet completed, the majority of them appear to be achieving the purpose for which they were originally granted and/or loaned funds. This report reviews all of the LWT funded and/or approved projects with the exception of those finalized in the last quarter of 2005 and the first quarter of 2006. In addition, this report reviews functional and substantive changes to the policies developed by the LWT Board.

It is apparent from Board and screening committee meetings attended by OSA staff that the Board has steadily adopted stronger application requirements, award criteria and grant/contract standards since OSA's last review in 2003.

When the majority of these project applications were originally approved, the LWT Board was new and had fewer internal controls in place than they do now. The Board has changed many of its original policies since its inception and has included many recommendations made by OSA in its granting processes to strengthen and protect their decisions. The Board's counsel has also been instrumental in providing guidance in grant agreement and contract development/implementation as well as taking a proactive role in maximizing the efficient use of bond funds for these projects.



Funding

Currently, funding for the Mississippi Land, Water and Timber Resources Act (Act) has come from bonds authorized by the Mississippi Legislature. However, when individual projects are initiated, the Board has the option to require additional funding from the applicant.

Since the inception of the Act in 2001, \$41 million dollars have been authorized by the Mississippi Legislature to the Mississippi Land, Water, and Timber Resources Board (Board) for the purpose of assisting the agricultural industry in the development, marketing and distribution of agricultural products. Nearly \$37 million dollars have been approved by the Board for forty-one (41) projects. In addition, more than \$750,000 has been returned to the State through investment and repayment income from loan agreements.

Individual Projects

The projects encompass many different aspects of agriculture and reflect innovations for Mississippi agriculture. These include value-added innovations such as bulk commodities, food processing, alternative energy, university research, and geographical information systems. In order to qualify to receive financial assistance under the LWT program, a project must meet at least one of the following criteria:

- Promote marketability of Mississippi agricultural projects;
- Assist in the development of marketing plans and business opportunities for independent farmers in the State;
- Promote and initiate the development of alternative energy strategies, applied research technologies and commercialization enterprises that focus on Mississippi's natural resources;
- Encourage the commercialization of new agricultural technology businesses;
- Assist in the research and development of new agribusiness products;
- Initiate the development of a processing facility for Mississippi agricultural commodities;
- Initiate the development of Mississippi wholesale distribution businesses for agricultural inputs and products;
- Promote the development of institutional and specialty markets for Mississippi agriculture products;
- Promote farm and agricultural education; or
- Encourage additional research for new agricultural product developments.



Application

Applications are available at the Mississippi Department of Agriculture and Commerce (MDAC) or the Mississippi Development Authority (MDA). Applicants may be required to provide financial information, both business and personal, and any other information directly or indirectly related to their project.

An application for Land, Water, and Timber funds is to be accompanied by the following items, some of which were recommended by the Office of the State Auditor:

- Copies of a Resolution of Intent to apply for assistance from the local government unit;
- Copies of credit reports for all owners;
- Certified Proof of Publication of the Resolution of Intent;
- Local government units' application certification;
- Company Application Certification;
- A copy of any letter of intent, commitment agreement or written assurance from a company that will receive assistance from the Mississippi Land, Water, and Timber Resources Program;
- A detailed list of any equipment to be acquired;
- Documentation supporting the basis for any grant assistance requested, i.e., any grant application made or received from the federal government, any bond issue information from a local government, etc;
- Resumes for individual owner(s);
- Attachment of any currently or previously owned business by parties involved in ownership of project;
- Detailed business plan, including pro forma cash flow analysis and marketing plan;
- Bank financing and commitment letter;
- Current certified property appraisal and contact information of appraiser;
- Certificates of insurance on any existing properties that will be affected by the proceeds from a grant/loan from the Land, Water, and Timber Resources Board; and
- A detailed map prepared by the engineer, using color-coding to define:

- Location of proposed facilities;
- The length and diameter of water and/or sewer lines;
- The length of access roads; and
- The width of any roadbed, width of the right-of-way and any intersecting route numbers.



Review and Approval

Upon receipt, the application will be given to the LWT Screening Committee who will review the project. The Committee will consider whether the project qualifies under the Act, meets the criteria of the program, and is a beneficial and effective allocation of program funds. The key to approval is making the determination that the project will increase the value of the products already being produced in the State.

Examples of criteria established by the Board include the following:

The project must offer viability for success with the necessary experience and managerial expertise to justify the investment. As part of this review process the Committee will review project plans, documents, assessments of the viability of the project, and in the case of loans or guaranteed loans, whether the expenditure of the funds will provide sufficient cash flow to repay the loans.

Upon recommendation from the Committee, the project will be submitted to the Board for consideration. The applicant will be notified and given an opportunity to make a formal presentation to the Board. Upon Board approval, the terms and conditions of the assistance will be incorporated into a grant or loan agreement.

Disbursement of Funds

The Board may provide funds to public and private entities through loans, grants, contracts, and any other manner the Board determines appropriate for the purposes of carrying out the provisions of the Act.

Upon approval of a project, an agreement will be executed by and between the Board and each entity receiving assistance under the program. All closing documents must be fully executed prior to disbursement of funds that are payable on a reimbursement or a services-rendered basis. Requisition forms, which must be submitted to receive funds, are available from MDA. Disbursements are administered by MDA and paid with approval from the Committee.

In the event of default under such agreement, the Board may seek repayment to the State of any loan, grant, or other contract under the program or pursue any other remedy available at law or in equity.

During 2005, the Board reviewed nine (9) project applications for funding under the Act. Of those, five (5) were approved for funding pending specific conditions being satisfactorily completed.

During 2005, the Board reviewed nine (9) project applications for funding under the Act. Of those, five (5) were approved for funding.

...the Board has recently begun to make decisions requiring that all non-LWT funds are expended—or that it at least be expended on a percentage basis—before providing LWT money.



Compliance with Project Contracts

Project Approval

Once a project has been approved, the Board and applicant enter into an agreement which outlines the method of funding for the project, specifying either grant or loan. In some instances, both grants and loans have been made available to a specific project.

Disbursement

Prior to the disbursement of funds, a requisition form is completed and submitted to MDA for review. MDA submits the requisition to the Committee for consideration and approval on a monthly basis. It does not appear that when a project has multiple funding sources that there is a written policy for the distribution of funds on a percentage basis consistent with those sources. However, the Board has recently begun to make decisions requiring that all non-LWT funds are expended—or that it at least be expended on a percentage basis—before providing LWT money.

OSA continues to make on-site monitoring visits.
Personnel from OSA attend regular board meetings
and participate in other oversight activities as needed.

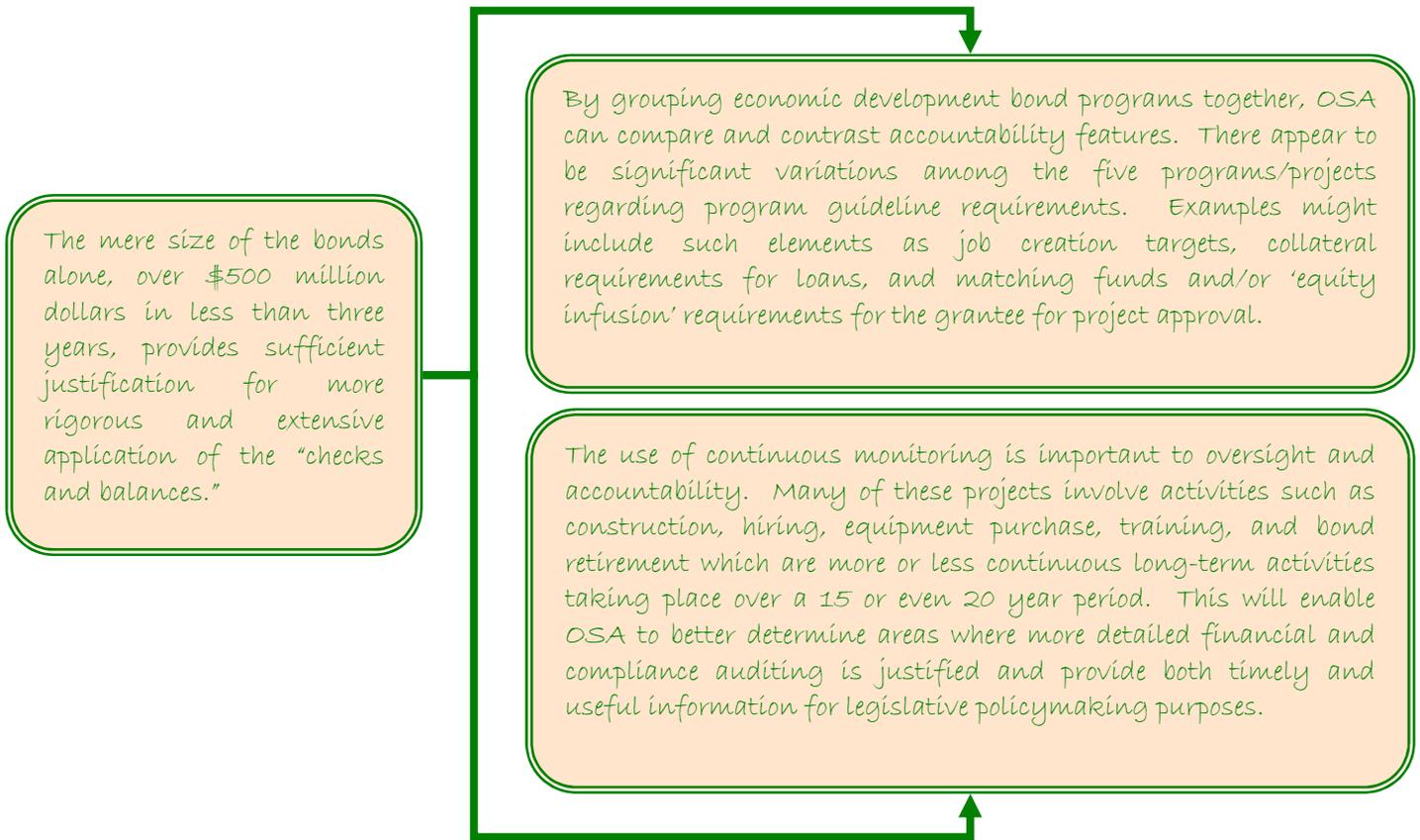
Status of OSA's Land, Water and Timber Monitoring

House Bill 1596, 2003 Regular Session, authorized OSA to be reimbursed actual costs for all LWT monitoring of up to \$50,000 total. OSA's Performance Audit Division began developing files to document all relevant information regarding the LWT projects that it was responsible for reviewing. OSA maintains contact with MDA and MDAC staff to accomplish its mission. On several occasions, most notably with a Mississippi Technology Alliance contract, LWT (specifically, Dr. Spell) requested more detailed analysis by OSA staff. By documenting these early stages of development for each specified economic development project, OSA hopes to contribute to the refinement of future programs aimed at stimulating economic growth. At the same time, OSA intends to examine methods for developing cost effective approaches to managing long-term programs requiring continuous rather than annual or periodic monitoring.

The design and implementation of OSA's Economic Development Bond Monitoring Program represents an important step in the evolution of state oversight and accountability systems. The mere size of the State's total economic development bonds alone—over \$500 million dollars in less than three years—provides sufficient justification for more rigorous and extensive application of “checks and balances,” the hallmark of OSA's financial and compliance audits. Therefore, this monitoring activity may be seen as distinctive in two (2) major respects:



Emphasizing Accountability Features



Each accountability feature has its own monitoring issues and concerns. For example, there appear to be marked differences among projects in such audit parameters as job definitions, wage measurement to determine job 'quality', and consequences for failing to attain job creation targets. While it may be that program accountability features are appropriately different from one program to the next, the monitoring and analysis of specified projects are intended to assist the Legislature in making decisions regarding the appropriateness of specific accountability features in future economic development initiatives.



Findings and Recommendations

Finding:

In conducting this review of the Mississippi Land, Water, and Timber Resources Board (LWT) and its funded projects, OSA finds that LWT, over the past two years, has implemented numerous changes to its policies, procedures, and applications that have strengthened its own internal controls and processes. Many of these changes were at the recommendation of OSA after they were requested to begin monitoring and oversight of the Board projects. Further, these changes have already served to better protect taxpayer dollars by making the process more closely mirror that of a private lender while maintaining the purposes for which the Board was created.

Recommendation 1:

OSA recommends that LWT continue to utilize these strengthened program measures while at the same time, continue seeking ways to maximize the number of successful projects that it funds.

Recommendation 2:

OSA recommends that LWT continue to make pre- and post- award site visits to increase the potential for a successful project. These site visits are important because:

- they provide agriculture specific technical assistance,
- they allow LWT staff to make sure the project is progressing at an appropriate pace, and finally,
- they provide an opportunity for LWT to intervene if a project begins to have problems.

Recommendation 3:

OSA recommends that LWT continue its stringent application process that includes requiring financial documents proving a business' creditworthiness.



Site Visits Reports

In each of the shaded boxes, the total amount of LWT funds awarded is listed. In addition, any private investment is shown. "Total Public Investment" does include LWT funds provided at the top of the box. "Total LWT/non-LWT match" is the percentage of LWT funds to all other funds (non-LWT public and all private).

Grant Recipient: Mississippi Polymer Institute

Amount of LWT Grant: \$1,000,000

Amount of Total Public Investment: \$1,000,000 (LWT)

Total LWT/Non-LWT match: 100/0

Purpose of Project:

- **Development of soy-based, non-toxic, adhesive products to be used in the chemical production of engineered wood composites and "water-borne water-repellent" for preservation of wood products.**

The Mississippi Polymer Institute, headquartered at the University of Southern Mississippi (USM), received a grant of \$1,000,000 to establish a new non-toxic adhesive for the wood industry whose raw materials are a major crop of the state of Mississippi, i.e., soybeans. The development of this adhesive will decrease the dependence on urea formaldehyde, which is a known carcinogen. Mississippi Polymer institute has successfully developed a new adhesive to replace urea formaldehyde and is currently producing particle board with this substance. They plan to increase their marketing of this material as a viable construction material.

The formulation and testing of the agricultural-based wood composites adhesives has continued. The research efforts have focused on adhesives formulated from soybean protein isolate (SPI) and de-fatted soy protein (DSF). Tests indicate that performance of SPI and DSF based adhesives can approach the performance of commercial products. While research progress has been made in improving SPI and DSF based adhesive performance, additional objectives must be met.

Concerning the waterborne paint study, a testing protocol has been developed to evaluate several soy oil-based resin systems synthesized at USM in an effort to develop a waterborne paint with improved application properties and lower volatile organic compounds. Outdoor exposure of the current experimental formulations, the original proof of concept coating, as well as 14 commercially available water repellants has been underway for 9 months. Initial evaluations indicate that improvements are needed for the experimental formulations when compared to the proof-of-concept coating and selected commercial products. More data will be collected from the exterior exposure testing and the newly developed formulations will be evaluated as well.

Finally, concerning enhancements to timber status, resin systems have been developed for incorporation into wood to improve the mechanical properties, which will allow lower grade wood to be utilized in markets traditionally set aside for stronger, higher-grade wood. Several methods of incorporation of polymer reinforcement are being studied. Additionally, multiple resin systems are being evaluated in an effort to maximize mechanical strength imparted by the polymer. Thermally cured polymer resins and the physical properties of polymer-reinforced wood are being evaluated. Properties will be compared to non-reinforced wood and resin systems will be ranked for their improvement in properties compared to non-reinforced wood.

**Grant Recipient: MSU Forest and Wildlife Research Center - Dept. of Forest Products****Amount of LWT Grant(s): \$1,000,000 & \$1,029,168****Amount of Total Public Investment: \$163,000 USDA/CREES NRI Competitive Grant****\$40,000 USDA/CREES Wood Utilization Research Program****\$2,029,168 (LWT)****Total LWT/Non-LWT match: 91/9****Purpose of Project:**

- **Development of an engineered wood product by utilization of pine plantation thinnings.**

The Mississippi State University Forest and Wildlife Research Center-Department of Forest Products received a total of two grants from LWT totaling \$2,029,168 for the development of a large testing facility designed to develop an engineered wood product from the first thinnings of pine plantations, known as “scrimber”.

Project funds were used to construct the pilot plant building and pave a road that shares access to the pilot plant facility with the Franklin Center parking lot. Additionally, funds were utilized to provide utilities, steam, compressed air, and ancillary services such as telephone, fire alarm, and computer networking to the pilot plant facility.

The original grant was used to construct the infrastructure to lure the technology to Mississippi as well as reassemble the equipment at the testing facility, convert the utilities to US standards, and make modifications to the equipment to enable it to process locally grown trees.

Loblolly Industries, LLC announced in March of 2006 that it would begin construction of a plant in Meridian, MS, based upon this engineered wood product. The company purchased 200 acres in Lauderdale County to construct the plant that will employ 140 people directly, create 168 “spin-off” jobs, and have an average salary of \$48,000 and an annual payroll of \$6.7 million. The funding for the \$140 million dollar plant is a combination of funds provided by Lauderdale County (\$10 million), which was matched by the State (\$10 million), with Loblolly securing the remaining balance (\$120 million) from a private funding source. The technology was originally funded by a grant from LWT.

Grant Recipient: Sylvester’s Inc.**Amount of LWT Grant: \$92,500****Amount of Total Public Investment: \$92,500 (LWT)****Total LWT/Non-LWT match: 100/0****Purpose of Project:**

- **Construction of a concrete pool to test aeration equipment used in aquaculture production.**

Sylvester’s Inc. received a grant in May 2002 in the amount of \$92,500 to construct a concrete testing pool to be used in the aquaculture industry. The testing facility is located in Louisville, Winston County, Mississippi, and is one of only a few in the nation. Its proximity to Mississippi’s aquaculture businesses mean that testing of aeration equipment can be done within the state rather than the present closest facility which is in Nashville, Tennessee.



The facility consists of a 40' x 100' x 6' concrete tank with fill valves for clean water and a drain valve for emptying when necessary. There are dissolved oxygen meters, velocity meters, kilowatt meters, 430 volt electrical connection, control panel, and a lifting unit for placing units to be tested in the water and removing them.

The facility was designed not only to benefit the aquaculture industry, but the wastewater treatment process as well. However, because of the decline of the catfish industry in Mississippi, coupled with the decrease in demand for aeration equipment, Sylvester's Inc. ceased to operate the testing facility in 2005. During OSA's last visit to the facility, the owner discussed the possibility of arranging for the facility to be utilized by Mississippi State University as a research/testing extension of the university. As of this writing, no arrangements of this type have been made.

Grant Recipient: Georgia-Pacific

Amount of LWT Grant: \$648,305

Amount of Private Investment: \$152,000 Company investment

Amount of Total Public Investment: \$648,305 (LWT)

Total LWT/Non-LWT match: 81/19

Purpose of Project:

- **Construction of a log storage facility at the Louisville Plywood operation.**

Georgia-Pacific Corporation received a grant in the amount of \$648,305 for the construction of a supplemental log storage yard to increase the storage capacity of its log holding yards by 5 million board feet.

The Louisville, Winston County, Mississippi, plant was closed almost two years ago due to the decrease in the availability of logs. At that time, a proposal was submitted to the Board for grant monies to construct a log yard, referred to as a "wet deck", to increase its holding capacity of logs for processing. Since that time, a total of \$800,000 has been spent on the project which consists of the log holding yard with a water system, and a parking lot. With the addition of the added holding space, the plant was able to reopen and once again begin processing timber products.

Currently, the plant receives 100 loads of logs each day and processes between 35,000 and 45,000 tons of wood per year. Its current timber products consist of wood cores, wood chips, veneer, dry waster (used in boilers) and sander dust. Throughout the year, the plant employs 265 to 320 people locally, not including truck drivers.



Grant Recipient: Nichols Enterprises, LLC

Amount of LWT Grant: \$61,512

Amount of Private Investment: \$20,000 Company investment

Amount of Total Public Investment: \$61,512 (LWT)

Total LWT/Non-LWT match: 75/25

Purpose of Project:

- **Improvements to an existing vegetable processing plant located in Rankin County.**

Nichols Enterprises, LLC received a grant from LWT in the amount of \$61,512 for the purchase of two ice machines, an ice blower, and a cantaloupe sizer to enhance the productivity of an already existing processing plant located in Rankin County, Mississippi.

The business venture brought new and progressive methods to the processing industry through the hydro-cooling method of food preservation. Hydro-cooling is the process by which cold air is forced over the product sealing in its freshness thus increasing its shelf life. This is the preferred method of cooling produce.

OSA conducted a site visit to the Rankin County processing facility in 2005 and found that it was no longer in operation. However, some of the equipment purchased was eventually utilized in the creation of MSCP, Inc, another LWT project located in Sunflower County, Mississippi which has made innovative strides in the sweet corn industry using the hydro-cool method of food preservation.

Grant Recipient: Coast Transit Authority

Amount of LWT Grant: \$125,000

**Amount of Total Public Investment: \$163,947 Federal Transportation
\$275,000 MDA Grant
\$125,000 (LWT)**

Total LWT/Non-LWT match: 22/78

Purpose of Project:

- **Addition of five alternative-fuel vehicles powered by hybrid electric micro turbine technology to reduce vehicle emissions.**

Coast Transit Authority (CTA) is a public transportation company located in Gulfport, Mississippi. It was established by the Mississippi Legislature in 1970 and provides transportation for the three coastal counties of Mississippi. It is an independently managed public utility that is governed by a Board of Commissioners. It is the designated recipient of State and federal funding for urban transportation on the Mississippi Gulf Coast.

The Land, Water & Timber Resources Board approved an Alternative Energy Fund grant in the amount of \$125,000 to CTA to fund the addition of alternative fuel vehicles powered by hybrid electric micro turbine technology to reduce vehicles emissions in the Central Business Districts of Biloxi and Gulfport. Two Ebus Hybrid Electric buses powered by propane fueled turbine engines were delivered in October 2004. Total cost of the project was \$563,947 with the Land, Water & Timber Resources Board, Mississippi Development Authority and the Federal Transit Administration providing the funding. The new vehicles were placed in service in



November 2004. The financial assistance provided by the Board has made it possible to introduce low emissions vehicles into CTA's fleet and enabled them to meet the transportation needs of the coast's citizens and visitors while greatly reducing noise and air pollution.

Ebus, a privately owned company, was formed in 1998 to design and build electric and hybrid-electric buses and shuttle vehicles. In order to bypass typical start up delays, the company hired the key design and production teams of a former electric transit vehicle manufacturer. They have over 60 employees in their 52,000 square foot manufacturing facility. They have a production capacity of 150 vehicles per year. Their product line includes a 22-foot electric and hybrid-electric trolley replicas, transit style buses and open-air, all electric shuttle bus. Ebus is operating two 22-foot NiCad electric Battery Propane Hybrid Trolleys in Gulfport, Mississippi.

The buses are driven by an air cooled Reliance AC Induction motor connected to a silent chain drive gear reduction. While customers appreciate the clean and quiet ride of the electric vehicles, the question of range between battery charges usually limits their application. Low maintenance Saft NiCad battery packs provide 60-90 miles of range between charges while offering up to 2000 charge/discharge cycles (approximately seven years of typical revenue service). The buses used in Gulfport, Mississippi have an optional Capstone Micro Turbine which increases its range to approximately 250 miles between charges.

In addition to having excellent mileage characteristics, the buses are also very quiet during their operation. They have an interior noise rating of 72dB under full acceleration and exterior rating of 62.5 dB under full acceleration. The volume of normal conversation is only 60 dB. To meet Americans with Disabilities Act compliance regulations, the buses have a 10" floor height that can be lowered to 6" to allow handicapped customers easy access. They also have a "flip out" access ramp and a convenient tie down for wheelchairs.

The Office of the State Auditor staff recently conducted a site visit to Coast Transit Authority to review the status of the project, as well as to make assessments of the damage caused by Hurricane Katrina. The project sustained considerable damage to its buildings and vehicles. CTA sustained over \$1 million dollars in damage to their buildings and bus stations. Included in this damage was a multi-million dollar parking garage as well as all structures that were located on the beach. All of the buses in their fleet sustained some water damage and will be replaced due to possible salt water corrosion. At this time, they are operating at about seventy-five percent of their capacity. They also lost fifteen of their drivers due to displacement caused by the storm. According to Kevin Coggins, executive director of the CTA, the Federal Transit Administration will assist the CTA in recovering from all of its losses.

Mr. Coggins explained that the CTA was gradually getting back up to speed and slowly recovering from the hurricane. However, his main concern and frustration arises from the employment situation on the coast. He, like many other employers on the coast, cannot find enough employees to operate their businesses at full potential. He has contacted many other major employers and they all share his same concern. The lack of employees has significantly stunted the growth of coastal businesses. A short drive along the coastal counties will reveal numerous advertisements for employment. This scenario is vastly different from what is being portrayed in the media. Businesses such as Wal-Mart and fast food restaurants are forced to close at 6:00 PM or operate in three hour shifts due to the lack of employees.

**Grant Recipient: INTIME****Amount of LWT Loan: \$750,000****Amount of Private Investments: \$1,560,000 Company equity****Amount of Total Public Investment: \$750,000 (LWT)****Total LWT/Non-LWT match: 32/68****Purpose of Project:**

- **Development of crop input management system that targets a reduction of input/chemical costs through the provision of “prescription maps.”**

INTIME, headquartered in Cleveland, Mississippi, is currently a project with the Institute for Technology Development (ITD). INTIME received a loan from LWT in the amount of \$750,000 under the terms that it is repaid at 2% for a period of 7 years.

The company provides crop input management services that target a reduction of input/chemical costs through the provision of “prescription maps” that enable the spatially variable application of agricultural chemicals to a farmer’s field during the growing season.

INTIME’s initial product offering consisted of four different cotton input management prescription maps for herbicides, insecticides, plant growth regulator, and defoliant. These maps enable the farm manager to apply chemicals only when needed instead of the spraying of the entire fields. This process is designed to generate a direct cost savings to the farmer’s costs associated with the application of chemicals, as well as labor efficiency. The funds from the LWT loan support the expansion of the INTIME business in Cleveland, MS. The funds were provided to:

- 1) Support development and hiring of personnel,
- 2) Development of the Cleveland office and corporate infrastructure, and
- 3) Data collection costs, including aircraft remote sensing data.

Grant Recipient: Thames Research Group**Amount of LWT Grant: \$250,000****Amount of Total Public Investment: \$250,000 (LWT)****Total LWT/Non-LWT match: 100/0****Purpose of Project:**

- **Research on the use of soybean oil intermediate in high performance, solvent-free paint.**

Thames Research Group, headquartered at the University of Southern Mississippi, received a grant in the amount of \$250,000 in 2002 to develop a zero-VOC (Volatile Organic Compound) paint utilizing soybean oil instead of castor oil. The successful use of soybean oil would ensure the constant availability of a crucial raw ingredient.

Governmental VOC regulations have forced the coatings industry to consider methods for reducing solvent content in coating formulations, and the industry has responded with several technologies, one being the use of water as the carrier medium. However, contrary to public opinion, conventional architectural waterborne coatings are not VOC or solvent-free, as they are typically formulated with as much as 20 percent by weight of



organic solvents. In other words, a gallon of paint weighing ten pounds will emit 2 pounds or more of VOC's into the atmosphere via evaporation during, and shortly after, the coating application process. The organic solvents or VOC's are necessary for contemporary waterborne coatings technology to be successful. The solvents facilitate film formation, and once this is accomplished, the solvents vaporize into the atmosphere as VOC pollutants. The Thames Research Group has successfully developed and commercialized a new interior house paint. The paint is currently being marketed under the American Pride label.

Grant Recipient: Consolidated Catfish Companies, LLC

Amount of LWT Grant: \$2,300,000

Amount of Private Investments: \$4,700,000 Company investment

Amount of Total Public Investment: \$2,300,000 (LWT)

Total LWT/Non-LWT match: 33/67

Purpose of Project:

- **Building and equipment costs associated with expansion of a catfish processing facility.**

Consolidated Catfish Companies (Country Select) received a grant in the amount of \$2,300,000 to further develop their cooked and case-ready products. The money was used to purchase processing equipment and to expand their building to accommodate the increase in production.

With the catfish industry experiencing a decline in the last few years because of the importation of foreign-raised fish, Country Select, sought to develop a product that would insulate the markets from this influx of lesser quality fish. After research and planning, the company settled upon the idea that cooked and case-ready products would be the most beneficial to them and their consumers.

Aquaculture is the science of farming fish under environmentally controlled conditions. Most catfish producers believe that it's the best way to produce catfish that is exceptional in taste and quality and stands in stark contrast to foreign raised/produced fish often labeled as catfish.

The catfish are raised in ponds filled with fresh water pumped from underground wells. They are nurtured on a diet of high-protein food pellets that purport to give them a light, delicate taste and tender texture.

Country Select utilizes stringent quality control measures (including taste testing at the farm before harvesting and again at the plant before the fish are unloaded) to ensure a premium, high-quality product. The catfish are kept alive up to the minute they are processed, making them among the freshest fresh-water fish available. The entire processing procedure is completed in less than 30 minutes. The fish are then placed on ice or individually quick-frozen to preserve the taste and quality of the fish. To further ensure the quality of the catfish, Country Select was the first processor in the catfish industry to implement a US Department of Commerce approved Hazard Analysis Critical Control Points (HACCP) quality assurance program.

Country Select produces a variety of products that include whole fish, steaks, fillets, nuggets, strips, and marinated and breaded catfish. Their catfish is available year-around and can be found in restaurants and supermarkets nationwide.

**Grant Recipient: Covington County Board of Supervisors****Amount of LWT Grant: \$800,000****Amount of Private Investment: \$800,000 Fresh Harvest, International investment****Amount of Total Public Investment: \$800,000 (LWT)****Total LWT/Non-LWT state match: 50/50****Purpose of Project:**

- **Increase facility size, construct new cooler space, construct new processing lines, and add/update processing equipment.**

The Covington County Processing Facility is a 12,000 square foot facility located in Collins, Mississippi, and is currently being leased by Fresh Harvest International of Pompano Beach, FL. Fresh Harvest International has invested \$800,000 of its own money to complete the project of expanding and updating the facility.

The success of the blueberry industry in Covington County can be attributed to a facility's proximity to the fields as well as capabilities of being able to process berries other than Grade "A". All Grade "A" berries are processed as "Fresh". Grade "B" berries are processed as frozen berries (primarily sent to bakeries). Grade "C" and lower berries are sent to a juicing company for fruit juice. The ability to process these berries enables the grower to utilize all berries that are harvested. In addition, it increases the growers harvest season by several weeks. Generally northern states begin harvest later in the season and can drive the prices of Mississippi blueberries down. Until now, most Mississippi growers ceased harvesting at the time the northern markets came online. However, with the Covington County facility, Mississippi growers have an extended season and can garner more by using all grades of berries.

Covington County Processing Facility seasonally employs 200 people who contribute to the local economy directly related to the processing plant. However, the county and surrounding areas gain monetarily through sales of supplies, equipment, construction contracts, utilities, hotel/motel rentals, restaurants, grocery stores, etc. We cannot accurately account for the economic impact this facility has on the surrounding area at this time.

Covington County Processing facility sub-contracts and purchases show they attempt to support Mississippi businesses for all supplies relating to the facility. In addition, marketing contracts with companies such as Wal-Mart ensure a strong market for Mississippi products and services.

Fresh Harvest International also provides training and seminars on growing techniques to the Mississippi blueberry farmers at the company's expense. In addition, there are no up-front costs to the growers for supplies (i.e. boxes, lugs, etc), transportation trucks, harvesters, and/or cold storage of berries. The growers maintain that this has allowed them to operate more efficiently and produce greater volumes of berries because their overhead costs are kept to a minimum, thus allowing them to plant more acreage of berries. In order for blueberry farmers to maximize profitability during the relatively short harvest season for blueberries in Mississippi (mid-May to mid-August) they have to increase the number of acres on which they can plant and harvest blueberries. For more information about the berry industry, please see Wayne County and Cooper Farms reports.



Grant Recipient: INDI-BEL, Inc.

Amount of LWT Grant: \$1,500,000

Amount of Private Investments: \$2,973,041 Company investment

Amount of Total Public Investment: \$1,500,000 (LWT)

Total LWT/Non-LWT match: 34/66

Purpose of Project:

- **Construction of a storage facility for corn utilized to make catfish feed.**

Delta Western, a division of INDI-BEL, Inc., is the leading producer and distributor of catfish feeds in Mississippi. Lester Meyers, founder and president of INDI-BEL, Inc., had developed a number of unique and innovative business practices and services for the benefit of customers.

INDI-BEL, Inc. received a grant in the amount of \$1,500,000 to help increase their catfish feed business. The funding received allowed Delta Western to increase its storage facilities for the amount of grain that it could hold for processing. With LWT funding, large holding tanks, or “bins,” were constructed to contain large amounts of grain, mostly corn, for storage before processing in various industries. This increase in grain storage has allowed Delta Western to buy from the local farmers in larger quantities, thus giving the farmer a fair price without having to transport their grain elsewhere or store it in their own facilities, which limits the amount of grain harvested.

Most of the grain stored and processed is used in the catfish feed industry, while the remaining portion is sold to the poultry and swine industries.

Grant Recipient: Mills Dairy Project

Amount of LWT Grants: \$287,350 (LWT through MTA)

\$258,000 (Direct LWT)

Total Amount of Private Investment: \$500,000 Company investment

Total Amount of Total Public Investment: \$50,000 DEQ

\$545,350 (LWT)

\$118,000 MTA

Total LWT/Non-LWT match: 41/59

Purpose of Project:

- **Methane gas capture system on a dairy farm.**

Mills Dairy Farm, located in Forrest, MS, is one of two projects funded by the Board utilizing methane gas capturing technology. The Mississippi Technology Alliance’s (MTA) division of Mississippi Alternative Energy Enterprise (MAEE) received the initial grant in the amount of \$697,422 for the methane gas capture projects as well as various other projects. At a recent Board meeting, the Board approved a grant in the amount of \$258,000 with a 10% contingency fee to complete the project at Mills Dairy Farm.

At the request of LWT co-chairman Dr. Spell in 2004, the Performance Audit Division of the Office of the State Auditor conducted a limited review of the MTA/MAEE. Contained in that review was a summary and data collected from the Mills Dairy project.



The report and findings in that review revealed that MTA/MAEE lacked internal controls to sufficiently manage and oversee the project primarily relating to contract construction and reporting. Stronger internal management controls could have helped avoid many of the problems associated with the lack of progress on the Mills Dairy project.

In efforts to complete the project, subsequent to the issuance of the limited review, the Board and Quinton Mills, owner of Mills Dairy Farm, have met on several occasions to review a plan for the successful completion of the project.

The original contractor of the project, Agri-Clean, has since ceased its construction of the project and Attala Engineering of Kosciusko, MS, has been retained to complete the project and bring the farm to full operation. It is expected that the project will be in full operation by the end of 2006.

Grant Recipient: Sumrall Farms

Amount of LWT Grant: \$66,500

Amount of Private Investments: \$83,500 Company equity

Amount of Total Public Investment: \$66,500 (LWT)

Total LWT/Non-LWT match: 44/56

Purpose of Project:

- **Expansion project to include cooler building, icehouse, compressors, cooling tower, and cooler insulation.**

Sumrall Farms, headquartered in Canton, MS received a grant in the amount of \$66,500 to construct a hydro cooling facility to increase the shelf life of produce grown on their farms.

Sumrall Farms produces sweet corn, cabbage, tomatoes, beans, cantaloupes, and watermelons. In order to increase the shelf life of these products, a relatively new technology called “hydro-cooling” is being used on these products. Hydro-cooling allows the produce to be quickly cooled, which slows down the process of fermentation, thus giving the product a longer shelf life and better appearance. Consumers, especially produce buyers, prefer this method of processing because it allows the products a longer shelf life, thus a longer marketability period.

Through the utilization of this process, Mississippi farmers are now able to compete in the international markets with superior products. While this is the favored method of processing and preserving sweet corn, it is being used by Sumrall Farms on other vegetables as well.

Sumrall Farms is in full production and the project is complete. The installation of motors, compressors, cooling tower, connecting pipes and a 5-foot by 140-foot cooler building was completed in May 2003. The ice room, icemakers on the roof, insulation and electrical work are completed and fully functional. Sumrall Farms also serves as a holding/cooling facility for MSCP, Inc., another LWT project.



Grant Recipient: Heartland Catfish Company

Amount of LWT Grant: \$1,250,000

Amount of Private Investments: \$1,250,000 Company investment

Amount of Total Public Investment: \$1,250,000 (LWT)

Total LWT/Non-LWT match: 50/50

Purpose of Project:

- **Expansion project to include purchase of equipment.**

Heartland Catfish Company received a grant in the amount of \$1,250,000 to help them expand their production by 12 million pounds of catfish. The funding was used to purchase two new processing lines and upgrading their trim stations. As a result of this expansion, 28 new employees were needed to operate the machinery.

Heartland Catfish Company is a state-of-the-art catfish processing facility, owned and operated by Tackett Fish Farms. The 135,000 square feet facility was designed and built to maintain the highest efficiencies while producing the highest quality catfish products in the industry. To insure the freshness of their products, they designed the plant around some of the most advanced environmental controls available at the time. They can control and monitor air and water temperatures in all areas of the processing plant, which insures that customers are receiving a product that is the freshest in the industry. In addition to temperature controls, a direct fire water heater provides 140 degree hot water on demand for cleaning crews to provide a sanitary environment every day. Heartland Catfish controls product flow with software and grading equipment that enables them to grade and weigh fish individually before and after processing. This system gives them the ability to quickly identify machine problems and keep down time to a minimum.

Heartland Catfish opened its doors to Mississippi-grown catfish in 1996. In that first year, the plant employed 60 people and processed 12.5 million pounds of catfish. In 2003, Heartland Catfish processed 60 million pounds of catfish harvested from over 30 Mississippi growers. With this expansion, the company sees future growth and a competitive edge in the world market for Mississippi growers.

Grant Recipient: Wayne County Board of Supervisors

Amount of LWT Grant: \$304,630

Amount of Private Investment: \$50,000 Wayne County Blueberry Growers Association

**Amount of Total Public Investment: \$44,480 Wayne County Board of Supervisors (in-kind contribution)
\$100,000 USDA grant
\$304,630 (LWT)**

Total LWT/Non-LWT match: 61/39

Purpose of Project:

- **Build cold storage facility for blueberry growers.**

The Wayne County Board of Supervisors and the Wayne County Blueberry Growers Association received a grant from the LWT Board in the amount of \$304,630.00 for construction of the blueberry “drop” station located at the industrial park in Waynesboro, MS. The association utilizes a 25-year lease from the



Wayne County Board of Supervisors, which own the facility, with the option of renewing the lease for another 25-year period. Prior to the construction of this new facility, the association leased a building from a State-owned tree nursery located south of Waynesboro, this facility was closed due to budget cuts and lack of maintenance. This new facility is more modern and contains more space to house berries than the previous facility.



The Wayne County Blueberry Growers Association is a co-operative comprised of 26 members, representing 6 southern counties, as well as three Alabama growers. Before the construction of the new “drop” facility, growers had to rely upon refrigerated trucks to store berries before they were sent to market. With the high cost of fuel and lease for such vehicles, costs were prohibitive for most growers. Growing overhead is the most costly negative factor that affects Mississippi growers. This facility was designed to help alleviate some of the costs associated with storing and transporting berries. In order for blueberry farmers to maximize profitability during the relatively short harvest season for blueberries in MS (mid-May to mid-August) they have to increase the number of acres on which they can plant and harvest blueberries.

Unlike the Covington County processing facility, Wayne County growers must grade and package berries on their individual farms. This process limits the growers in several ways. One, each grower must employ a large number of harvesters and graders to sort fruit because machine picked fruit is less desirable for the fresh market and sorting machinery is costly. Secondly, the length of time a grower can harvest berries and still remain profitable is greatly shortened. However, Wayne County Blueberry Growers Association hopes to develop the drop station into a processing plant as funding becomes available.

For more information about the berry industry, please see Covington County and Cooper Farms reports.

**Grant Recipient: Yazoo Planters Gin, Inc.****Amount of LWT Grant: \$32,500****Amount of LWT Loan: \$97,500****Amount of Private Investment: \$390,226.68 Company investment****Amount of Total Public Investment: \$130,000 MS Agribusiness Loan
\$130,000 (LWT)****Total LWT/Non-LWT match: 20/80****Purpose of Project:**

- **Construction and operation of a storage and handling warehouse for cottonseed storage.**

Yazoo Planters Gin, Inc., headquartered in Yazoo, Mississippi, is a 30 year old cotton ginning company that processes cotton for 31 producers in Yazoo, Humphreys, and Sharkey Counties. They employ 8 full-time and 18 seasonal employees. They are considered a cooperative type business that rebates a percentage of their profits to their members. They serve approximately 20,000 to 25,000 acres per growing season and are capable of processing 35,000 to 45,000 bales of cotton and 12,000 to 14,000 tons of cottonseed each season.

Yazoo Planters Gin received a grant in the amount of \$32,500 and a loan in the amount of \$97,500 payable for 7 years at 2% interest from the Mississippi Land, Water & Timber Resources Board in 2003 to help fund an approximately \$750,000 project that would allow Yazoo Planters Gin to add value to “whole cottonseed” production by constructing and operating a 9,500 to 10,000 ton storage and handling warehouse. They believe this will help capture significant premiums (25% to 30% greater) by storing whole seed and extending their marketing opportunities. They will be specifically targeting the late winter and early spring demand in the dairy and cattle feedlot industries.

In the United States, cotton is grown from Virginia to California and as far north as southern Kansas. Because the cotton plant produces about twice as much seed as fiber, there was a motivation as early as the late 18th Century to find a commercial use for cottonseed. Around the end of the 1860’s, a commercially viable method to extract oil from the cottonseed kernels was invented and cottonseed oil has been in continued use since then. Nowadays, the U.S. annually produces over 1 billion pounds of cottonseed oil. As much as one-fourth may be exported. Like all vegetable oils, cottonseed oil is cholesterol free.

Thanks to concerns about diet and health, as well as a growing fascination with creating new foods and getting the best features from ethnic cuisine, consumers and food industry professionals alike have expressed renewed enthusiasm about the benefits of cottonseed oil.

Cottonseed oil enhances, rather than masks, the fresh natural flavours of foods. Its neutral taste makes it perfect for frying seafood, snack foods and oriental food, especially stir-fry. Another of cottonseed oil’s benefits is the high level of antioxidants (Vitamin E) that contribute to its long life in the cooker or on the shelf. The flavour of cottonseed oil does not deteriorate as much as some other oils when it is used at high temperatures.

The cotton industry has been an integral part of U.S. agriculture for more than two centuries. Cottonseed feed products have been used for the feeding of livestock for more than 150 years. The U.S. Dairy Industry is a potential market for over 10 million tons of cottonseed annually. The current U.S. production of cottonseed averages 6.2 million tons. Cottonseed and its by-products are natural sources of protein, fiber and energy. Cottonseed meal is considered the most abundant plant protein feed available throughout the U.S., after soybean meal.

Yazoo Planters Gin is currently marketing its products to seven nationwide vendors. Fifty percent of their cottonseed production is delivered to cottonseed oil mills while the other fifty percent of their production



is being used to produce feed for livestock. They are utilizing a local trucking company to reduce shipping cost as much as possible.

According to Bernard Jordan, Jr., the facility ginned 39,203 bales of cotton for over 20 producers this past season. They produced 13,189 tons of cottonseed. They utilized their cottonseed warehouse to store and condition approximately 4,000 tons of inventory. The average income per ton of seed was approximately \$121, excluding inventory. This income has allowed them to meet all of their financial obligations and return \$4 per bale in rebates to their customers.

Grant Recipient: Rabbitman Farms

Amount of LWT Grant: \$40,000

Amount of Private Investment: \$100,000 Company equity and investment

Amount of Total Public Investment: \$40,000 (LWT)

Total LWT/Non-LWT match: 29/71

Purpose of Project:

- **Expansion of a rabbit meat production facility.**

Office of the State Auditor (OSA) Bond Monitoring staff visited the Rabbitman Farms site in Sandy Hook, Mississippi, to assess the damage done by Hurricane Katrina. In an effort to continue bond monitoring of programs funded through Mississippi Development Authority (MDA), OSA has been working with MDA to assess storm damages. This brief outlines the damages at Rabbitman Farms, a project funded through the Mississippi Land, Water and Timber Resources Board.

Rabbitman Farms, headquartered in Sandy Hook, Mississippi, received a grant in the amount of \$40,000 from the Mississippi Land, Water and Timber Resources Board in 2003 for assistance in purchasing equipment from a non-operational rabbit processing plant in Sumrall, Mississippi. Rabbitman Farms had nine employees that could process up to 3,000 rabbits on a weekly basis. It developed a client base of approximately 45 buyers nationwide.

Rabbitman Farms produces fryer rabbits for the restaurant industry, as well as biological products, such as serum, that are marketed to the medical research industry for use in cancer research. The owner states that total project costs to date have been approximately \$140,000, of which they have invested \$60,000 of their own funds. The remaining \$40,000 was obtained through bank financing. First year sales were quoted by the owner at \$270,000, and the business was on target to reach \$500,000 in sales this year.

During the storm, Rabbitman Farms had to endure winds which exceeded 120 miles per hour. As a result, the farm lost approximately 300 rabbits and three rabbit houses which will cost approximately \$15,000 each to replace. It also lost the roof of its processing facility, which was insured by Lloyd's of London. The processing facility has been repaired and made operational, but the surviving rabbits had to be moved to temporary shelters on the grounds.

As a result of the storm damage, Rabbitman Farms also lost 20 of their former buyers (a 44% decrease), but it is still processing rabbits from growers, who received very little damage. The owner states that this is putting a strain on the business financially because the product cannot be moved as rapidly as it was prior to Hurricane Katrina. The rabbits that were already processed are frozen and can be sold at a later date.

Average sales prior to the storm were \$35,000 - \$42,000 per month. According to the owner, sales for October were around \$25,000. Rabbitman Farms has six of their original employees remaining which forced them to scale their production back to 800–1,600 rabbits per week.



Like many other projects, Rabbitman Farms shares a similar obstacle in light of the damage caused by Hurricane Katrina. Rabbitman Farms applied to FEMA for assistance and was deemed ineligible because it had private insurance on some parts of the business. The owners stated that this is a devastating situation that creates hardship in the midst of rebuilding their business. Out-buildings, such as rabbit houses, equipment sheds, barns, storage areas, and the like, are often a necessary part of the business whose non-existence renders the entire plant dysfunctional or at the very least, severely handicapped.

According to the owner, Rabbitman Farms plans to rebuild the rabbit houses as soon as it finds a suitable source of funding. Already, it has started to re-engineer the rabbit houses to make them impervious to high winds. They are also seeking new accounts and markets in which to sell their products.

Grant Recipient: Church Hill Produce

Amount of LWT Grant: \$110,000

Amount of Private Investment: \$40,000 Company investment

Amount of Total Public Investment: \$110,000 (LWT)

Total LWT/Non-LWT match: 73/27

Purpose of Project:

- **Purchase of color sorter to enhance efficiency of shelled produce products.**

Church Hill Produce received a grant in the amount of \$110,000 for the purchase of a state-of-the-art color sorter for shelled produce products. Church Hill Produce is located in Church Hill, Jefferson County, Mississippi, and has been in existence for 20 years. Church Hill Produce is associated with the family farming operation that consists of over 13,000 acres and produces cotton, corn, soybeans, wheat, sweet potatoes and beef cattle.

Church Hill Produce contracts with area farmers to assist in the packaging and marketing of their products. The commodities include green and speckled butterbeans, lady cream peas, crowder peas, purple hull peas and sweet potatoes. The color sorter enables the processing facility to more efficiently sort shelled produce. When in season and production, the facility receives and processes one eighteen wheeler truckload of fresh shelled produce each day.

Church Hill produce is one of the largest employers in rural Jefferson County which has an unemployment rate of 15% and an average household income of \$18,447. The efficiency provided by this project allows the farmer to process his commodities more quickly and easily, providing an opportunity to plant more crops and expand his business.

**Grant Recipient: Mississippi Fruit and Vegetable Cooperative****Amount of LWT Grant: \$2,000,000****Amount of Private Investments: \$500,000 Company equity
\$6,400,000 (proposed)****Amount of Total Public Investment: \$2,000,000 (LWT)****Total LWT/Non-LWT match: 22/78****Purpose of Project:**

- **Establishment of a fruit and vegetable processing plant.**

The Mississippi Fruit and Vegetable Cooperative has been approved for a grant, if certain conditions are satisfactorily completed, to build a fruit and vegetable processing plant in Vardaman, Mississippi. The execution of the grant is subject to the Association obtaining a bank loan to finance the project in order to satisfy requirements of the Board. Total project costs are estimated at \$8,900,000. The initial raw product to be used will be processed grade (culled) sweet potatoes. The sweet potatoes will be made into a fire-roasted puree. These products will be offered to the retail consumer as well as the foodservice industry.

The sweet potatoes are fire roasted, a process that lowers the moisture content and results in a richer, more colorful potato. The fire roasting also caramelizes the sweet potato sugars and maintains all of the vegetable's nutrients. The products were created for restaurant and commercial use. Pre-cooked, frozen and packaged in nylon film, the sweet potatoes go from microwave to plate in a matter of minutes.

The Vardaman production facility would be the only U.S. plant to offer both fire roasted sweet potato mash and bakers. Modern storage and preservation facilities would allow growers to keep sweet potatoes fresh for up to 13 months, making the vegetable a menu option year-round. The Vardaman area produces more than 12,000 acres of sweet potatoes within a 30-mile area. The Mississippi Fruit and Vegetable Cooperative produces 10,000 acres of sweet potatoes annually, and is the largest sweet potato co-op in the U.S.

The Mississippi Fruit and Vegetable Cooperative have chosen Federal Land Bank to provide the private financing as required by the grant agreement. They are presently negotiating contracts with several potential customers to allow them to run a "virtual" plant. "Virtual" means that the product is manufactured somewhere else, but the marketing is done by the fruit and vegetable co-op. By following this approach, they will have guaranteed business before the actual plant is built. Stephen Bailey, president, stated that they are having their product produced by PPI in Idaho until their plant is built, but this arrangement takes a lot of their profit due to freight costs. They will continue to give updates on their progress.

**Grant Recipient: Natchez Trace LLC****Amount of LWT Loan: \$145,980****Amount of Private Investment: \$1,200,000 Company equity and investment****Amount of Total Public Investment: \$145,980 (LWT)****Total LWT/Non-LWT match: 11/89****Purpose of Project:**

- **Conversion of a natural gas fired system to a wood-waste fired system.**

Natchez Trace LLC is a wholesale and retail commercial greenhouse operation located in Kosciusko, Mississippi. It was established in 1994, and has been a consistent producer of a wide range of plant material. Their client list includes wholesale florists, florists, casino interior-scapes, landscapers, grocery stores and independent garden centers.

Natchez Trace LLC has invested over \$1,200,000 in the purchase, renovation, modernization, and expansion of a 200,000 square foot greenhouse operation, which is the largest in Mississippi. They received a loan in 2004 from the Mississippi Land, Water, and Timber Resources Board in the amount of \$145,980 for a corn and wood waste energy fired system used to heat its greenhouses.

The need for the conversion from a natural gas fired system to an alternative system stems directly from the high cost of natural gas. Over the past few years the floriculture industry in Mississippi has lost more than twelve businesses and over \$1,000,000 in revenue. The primary reason for such a loss has been the high cost of energy to run these businesses.

Current trends in natural gas production have caused a sharp rise in natural gas prices. Those figures are likely to continue to rise in light of the recent disasters that have plagued the United States, particularly the Gulf Coast region. Without an alternative fuel source, it is likely that Natchez Trace LLC and many similar industries will no longer be able to compete in the national and international markets.

Natchez Trace LLC proposes to reduce energy costs by \$40,000 (corn) to \$108,000 (wood waste) annually simply by converting from a natural gas energy system to one that utilizes two natural products readily available in the Central Mississippi area: corn and wood waste. The company has a local source of wood waste from Rives and Reynolds Lumber Company, and Attala County produces over 158,000 bushels of corn each year.

The new corn boiler will consume approximately 37,251 bushels of corn per heating season if the system were utilizing 100% corn. This would allow complete heating of the 190,000 sq. ft. of greenhouse space. The projected cost of corn per bushel is \$3.00. The savings in burning corn alone would be over \$40,000 a year compared to cost of the 2004-2005 heating season.

At present, two boilers have been installed and are using a combination of corn and wood waste. If the system were converted to 100% wood waste, the total cost of heating would be approximately \$93,725, representing a savings of approximately \$108,163.

The Office of the State Auditor (OSA) staff recently conducted a site visit to Natchez Trace LLC to review the status of the project, as well as to make assessments of the damage caused by Hurricane Katrina. The project sustained considerable damage to both its infrastructure and most importantly, its markets.

The roof on the office building was destroyed, causing water damage to the interior of the building, as well as some of the office equipment, telephones, and supplies. The roof located on the retail facility was also damaged by winds and rain. Several glass greenhouses were damaged as well. However, the damage was minimal in comparison to some of the major structures. All of the damage mentioned previously was covered



by private insurance. Unfortunately, there were several uninsured buildings and greenhouses that were significantly damaged as a result of the hurricane.

Probably the most devastating blow that Hurricane Katrina dealt to Natchez Trace LLC was the loss of business. Forty-five percent (45%) of their wholesale sales (approximately \$800,000) included the Gulf Coast, from Biloxi, MS to Baton Rouge, LA. Beau Rivage Casino Resort alone comprised twenty-four percent (24%) of its annual sales volume. Many attempts have been made to divert product to other markets, and as of OSA's most recent site visit, only 25% of that product was successfully diverted to other markets. The volume of product on hand that was ear-marked for the Coastal market, now sits on-site waiting to be delivered to an alternate market or discarded.

Due to the immediate reduction in cash flow, Natchez Trace LLC had to reduce its payroll by 35% through layoffs, curtailment of working hours, and salary/wage reductions. This effort helped alleviate some of the strain of the financial obligations of the company, but is only seen as a short term measure to a dilemma that is likely to plague the company for years to come if the situation is not remedied immediately.

Among OSA's current monitored projects, Natchez Trace LLC shares a similar obstacle that many projects have been facing in light of Hurricane Katrina's disaster. Following the storm, Natchez Trace LLC applied to FEMA for assistance but was deemed ineligible for federal assistance. Because they have buildings which are insured and some that are not insured, they



have been denied Federal Emergency Management Agency assistance for the uninsured buildings. For many this is a devastating scenario of events that places undue hardship in the midst of pooling all resources to make their business viable once again. Out-buildings, such as greenhouses, equipment sheds, storage areas, and the like, are often a necessary part of the business whose non-existence renders the entire plant dysfunctional or at the least, severely handicapped.

Natchez Trace LLC presented a request to the Mississippi Land, Water, and Timber Resources Board for consideration to modify the repayment terms of its loan to include interest-only payments through January 2006 and to resume principal and interest payments on February 1, 2006. The request was considered at the Board meeting and it was the unanimous recommendation of the committee to allow the company to make interest-only payments until February 1, 2006 if principal and interest payments would pose an undue hardship on the company.

As of this writing the Mississippi Department of Agriculture and Commerce personnel are working in conjunction with the U.S. Department of Agriculture to provide alternate sources of funding to help reimburse this and other similar projects for crops lost as a result of Hurricane Katrina.



Grant Recipient: Koch Foods of Mississippi, LLC

Amount of LWT Grant: \$500,000

Amount of LWT Loan: \$1,000,000

**Amount of Private Investment: \$11,560,000 Company equity
\$740,000 Electric Power Association Loan**

**Amount of Total Public Investment: \$550,000 CDBG City Grant
\$150,000 USDA Rural Impact Grant
\$1,500,000 (LWT)**

Total LWT/Non-LWT match: 10/90

Purpose of Project:

- **Construction of a poultry distribution facility.**

Koch Foods of Mississippi, LLC, was given a grant of \$500,000 and a loan of \$1,000,000 by the Board for the construction of a poultry distribution facility in Morton, Scott County, Mississippi.

Construction on the facility began in the summer of 2004 and was completed in the fall of 2004. In December of 2004, the facility became fully operational and now serves as the primary distribution center for Koch Foods in the southeast United States.

The facility is a 155,000 sq. ft. cold storage warehouse that consists of 8,300 pallet positions with an additional eight blast cells that can freeze 42 pallet positions each per day. The facility is currently shipping over 8 million pounds of poultry product each week. The new state-of-the-art facility allows Koch Foods to be competitive in the every-changing poultry industry.

Grant Recipient: DG Foods LLC

Amount of LWT Grant: \$500,000

Amount of LWT Loan: \$500,000

Amount of Private Investment: 2,500,000

Amount of Total Public Investment: \$1,000,000 (LWT)

Total LWT/Non-LWT match: 29/71

Purpose of Project:

- **Construction of a poultry processing facility to provide further processing and packaging services to the Mississippi poultry industry.**

DG Foods LLC, headquartered in Crystal Springs, Mississippi, is a 2004 start-up venture by two poultry executives with a combined 50 years experience in finance, operations and construction within the poultry industry. They employ approximately 300 hourly employees and 15 salaried employees. They have a payroll of approximately \$5.5 million and sales of approximately \$7 million.

The top management is comprised of the two co-owners and founders of DG Foods LLC. Duffy McKenzie, previously CEO for Choctaw Maids Farms, a \$250 million company, will manage operations. Greg O'Quinn, previously CFO for Choctaw Maid Farms, will be responsible for all financial and accounting



functions. These two executives oversaw a \$100 million expansion that doubled the sales of Choctaw Maid Farms over an eight year period.

DG Foods LLC will offer co-packing and contract services to the growing poultry industry. The focus will be to perform labour intensive processing of its client’s products. With the increase in ready to eat products being introduced into the market, the large processors have exhausted the labour supply around their locations and moved toward outsourcing services such as those offered by DG Foods LLC.

In mid 2004, the Copiah County Board of Supervisors was granted \$850,000 in Community Development Block Grant funds (CDBG) to build infrastructure improvements to locate DG Foods LLC, at Copiah County Industrial Park in Gallman, Mississippi. The improvements were made to an existing, county-owned building leased to DG Foods LLC for their poultry deboning operation. In addition to the CDBG, Copiah County received a Capitol Improvements Revolving Loan (CAP Loan) for \$500,000 for other improvements to the building.

DG Foods LLC is currently processing thighs and chicken tenders. The thigh department is processing approximately 540,000 lbs of incoming thighs a week. The tender department is processing approximately 250,000 lbs of tenders per week. The plant is currently operating at a break even point.

According to DG Foods owner, Duffy McKenzie, Pilgrim’s Pride has requested that they process an additional 100,000 lbs of tenders per week. The company is in the final stages of establishing a contractual relationship with Foster Farms to supply them with wings, tenders and boneless breast filets. They are also in the process of expanding their business with Sanderson Farms. The increased business is expected to produce a volume of approximately 160,000 lbs per week. They are negotiating a total volume of 500,000 lbs per week.

Grant Recipient: Blackwater Farms, LLC

Amount of LWT Grant: \$100,000

**Amount of Private Investment: \$288,500 Company equity
\$10,000 Tuskegee grant
\$5,000 Heifer International**

Amount of Total Public Investment: \$100,000 (LWT)

Total LWT/Non-LWT match: 25/75

Purpose of Project:

- **Establishment of processing and distribution for pastured poultry products.**

Blackwater Farms, LLC, located in DeKalb, Kemper County, Mississippi, established a processing facility with grant money from the Mississippi Land, Water, and Timber Resources Board. This processing facility caters to a niche market that has recently come to the forefront of livestock and poultry industry: grass-fed meat products.

Created in 2000 to offer high quality grass-fed meat products to the Meridian, MS, area, Blackwater Farms has more recently concentrated its efforts on pastured poultry, chicken and turkey, pastured eggs, and grass-fed beef. The demand for the products soon exceeded supply and a decision was made to form a distribution network that would revitalize the small, rural, and minority farmers in Mississippi.

The company requested and received a grant from LWT in the amount of \$100,000 to purchase poultry processing equipment. The equipment was purchased and placed at an existing USDA certified processing facility located in DeKalb, MS. Production of pastured poultry began in 2005.

The company continues to expand both its network of farmers and production numbers. Its clientele consists of word-of-mouth customers, high-end restaurants and Internet sales. Sixty percent (60%) of its sales are of frozen poultry products, while the remaining goes to fresh market.

**Grant Recipient: Brinson Farms LLC****Amount of LWT Grant: \$501,124****Amount of LWT Loan: \$85,000****Amount of Private Investments: \$146,876 Company equity and investment****Amount of Total Public Investment: \$75,000 Conservation Innovation grant
\$45,000 Value Added Marketing grant
\$47,000 Renewable Energy grant
\$586,124 (LWT)****Total LWT/Non-LWT match: 65/35****Purpose of Project:**

- **Establish prototype system to improve energy efficiencies and provide outlet for waste disposal on poultry farms in Mississippi.**

Brinson Farms LLC, headquartered in Prentiss, Mississippi, is a 136 year old family-owned business that produces broiler chickens. They are classified as a large concentrated animal facility that currently has eight barns. The eight barn farm handles six bird cycles (45 days each) per year and holds approximately 177,000 chickens. The average bird weighs 5.3 pounds at the end of each cycle. Each cycle produces over 950,000 pounds of chicken while consuming over 1,650,000 pounds of feed. Brinson Farms grows for Tyson Foods and plans to build two more barns that will hold an additional 25,000 chickens.

Brinson Farms LLC, received funding from the Mississippi Land, Water & Timber Resources Board in 2005 to install a methane generation and capture system at their farm. This system will be used to produce methane gas from the waste by-products of the chicken farm. Brinson Farms received funding for the project in the form of a \$501,124 grant and an \$85,000 loan payable for 7 years at 2% interest from the Mississippi Land, Water and Timber Resources Board.

Conversion of animal manure into useful products such as methane and fertilizers using anaerobic digestion is a well established technique in theory and practice. The term anaerobic digestion refers to a process in which the wastes are "stabilized" through biological activity in the absence of atmospheric oxygen. Numerous farms around the world are successfully capturing methane gas that is released from either the anaerobic digesters or the covered lagoons. The gas is generally utilized to generate electricity or combusted to provide heat for local operations. Virtually all such projects are located on swine or dairy operations. There are however, no anaerobic digesters operating on poultry farms in the United States. The goal of this project is to successfully install the first methane generation and capture system at a broiler chicken farm in the country.

Commercial poultry production in Mississippi is its largest agricultural enterprise with over \$2.2 billion in annual sales in 2000. Mississippi ranks among the top five broiler producing states in the nation with an estimated 740 million broilers produced in 2002 (Morgan and Murray, Economic Impact of the Mississippi Poultry Industry, 2002). A study conducted by McCallum Sweeney Consulting in September 2002 estimated a production of about 8 million tons of litter in the broiler houses in the state per year. According to calculations performed at Mississippi State University, this implies a potential to generate 3.7 billion cubic feet of methane each year if all of the poultry litter was converted to gas. The value of this gas can be estimated between \$18 and \$20 million per year at a rate of \$5.50 per 1000 cubic feet of natural gas or about \$3000 per each poultry house in Mississippi.

The system that is being installed at Brinson Farms will remove the chicken litter from the bird houses with a forklift and weigh it before it is fed into the digester. The water in the digester is continuously heated



using an array of solar panels that are being installed on the property. The gas that is produced by this system will be used to heat the chicken houses. They are designing their system to be fully automated.

Brinson Farms LLC is nearing the completion of their project. They have installed access roads; two new 42' x 500' chicken houses designed to use the methane for heating; a new dry stack storage building with concrete floors for the storage of chicken litter; weigh scales, hoppers and conveyors are on-site; a water well was installed to support initial start-up at the digester site; all bulk tanks are installed and ready; four pumps purchased and on-site; two-stage 150 PSI gas compressor is complete; systems control building construction is complete; back-up 65 KW generator/engine set is installed and operational; new net metering equipment from power company is installed; and materials handling equipment (skid loader) is ready for operation. The project is in the final stages of plumbing, electrical and start-up. They expect to complete the system in the next few months. This project will serve as a prototype energy system that will reduce energy expenses while alleviating the problems associated with poultry waste disposal.

Grant Recipient: WeGel, LLC

Amount of LWT Grant: \$250,000.00

Amount of Private Investment: \$1,200,000 Company investment

**Amount of Total Public Investment: \$250,000 Clay County Loan
\$250,000 (LWT)**

Total LWT/Non-LWT match: 14/86

Purpose of Project:

- **Construct manufacturing facility utilizing catfish by-products to produce high value protein for food additives.**

WeGel received a grant from the Mississippi Land, Water, and Timber Resources Board in the amount of \$250,000 to purchase specialized equipment for the expansion of its catfish by-product processing plant located in West Point, Clay County, Mississippi.

Catfish processing is a major industry throughout the State of Mississippi. Over the last ten years, the catfish industry has grown dramatically and Mississippi catfish products are now shipped worldwide. As a result of the growth, the catfish industry as a whole produces a greater volume of waste products which include the bones, frames, and viscera. WeGel utilizes a process by which they convert these waste products into value-added products.

One of the major value-added products is fish gelatine. Fish gelatine is produced from collagen extracted from the raw materials of fish bones, frames, and skin. Fish gelatine is used in the pharmaceutical, adhesive, computer, research, photography, and nutraceutical industries. Currently, WeGel is the only plant in the United States that processes collagen from fish waste.

The other value-added product made from fish waste at the processing facility is fish meal. Fish meal is made from the viscera and sold to catfish feed/pellet producers. This utilization of a considered waste product allows for Mississippi catfish producers to benefit from their own by-products.

WeGel has plans to expand their processing facility within Mississippi in order to receive the maximum benefit from the large yield of waste materials from catfish producers. Production of gelatine products is scheduled to begin in August 2006.

**Grant Recipient: Wildwood Gin, Inc.****Amount of LWT Grant: \$375,000****Amount of LWT Loan: \$375,000****Amount of Private Investments: \$1,043,575 Company investment****Amount of Total Public Investment: \$150,000 (MDA 0% Loan)
\$750,000 (LWT)****Total LWT/Non-LWT match: 39/61****Purpose of Project:**

- **Expand processing capabilities for gin notes in Mississippi.**

Wildwood Gin, Inc., headquartered in Greenwood, Mississippi, received a grant in the amount of \$375,000 and a loan in the amount of \$375,000, payable for 7 years at 2% interest, to convert the by-products of a cotton processing plant into a new innovative product that will replace the diminishing supply of clean cotton waste generated by domestic yarn spinning mills. Textile yarn spinning waste has been utilized extensively by the non-wovens industry to make medical, pharmaceutical, health, personal and home care products. They will use textile machinery to process the by-product. They are the only processor in the state of Mississippi. They process mote (a very small particle) for producers from Texas to Virginia.

Motes are an important part of income to Mississippi cotton farmers. Mote waste disposal constitutes approximately one-third of a cotton gin's volume. This process is designed to turn that waste in to a useable by-product, with little or no waste, and make it a viable commodity. Mote is used to make products such as Q-tips. Many farmers rely on mote income to pay for utility costs throughout the year. This state-of-the-art process "combs" motes into useable products that are available to a variety of markets.

The value added to their by-product will increase margins to their processing customers, which will insure full production in the current plant and provide a stable volume for the new facility. Their customers plan to purchase waste products similar to their by-product that can be utilized in the new facility.

Grant Recipient: Homan Industries**Amount of LWT Grant: \$150,000****Amount of Private Investment: \$600,000 Company equity and additional investment****Amount of Total Public Investment: \$150,000 (LWT)****Total LWT/Non-LWT match: 20/80****Purpose of Project:**

- **Conversion of natural gas fired kilns to wood waste burners and boilers for lumber drying.**

Homan Industries, headquartered in Fulton, Mississippi, is a 37 year old manufacturer of forest products. Homan Industries' operations consists of two saw mills, three dry kilns, a planer mill, treating plant, lumber sales and a hardwood chipping operation. It also operates a short line railroad and over the road logistics operation. They employ approximately 130 people.

According to the owner, Homan Industries purchases approximately \$8 million annually of timber from landowners within a 75 mile radius of Fulton, Mississippi. The owner referenced a study by Mississippi State University that shows \$8 million of log purchases each year equates roughly into a \$22 million impact into the



local and state economy. Their log purchases support Mississippi landowners, loggers, truck drivers, and numerous other businesses including paper operations at Oxford and Louisville, MS.

Homan Industries has invested approximately \$750,000 to convert two direct fired natural gas kilns to wood waste burners and boilers to produce steam for drying lumber. They received a grant in 2004 of \$150,000 from the Mississippi Land, Water and Timber Resources Board, and under this grant agreement, they will create one additional full-time position.

Natural Gas vs. Wood Waste

Current trends in natural gas production have caused a sharp increase in the cost of natural gas. Those prices are likely to continue to rise in light of the recent disasters that have plagued the United States, particularly the Gulf Coast region. Without an alternative fuel source, many industries that rely on natural gas will no longer be able to compete in the national and international markets.

The need for the conversion from a natural gas fired system to wood waste fired system stems directly from the high cost of natural gas. The new wood waste burners and boilers displaced natural gas as the primary energy source required to dry lumber. The Land, Water and Timber Resources Board believed that funding this project would demonstrate the validity of using alternative fuel sources to decrease the dependence on fossil fuels.



Homan Industries sawmills and planer operations generate over 300,000 tons of wood bi-products annually: bark, chips, planer shavings and saw dust. Dry planer shavings will be used to power the boiler. According to the owner, engineering studies show that based on the average drying volume, 560 tons of shavings will be used to fuel the system annually.

Prior to the conversion, Homan Industries used approximately 7,500 mcf (thousand cubic feet) per month of natural gas at an average monthly cost of \$49,000. This equates to \$588,000 annually. According to the owner, Homan Industries expects to see the new technology present a savings of approximately \$225,000 annually.

In the latter quarter of 2005, Homan Industries was considering a proposal to be acquired by a large timber products company from Louisiana. The grant agreement between Homan and the Land, Water and Timber Resources Board states that the ownership of the company could not be transferred within five years of the execution of the grant agreement without prior consent of the Board. Therefore, Holman Industries petitioned the Board for approval of the acquisition. The Board voted that the Homan Industries could proceed with the sale provided that the new owner maintains the same requirements for performance. In the end, the sale of Homan Industries was never finalized.

**Grant Recipient: Rosedale Cottonseed Terminal, Inc.****Amount of LWT Grant: \$275,000 (Proposed)****Amount of Private Investments: \$2,700,000 Company investment (Proposed)****Amount of Total Public Investment: \$275,000 (LWT) (Proposed)****Total LWT/Non-LWT match: 9/91****Purpose of Project:**

- **Establishment of a cottonseed storage terminal at the Port of Rosedale.**

Rosedale Cottonseed Terminal, Inc. has been approved for a grant, if certain conditions are satisfactorily completed, to locate a terminal point at the Port of Rosedale for loading Mississippi farmers' cottonseed and cottonseed products for delivery to the dairy industries of the Midwest and northeastern markets of the United States. In order for cotton producers and ginners of the state of Mississippi to benefit economically, the buyer of their seed must be in a position to efficiently store and handle this product. This efficiency will allow the buyer to offer cotton ginners and growers the most dollars for their product.

The cotton industry has been an integral part of U.S. agriculture for more than two centuries. Cottonseed feed products have been used for the feeding of livestock for more than 150 years. The U.S. Dairy Industry is a potential market for over 10 million tons of cottonseed annually. The current U.S. production of cottonseed averages 6.2 million tons. Cottonseed and its byproducts are natural sources of protein, fiber and energy. Cottonseed meal is considered the most abundant plant protein feed available throughout the U.S., after soybean meal.

As of this writing, the grant monies have not been disbursed to Rosedale Cottonseed due to the lack of all required documentation being presented to the Board and/or screening committee. In a Board meeting the project deadline to receive the required information from Rosedale Cottonseed was extended to April 2006 to allow the general manager adequate time to arrange for private financing of the project.

Grant Recipient: Cooper Farms**Amount of LWT Grant: \$100,000****Amount of LWT Loan: \$100,000****Amount of Private investments: \$47,554 Company investment****Amount of Total Public Investment: \$200,000 (LWT)****Total LWT/non-LWT match: 81/19****Purpose of Project:**

- **Construction of fruit and vegetable processing facility.**

Cooper Farms is a family owned and operated blueberry, blackberry, and muscadine farm and processing facility which produces and packages fruits and vegetables in central Mississippi.

The processing facility consists of one 46' x 80' metal building which is used for pre-cooling, grading, packing, storing and shipping fresh fruit. It includes two bathrooms, a break room, a storage room, four wash stations, a 24' x 24' cooler, Model "L" cleaner grading table, turn table, "z"- conveyor, and "clam shell" filler, as well as office space.



The processing facility was constructed next to an adjoining farm to create a central processing facility for a variety of fruits and vegetables to enlarge the current markets which were restricted to central and south-central Mississippi. Its location enhances the ability to ship produce to Louisiana, Texas, Arkansas, Tennessee and many other states.

The overall intent of the construction of the processing facility was to benefit agriculture in Mississippi, especially the fresh fruit market. The facility is available to other farmers to process their produce in a convenient location, thus saving on transportation costs and loss of fruit due to exposure to heat.

The building allows fruit to be brought from the field, weights recorded, and then placed in a pre-cool tunnel to dry the fruit and remove excess field heat. Fruit is then placed on a blower cleaner to remove excess debris, before falling to a 15" grading line. Graded fruit is packed into 20 pound boxes or quart "clam shell" containers.

One advantage of the processing facility is it has allowed local farmers to increase the amount of acreage that they can successfully farm in fruits and vegetables. Since the completion of the facility, Cooper Farms has increased its total farm plan by forty-three percent (43%).

They have also added 0.5 acres of blackberries, with an additional 1.5 acres of muscadines to be added later this year (2006).

The Office of the State Auditor (OSA) staff conducted a site visit to Cooper Farms to review the status of the project, as well as to make assessments of the damage caused by Hurricane Katrina. The project sustained considerable damage to both its infrastructure and most importantly, its markets.

The processing facility sustained minimal damage, with the awning of its roof as its primary and most noticeable structural damage. This costs associated with the repair of the roof are covered by private insurance. However, the most devastating structural losses consisted of the trellises which provide support for the muscadine plants. This damage was not insured and represents the majority of the monetary loss to the farm and processing facility as a whole.



When calculating the total monetary losses, loss of actual crop must be taken into account. Hurricane Katrina could not have struck at a more inopportune time because Cooper Farms had just begun its annual harvest of muscadines. Just prior to the hurricane, they had been able to harvest a portion of the total amount of ripe fruit. However, during the storm, electricity to the processing facility was lost resulting in an immediate need to sell the harvested fruit. With the assistance of the Mississippi Department of Agriculture and Commerce, the produce, with the exception of about seven hundred pounds, was successfully dispersed to unaffected markets.

The amount of damage to future crops cannot be accurately accounted for at this time. Little is known about the effects of such

a storm on future plant production. On average, a total of 4 years is necessary to produce a vine with marketable yields. The farm consists of 107 vineyard rows of muscadines, 54 of which were damaged, comprising 50% of the total amount of trellises. The cost to replace and/ or repair these trellises is \$7,900. In addition, there are 1,208 producing vines, of which 266 were damaged. This loss totals 22% of the total amount of producing vines at a cost of \$1,800.



One unique cost associated with a vineyard is the labour required to “train” a vine to grow along the trellises. This procedure usually takes two growing seasons to accomplish at an average of 155 man hours per season. Thus, at the current wage of \$6.50 per hour, the total cost to “train” the vines to restore the vineyard to its previous yield is an additional \$2,015. This, along with the amount of fruit bruised by wind damage, as well as excess rainfall, caused a reduction in the quality of fruit.

The amount of damage sustained by the farm was an estimated 45% of its entire crop. The total monetary loss of crops alone is estimated near \$40,000. A recovery plan has been put into place by the owner of Cooper Farms to ensure the viability of this project. Considerable personal finances have been outlaid in the wake of the storm.

The Mississippi Land, Water, and Timber Resources Board considered a request from Cooper Farms on November 2, 2005, to modify repayment of its loan for the year of 2006. The Board approved a deferral in the commencement of the annual loan payments until January 2007. However, the interest payment was paid in January 2006. Deferral of the principal payment extended the maturity date of the loan to January 2016. For more information about the berry industry, please see Covington County and Wayne County reports.

Grant Recipient: Alcorn County Board of Supervisors

Amount of LWT Grant: \$350,000

Amount of Private Investments: **\$15,000 The Alliance**
 \$110,200 Kingsford Manufacturing Company

Amount of Total Public Investment: \$400,000 CDBG (MDA)
 \$150,000 Infrastructure Development Program (MDA)
 \$539,800 U.S. Department of Commerce
 \$250,000 Appalachian Regional Commission
 \$165,000 Corinth Gas and Water
 \$100,000 Alcorn County Board of Supervisors (matching funds)
 \$350,000 (LWT)

Total LWT/Non-LWT match: 17/83

Purpose of Project:

- **Infrastructure associated with Phase One of a proposed charcoal manufacturing facility.**

The Kingsford Manufacturing Company, a subsidiary of the Clorox Company received a grant in the amount of \$350,000 from the Mississippi Land, Water and Timber Resources Board to construct public infrastructure including water and natural gas facilities for a proposed plant in Alcorn County that would convert sawmill waste into high carbon char, one of the main ingredients in charcoal briquettes. The total project cost is estimated to be \$20.9 million dollars with the Kingsford Manufacturing Company, a Fortune 500 Company, utilizing 300,000 tons of wood-waste, with approximately 200,000 tons of wood-waste coming from Mississippi sources.

During the last 6 months, the Board of Supervisors has finalized all funding to develop project related infrastructure for the Kingsford Manufacturing facility to be constructed in Alcorn County. Funds were granted from the U.S. Department of Commerce in the amount of \$539,800 and from the Appalachian Regional Commission in the amount of \$250,000. In addition, they have received commitments from various other entities totaling \$940,200 towards Phase I of this three phase project. Among conditions that must be met, as required by the U.S. Department of Commerce, are the operating and maintenance agreement for project



infrastructure and the transfer of land. Alcorn County will advertise (in early 2006) for the development of water lines to serve the fire protection needs of the plant. Dirt work has started and soil is currently being moved to the site. The general contractor is Reasons Construction from Jackson, Tennessee. The county has been assured that a wide range of local Mississippi subcontractors will be used on the project. Kingsford Manufacturing has renovated two office buildings on site and is continuously present during the day. The estimated start date for the facility is the first or second quarter of 2007.

Grant Recipient: MSCP, Inc.

Amount of LWT Grant: \$600,000

Amount of LWT Loan: \$497,000

Amount of Private Investments: \$2,535,600 Company investment

Amount of Total Public Investment: \$1,097,000 (LWT)

Total LWT/Non-LWT match: 30/70

Purpose of Project:

- **Establish production/processing of sweet corn with potential to expand to production of other high-value food products.**

MSCP, Inc. received a grant in the amount of \$600,000 and a loan in the amount of \$497,000, payable for 7 years at 2% interest, from the Mississippi Land, Water and Timber Resources Board in 2005 to build a sweet corn processing plant in Indianola, Mississippi. The loan proceeds purchased a production building, a hydro cooler and preparation of the site.

Competition with China in the cotton market has prompted the Mississippi farmer to find other crops that may be profitable. Sweet corn production has taken the lead to ensure that Mississippi farmers can maintain their businesses.

Harvesting sweet corn is a meticulous process. The ears must be picked during a specific timeframe. If they are picked too early, they will be too small and dry. If they are picked too late, the quality of the corn deteriorates and it becomes susceptible to predators.

Before picking, a “topper” is driven up and down the aisles of corn to chop off the tops of the stalks, so field hands don’t get hit by excess leaves. A mature stalk of corn can reach over five feet, which can create vision problems for pickers. This is followed by the “mule train”, which is essentially a two-story corn packing plant on wheels. The machine slowly rolls through the severed stalks while packers carefully snap off ears on the ground below. Each of the dozen pickers tosses about 4 ears at a time into a large crate, where workers on the train send the corn down a processing belt. Meanwhile, on the top story, a team puts together loads of wooden baskets held together by industrial-quality staples. Workers below receive the baskets, pack corn into them, and send them down a belt. A worker keeps track of the number of crates that pass by. At this point, the corn is cleaned to remove excess leaves and dirt. From this point, it goes to the hydro cooler. This is a machine that mists the corn in very cold water to keep it fresh. After this, it is packed and shipped to various retailers.

The sweet corn facility and farming operation in Indianola is growing faster than anticipated. Five additional farmers have been added to assist in taking this venture to the next level. MSCP is tripling the facility for the 2006 growing season and the acreage is increasing from 500 acres to 1,400 acres. MSCP anticipates increasing employment by at least 100% for the 2006 growing season. A farm manager with vegetable experience has been hired. In 2006, MSCP plans to add some cantaloupes and pumpkins.





Projects approved by the LWT Board in the last quarter of 2005 and/or the first quarter of 2006, which were not reviewed in detail by OSA staff are as follows:

- Mississippi Institute for Forest Inventory;
 - Scott Petroleum Corporation; and
 - East Mississippi Pole Company.
-

Appendix 1: Purpose, Scope, and Methodology

Purpose

The Speaker of the House of the Mississippi Legislature requested the Office of the State Auditor (OSA) to conduct a limited review of the Mississippi Land, Water and Timber Resources Act (Act). The purpose of this review was to summarize information regarding the Act for the review of the Legislature and other interested parties.

The limited review will:

- provide background information on the current laws governing the Act;
- provide information on the role of the Mississippi Land, Water and Timber Resources Board (Board); and
- evaluate policies and procedures established by the Board.

Scope

The scope of the limited review included a review of state statutes, program regulations, Board minutes, and projects authorized by the Board.

Method

In conducting the review, the OSA performed the following procedures:

- reviewed applicable state statutes;
- summarized information on the number and dollar amount of projects reported by the Board;
- reviewed policies and procedures established by the Board;
- reviewed appropriate records and documentation;
- conducted site visits of current projects; and
- interviewed appropriate personnel.

Appendix 2: Background

Legislative Direction

By authorizing in its 2003 session the oversight of agricultural development programs with a predominately rural emphasis, such as the Mississippi Land, Water and Timber Resources Act (Act), as well as super projects, it was apparent that monitoring should include all job creating bond-funded projects and programs, regardless of size, economic sector, or urban/rural orientation.

Particular attention will be paid to the job creation ‘outputs’ and ‘outcomes’. The Legislature expressed its concerns with the creation of quality jobs with the passage of the Mississippi Advantage Jobs Act in the Second Extraordinary Session of the 2000 Legislature, and the subsequent enactment of House Bill 1 in the Third Extraordinary Session of the 2000 Legislature. This legislation marked a new and more direct legislative approach to stimulating private sector job creation.

The legislative intent, as stated in the Act in Section 57-62-3 (a) and (b)(i) reads:

It is the intent of the Legislature that: (a) The State of Mississippi provide appropriate incentives to support the establishment of quality business and industry that hold the promise of significant development of the economy of the State of Mississippi through the creation of quality jobs; (b) The amount of incentives provided under this chapter in connection with a particular establishment shall: (i) Be directly related to the jobs created as a result of the establishment locating in the State of Mississippi.

Since 2000, amendments to the *Mississippi Major Economic Impact Act* linked specific numbers of new jobs to multi-million dollar state bond commitments to secure other large public and private investments which might have otherwise gone outside the State. Both the *Mississippi Land, Water and Timber Resources Act* and the *Mississippi Rural Impact Act* have attempted to sustain this linkage between jobs and public bond financing on a more modest scale. Such programs, it is hoped, will stimulate private sector capital improvements and expansion. These programs were intended to do this, not only in urbanized areas of the state, but in rural areas as well.

Legislative Authority

Section 69-46-1, Mississippi Code of 1972, Annotated, established the "Mississippi Land, Water and Timber Resources Act".

Section 69-46-3, Mississippi Code of 1972, Annotated, created the Mississippi Land, Water and Timber Resources Board to assist the Mississippi agricultural industry in the development, marketing, manufacture, production, and distribution of agricultural products, and to provide the powers and duties of the Board. It requires the Executive Director of the Mississippi Development Authority (MDA) and the Commissioner of the Mississippi Department of Agriculture and Commerce (MDAC) to serve as Co-Chairmen of the Board. It also sets the meeting and voting requirements for the adoption of any actions taken by the Board. The enacting legislation did not provide for any staff for the Board. However, this section provides that “*the Board may utilize the services, facilities and personnel of all departments, agencies, offices and institutions of the State, and all such departments, agencies, offices and institutions shall cooperate with the Board in carrying out the provisions of such act*”.

Section 69-46-5, Mississippi Code of 1972, Annotated, establishes the powers and duties of the Board.

“The Board shall have the following powers and duties:

(a) To develop marketing plans and opportunities for independent farmers in Mississippi;

(b) To encourage the commercialization of new agricultural technology businesses;

(c) To initiate the development of processing facilities for Mississippi agricultural commodities...”

Section 69-46-7, Mississippi Code of 1972, Annotated, established the Mississippi Land, Water and Timber Resources Fund.:

“The Mississippi Land, Water and Timber Resources Board may accept and expend funds appropriated or otherwise made available by the Legislature and funds from any other source in order to carry out the provisions of the Mississippi Land, Water and Timber Resources Act. Such funds shall be deposited into a special fund hereby established in the State Treasury, to be known as the “Mississippi Land, Water and Timber Resources Fund...”

In 2003, the Mississippi Legislature provided funds to the Office of the State Auditor (OSA) to monitor specified projects funded with economic development bonds. OSA is authorized to perform such work upon request of the Legislature, in accordance with Section 7-7-211 (c) of the Mississippi Code of 1972, as amended:

To study and analyze existing managerial policies, procedures, duties, and services of the various state departments and institutions upon written request of the Governor, the Legislature, or any other committee or other body empowered by the Legislature to make such a request to determine whether or where operations can be eliminated, combined, simplified or improved;

The OSA has, in addition, specific legal authority to engage in continuous monitoring when required for investigative or other related purposes, as stated in Section 7-7-211 (d):

...In complying with the requirements of this subsection, the department shall have the authority to conduct all necessary audit procedures on an interim and year-round basis.

OSA’s Performance Audit Division, has implemented a monitoring program for all the specified projects, has developed methods to routinely examine and verify project expenditures, evaluate and assess project procedures, determine and verify job creation benchmarks, and other appropriate monitoring activities depending on individual project requirements.

Appendix 3: Composition and Duties of the Board

The Mississippi Land, Water and Timber Resources Board (Board) is required to meet at least once every calendar quarter by call of the Co-Chairmen with a majority of the members constituting a quorum. The Board files an annual report with the Governor, Secretary of the Senate, and the Clerk of the House of Representatives not later than December 1st of each year. Recommendations are made for any legislation necessary to accomplish the purposes of the Mississippi Land, Water and Timber Resources Act (Act).

The Board may accept and expend funds appropriated or otherwise made available by the Legislature and funds derived from other sources in order to carry out the provisions of the Act. Unexpended funds derived from bond proceeds and/or private funds, as well as interest earned from these amounts does not lapse into the State General Fund. All other unexpended amounts lapse into the State General Fund at the end of the fiscal year.

Upon approval of a project, an agreement is executed by and between the Board and each entity receiving assistance from the program. Closing documents are executed prior to disbursement of funds. The Mississippi Development Authority (MDA) and the Board Attorney prepare necessary documents and allocate funding as directed by the Board. Funds are disbursed on a reimbursement or a services-rendered basis. Project recipients submit requisition requests on forms available from MDA. The Screening/Finance Committee considers and acts on the requests. When and if defaults occur, the Board may seek repayment to the State of any loan, grant, or other contract under the program or pursue any other remedy available by law or in equity.

Mississippi Land, Water and Timber Resources Board

Appointed by Statute

Co-Chairman: The Commissioner of the
Mississippi Department of Agriculture and Commerce.....Lester Spell, Jr., DVM

Co-Chairman: The Executive Director of the
Mississippi Development Authority.....Mr. Leland Speed

The Chairman of the
Senate Agriculture Committee..... Honorable Cindy Hyde-Smith

The Chairman of the
House of Representatives Agriculture Committee.....Honorable Bo Eaton

The Chairman of the
Senate Forestry Committee..... Vacant

The President of the
Mississippi Farm Bureau Federation.....Mr. David Waide

Director of the Cooperative Extension Service at
Mississippi State UniversityDr. Vance Watson

Professor at
Alcorn State University.....Dr. Gwendolyn Boyd

The Director of the Agricultural Finance Division of the
Mississippi Development Authority.....Mr. Edwin Sory

The Director of the Agricultural Marketing Division of the
Mississippi Department of Agriculture and Commerce.....Mr. Patrick Sullivan

State Forester Mississippi Forestry Commission.....Mr. Everard Baker

Appointed by the Governor

Three individuals who are active producers of Mississippi land, water, or timber commodities (one from each
Supreme Court District)...

1st District..... Vacant

2nd District..... Ms. Suzy McDonald

3rd DistrictMr. Danny Dilworth

Appendix 4: Formal Comments from the Mississippi Development Authority and the Mississippi Department of Agriculture and Commerce related to this report



STATE OF MISSISSIPPI
LAND, WATER AND TIMBER RESOURCES BOARD

May 11, 2006

Phil Bryant, State Auditor
Office of the State Auditor
Post Office Box 956
Jackson, Mississippi 39205

Re: Mississippi Land, Water and Timber Resources Board Official Response to the Office of the State Auditor's Limited Review (May 2006 Draft)

Dear Mr. Bryant:

We are in receipt of and thank you for the final draft report entitled "Limited Review of the Mississippi Land, Water and Timber Resources Board" (the "Board") dated May 5, 2006. We appreciate the opportunity to work with you to prepare a fair and balanced report.

In response to the draft, we submit the following suggestions:

Page 2 (Executive Summary): All legal work is completed jointly between the Attorney General's attorney and outside counsel. Please refer to the following comment on page 2 of the Executive Summary:

The Board's outside counsel has also been instrumental in providing guidance in grant agreement and contract development/implementation as well as taking a proactive role in maximizing the efficient use of bond funds for these projects.

As was noted in the earlier draft, outside counsel has been involved, along with Attorney General staff, since 2002 and all contracts and legal documents are prepared jointly between both attorneys. Your statement suggests that the Attorney General-appointed counsel's role is secondary to outside counsel's role, which is not the case.

Project Listing Page: (a) Sunflower County EDD under the Company heading needs to be replaced with MSCP Inc. on both the grant and loan listing.

(b) Mississippi Institute for Forest Inventory's amount closed should be \$176,000 instead of \$276,000.

Page 2 (Introduction): (a) In reading the first 2 sentences of Paragraph 1 of page 2 of the Introduction, further clarification should be provided. The reader should understand that before any payments of state funds were made in the Mississippi Beef Processors (MBP) project, a meeting was held on April 26, 2002, at the Capitol to fully discuss the MBP Project. The minutes show that representatives from the Mississippi Development Authority, Mississippi Department of Agriculture and Commerce, the Office of the State Auditor, the Office of the Attorney General, the Governor's Office, members of the Land, Water and Timber Board, several members of the Legislature, and others were present. After this meeting was recessed and then reconvened on May 3, 2002, agreements were in place to begin making payments of invoices on the MBP project from the Land, Water & Timber (LWT) \$5 million grant. The last payment from the LWT grant was approved on February 26, 2003. From March 2003, MDA and

Honorable Phil Bryant
May 11, 2006
Page Two

the bank approved invoices and the bank made the disbursements of the remaining \$35,000,000 in state guaranteed monies.

(b) In the 3rd Sentence of Paragraph 6, all legal work is completed jointly between the Attorney General's attorney and outside counsel. Please refer to the following comment in the 3rd Sentence of Paragraph 6:

The Board's outside counsel has also been instrumental in providing guidance in grant agreement and contract development/implementation as well as taking a proactive role in maximizing the efficient use of bond funds for these projects."

As was noted in the earlier draft, outside counsel has been involved, along with Attorney General staff, since 2002 and all contracts and legal documents are prepared jointly between both attorneys. Your statement suggests that the Attorney General-appointed counsel's role is secondary to outside counsel's role, which is not the case.

Page 3 (Funding): We recommend that the job creation numbers be included in the report. Those numbers include: 1000 full-time jobs and 484 part-time jobs. This information was included in the previous report provided on April 18, 2006. In reference to "Legislative Direction" in Appendix 2, job creation numbers associated with LWT projects are notable and significant. While job creation is a beneficial result of LWT projects, job creation is not a statutory criterion. (Project criteria are listed on page 3 of this report.)

Page 18: In the last sentence of the last paragraph of the Sumrall Farms' report, "Sunflower County EDD" needs to be replaced with "MSCP, Inc."

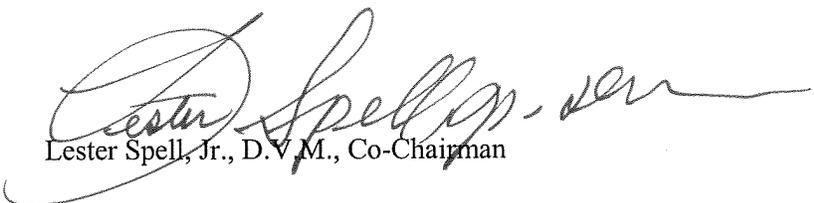
Page 24: We recommend that the Mississippi Fruit & Vegetable Summary include the following language: "The execution of the grant is subject to the Association obtaining a bank loan to finance the project, to the satisfaction of the Board. Total project costs are estimated at \$8,900,000." The percentages for the proposed project contained in the "total LWT/Non-LWT match" in the box at the top of the page should be changed from "80/20" to "22/78." Currently, with the exception of the \$500,000 equity portion on the part of the cooperative, all other project financing is "proposed."

Page 31: The total cost of Wildwood Gin's operations total \$1,943,575. (See attached e-mail.) This would change the "Total LWT/Non-LWT match" ratio from "50/50" to "39/61" in the box at the top of the page.

If additional information is needed, please feel free to contact either or both of the Board's attorney, Rebecca T. Wilson, at (601) 359-1113 or us. Thank you for your time and assistance.

Sincerely,


Leland Speed, Co-Chairman


Lester Spell, Jr., D.V.M., Co-Chairman

Encls.

MISSISSIPPI LAND, WATER AND TIMBER RESOURCES BOARD MEETING

APRIL 26, 2002

Pursuant to call by co-chairman, Robert J. Rohrlack, the Mississippi Land, Water and Timber Resources Board met in Room 201 of the New Capitol Building, City of Jackson, Hinds County, State of Mississippi, at 9:00 a.m., Friday, April 26, 2002, for the purpose of considering such matters as might properly come before the Board in accordance with the power and authority conferred upon the Board by Senate Bill No. 2002, Second Extraordinary Session 2000 of the Mississippi Legislature.

Members in Attendance

Roger Barlow
Chance Carter
Joe Gustavis
Senator Billy Harvey
Dr. Joe McGilberry
Randy Mize
Robert J. Rohrlack, Jr.
James Sledge
Lester Spell, Jr., D.V.M.
Senator Joseph Stogner
David Waide

Members Absent

Derrick Dahl
Representative Steve Holland

Others Present

Representative Billy McCoy
Representative Bobby Moody
Representative Leonard Morris
Representative Tommy Reynolds
Norman McLeod, Auditor's Office
Laura Jackson, Auditor's Office
Phil Bryant, State Auditor
Richard Hall, Mississippi Beef Processors
Wyman Jones, Community Bank
Darrell Brown, Community Bank
Jim Latt, MDA
Ann Frazier, MDA
Dan Tucker, MDA

Dusty Hinton, MDA
Tony Jeff, MS Technology Alliance
Angeline Dvorak, MS Technology alliance
Steve Edds, McGlinchey Stafford, PLLC
Chris Sparkman, MDAC
Rickey Gray, MDAC
Rebecca Wilson, Attorney General's Office
Anita Clinton Craig, Attorney General's Office
Steve Hale, Governor's Office

The meeting was called to order by Dr. Spell, Co-chairman. At his request, all attendees introduced themselves.

Dr. Spell then asked Representative McCoy to address the Board concerning his involvement in its creation. Representative McCoy said the Land, Water, and Timber Resource Board was created to help maintain a balance between agriculture and industry and to make sure Mississippi's natural resources get full credit and opportunities.

The first order of business was to approve the minutes from the following meetings: July 30, 2001, December 20, 2001, and March 11, 2002. The motion to approve the minutes was made by Dr. Joe McGilberry, seconded by James Sledge. The motion received the affirmative vote of a majority of the members of the Board present, being a quorum of the Board.

An Attorney General Opinion issued to Co-Chairman Mr. Rohrlack concerning the authority of the board to grant funds was given to members for their information (MS AG Op. Rohrlack, April 25, 2002 attached).

The next order of business was to address the \$5,000,000 grant to Mississippi Beef Processors. Robert Rohrlack, Co-Chairman, commented to the Board that this project should set a precedent for successful projects to follow. He emphasized that it was of utmost importance to start off right and establish a solid foundation. Steve Edds, Esq., with McGlinchey, Stafford, PLLC, then presented and summarized an Agreement between the Mississippi Development Authority, the Mississippi Land, Water and Timber Resources Board, Yalobusha County, Community Bank of Mississippi, and Mississippi Beef Processors, LLC.

The motion was then made by David Waide and seconded by Roger Barlow to consider going into executive session. The motion passed by unanimous vote of the members present. The board asked the following individuals to remain: the legislators, attorneys, the State auditor and two audit staff members and Steve Hale from the Governor's Office. The board considered the topic for executive session.

The board returned to regular session whereupon David Waide made a motion to go into executive session for the purpose of discussing the Mississippi Beef Processors' project. The motion was seconded by Roger Barlow and the board voted unanimously to enter executive session for the above stated purpose.

In executive session, the board discussed the Mississippi Beef Processors' Project and terms of the proposed Agreement. Mr. Hall along with Wyman Jones and Darrell Brown with Community Bank were asked to attend a portion of the executive session.

A motion was made, seconded and passed unanimously to return to regular session.

Dr. Spell explained that two additions had been made to the Agreement: Section 2 and Section 6 (copy attached). David Waide made the motion to approve the Agreement in substantially final form with the additions. Roger Barlow seconded the motion. The motion received the affirmative vote of all of the members of the Board present, being a quorum of the Board.

Dr. Spell announced the Board will recess and meet again Friday, May 3, 9:00 a.m. in the Ways and Means Room to consider approval of the Mississippi Beef Processors grant agreement.

In other matters, Representative McCoy urged the Board to be mindful of alternative energy sources. The Legislature approved \$8,000,000 for this research. He informed the Board that the U.S. Congress was looking at ethanol.

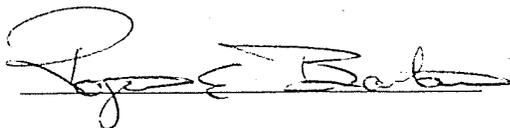
Dr. Spell thanked the members of the Legislature for being present. He then asked Dr. Angie Dvorak with Mississippi Technology Alliance to comment about alternative energy. Dr. Dvorak had attended a national conference, making this the first time Mississippi has been invited to such a conference. She stated the approach Mississippi is taking in this field is receiving attention nationally.

Dr. Joe McGilberry announced that an alternative fuels conference will be held at Mississippi State University on April 30 and May 1.

There being no further business to come for the Mississippi Land, Water and Timber Board, the meeting recessed at 11:00 a.m., Friday, April 26, 2002, to reconvene at 9:00 a.m. Friday, May 3, 2002.


CO-CHAIRMAN

ATTEST:



LAND, WATER, AND TIMBER RESOURCES BOARD MEETING

May 3, 2002

9:00 A.M.

Room 201, State Capitol

The Mississippi Land, Water, and Timber Resources Board reconvened following a recess from the April 26 Board Meeting at 9:00 A.M., May 3, 2002, in Room 201 at the State Capitol for the purpose of finalizing and approving the Grant Agreements for Mississippi Beef Processors, LLC and Sylvester's, Inc.

Board Members Present

Roger Barlow
Chance Carter
Senator Billy Harvey
Randy Mize
Robert J. Rohrlack, Jr.
James Sledge
Commissioner Lester Spell, Jr., D.V.M.
Senator Joseph Stogner
Mr. David Waide

Board Members Absent

Derrick Dahl
Joe Gustavis
Representative Steve Holland
Dr. Joe McGilberry

Others Attending

Jim Craig – MDA
Ann Frazier – MDA
Dusty Hinton – MDA
Anita Clinton Craig – Attorney General's Office
Chris Sparkman, MDAC
Rickey Gray - MDAC
Rebecca Wilson – Attorney General's Office
Representative Tommy Reynolds
Richard Hall – MS Beef Processors, LLC
Wyman Jones – Community Bank
Darrell Brown – Community Bank
Sammy Blossom – MS Cattlemen's Association
Steve Edds – McGlinchey Stafford, PLLC

The meeting was called to order by Co-Chairman Lester Spell, Jr., D.V.M. who thanked everyone who had been involved in the Mississippi Beef Processors project for their hard work. At Dr. Spell's request, everyone in attendance introduced himself or herself.

The Board was informed that the minutes from the April 26 and May 3 meetings would be approved at the next Board meeting.

Steve Edds with McGlinchey Stafford summarized the grant agreement in the Mississippi Beef Processors project. Mr. Edds mentioned that this particular grant agreement was an expansion of the previous grant agreements since it involved a private entity.

The Agreement finalized the specifics of the grant, which include:

- Agreement is for a one-year time period.
- Disbursements will be made once a month
- Mississippi Beef Processors is to file requests by the 25th of each month.
- The Screening Committee of the LWTR Board is to meet by the 10th of each month to approve the request.
- Mr. Hall is to make a quarterly report reviewing the project and its status.

There was discussion concerning Mr. Hall securing the \$1.5 million personal collateral for the project. Richard Hall assured the Board that he and his father had the funds to secure the loan.

The next order of business was the adoption of the grant agreement between the Mississippi Land, Water, and Timber Resources Board and Mississippi Beef Processors, LLC for \$5,000,000. There was discussion about the Screening Committee also serving as the Finance Committee. The Board requested that an amendment be made to the Agreement in Section 4, Paragraph (f), which will read:

Any action to be taken by the Board in connection with the review and approval of requisitions may be taken by the Screening Committee of the Board as an action of the Board.

The motion was made by David Waide that the Screening Committee serve as the Finance Committee for this project to approve the invoices submitted on a monthly basis. The motion was seconded by Roger Barlow. The motion carried unanimously. Dr. Spell made the motion that the Screening Committee be given authority to review and approve all project invoices, not just the invoices for the Beef Processors' Project. The motion was seconded by David Waide. The motion received an affirmative vote of all members present, being a quorum of the Board. The Board also requested that a provision be added in Section 2 to add a Paragraph (g), which would include the following:

The proceeds of the Grant will not be disbursed until the guaranty satisfies the Board.

David Waide made the motion to add this provision, seconded by James Sledge. The motion carried unanimously.

The motion to approve the Grant Agreement in the Mississippi Beef Processors Project, as amended, was made by David Waide and seconded by Roger Barlow. The motion carried unanimously.

The Resolution for Mississippi Beef Processors, LLC was presented for adoption. David Waide made the motion to adopt the Resolution, seconded by Chance Carter. The motion carried unanimously.

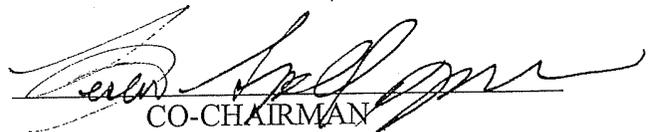
Rebecca Wilson explained the grant agreement in the Sylvesters, Inc. project. The term of the grant is for one year. The motion was made by Robert Rohrlack, seconded by David Waide, that the Screening Committee review and approve the monthly requisitions on this project. The motion carried unanimously.

Dr. Spell requested that Sylvester's meet with MDA and discuss the specifics of the grant disbursement. The motion to approve the Grant Agreement in Sylvester's, as amended, was made by Robert Rohrlack and seconded by David Waide. The motion carried unanimously. David Waide made the motion to accept the Resolution on this project, seconded by Robert Rohrlack. The motion carried unanimously.

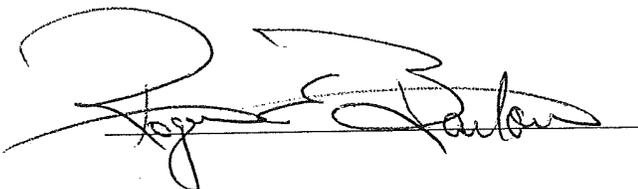
Robert Rohrlack suggested the addition of an accountability clause to future grant agreements. Specifically, he is interested in the number of new jobs that will be created from the projects.

David Waide made the suggestion to explore the possibility of Rural Development Grants and loans to partner with some of these projects and to reduce the state guarantee.

There being no further business to come before the Mississippi Land, Water, and Timber Resources Board, the meeting was adjourned at 10:20 a.m. with the Finance Committee being instructed to meet by June 10, 2002 to approve invoices submitted in May, 2002 by Mississippi Beef Processors.


CO-CHAIRMAN

ATTEST:



MISSISSIPPI LAND, WATER, AND TIMBER RESOURCES BOARD

Meeting Minutes

February 26, 2003

9:30 A.M.

Room 202, State Capitol

Pursuant to call by Co-Chairmen Lester Spell, Jr. and Robert J. Rohrlack, Jr., the Mississippi Land, Water and Timber Resources Board met in Room 202 of the New Capitol Building, located in Jackson (Hinds County), Mississippi, at 9:30 a.m. on Wednesday, February 26, 2003, for the purpose of considering such matters as might properly come before the Board in accordance with the power and authority conferred upon the Board by the Mississippi Land, Water and Timber Resources Act.

Members Attending

Roger Barlow
Chance Carter
Derrick Dahl
Joe McGilberry
Robert J. Rohrlack, Jr. (Jim Craig, designee for Robert J. Rohrlack, Jr.)
James Sledge
Lester Spell, Jr.
David Waide

Members Absent

Gwendolyn Boyd
Joe Gustavis
Senator Billy Harvey
Representative Steve Holland
Senator Joseph Stogner

Others Attending

Inza Calloway, MDAC
Dusty Hinton, MDA
Rickey Gray, MDAC
Michael Lasseter, MDAC
Patrick Sullivan, MDAC
Rebecca Wilson, Attorney General's Office

The meeting was called to order by Co-Chairman Lester Spell, Jr. The first order of business was an update by Bill Mendenhall of McGlinchey Stafford on the Mississippi Beef Processors Project. The motion was made by Roger Barlow to pay the remaining balance of \$292,118.66 based on invoices received by the Finance Committee. The

motion was seconded by David Waide. The motion received an affirmative vote of all members present, being a quorum of the Board.

The next order of business was discussion to fund a project construction evaluation in the MBP Project at a cost not to exceed \$450,000. David Waide made the motion to fund the study under these conditions. Roger Barlow seconded the motion. The motion received an affirmative vote of all members present, being a quorum of the Board.

Chance Carter gave a financial update of the Land, Water, and Timber Resource Board funds.

PROJECT #1: SUMRALL FARMS

A presentation was made to the Board by Jerry Sumrall of Sumrall Farms. Jeff Sumrall also was present on behalf of Sumrall Farms. Sumrall Farms is requesting \$66,500 for an expansion project for its vegetable production operation. Following Board discussion of the project, David Waide made the motion to fund the Project with the following conditions:

- Equity infusion by Sumrall Farms in an amount not less than \$66,500
- Board approval of any change in ownership of Sumrall Farms within five years of the execution of the grant agreement.

Joe McGilberry seconded the motion. The motion received an affirmative vote of all members present, being a quorum of the Board.

PROJECT #2: WAYNE COUNTY

The next presentation to the Board was made by Allison Beasley and Jerry Hutto on behalf of the Wayne County Board of Supervisors/Wayne County Blueberry Growers Association. Others representing Wayne County were John Giles, Michael Knight, James Spence, John Braswell, and Fred Andrews. This is a grant request for \$304,630 to construct a new blueberry drop station, which will serve eight counties. During the Board discussion following the presentation, it was discussed that the county would own the facility and would lease it to the blueberry growers. David Waide made the motion to fund with the following conditions:

- Receipt of documentation substantiating the \$100,000 grant from the United States Department of Agriculture to Wayne County &/or equivalent equity infusion from another source to be approved by the Board's Screening Committee
- Equity infusion by Wayne County in an amount not less than \$44,480
- Equity infusion from the Wayne County Blueberry Growers Association in an amount not less than \$50,000.
- Conditions must be satisfied with six months from the date of execution of the grant agreement.

James Sledge seconded the motion. The motion received an affirmative vote of all members present, being a quorum of the Board.

PROJECT #3: TT&W FARM PRODUCTS, INC. D/B/A HEARTLAND CATFISH COMPANY

The final presentation to the Board was made by Danny Walker with TT&W Farm Products, Inc. d/b/a Heartland Catfish Company requesting a grant in the amount of \$1,250,000 for the addition of two catfish processing lines. Others representing TT&W Farm Products, Inc. were Brad Girrard, William Tackett, and Joe Walker. Following the Board discussion, David Waide made the motion to fund the project subject to the following conditions:

- Equity infusion by TT & W Farm Products, Inc. d/b/a/ Heartland Catfish Company in an amount not less than \$1,250,000.
- Board approval of any change in ownership of TT & W Farm Products, Inc. d/b/a/ Heartland Catfish Company within five years of the execution of the grant agreement.
- TT & W Farm Products, Inc. d/b/a Heartland Catfish Company agrees that it shall, for a period of five years from the date of completion of the project, maintain the employment projections set forth in its grant applications and continuously operate Heartland Catfish Company at its location in Itta Bena (Leflore County), Mississippi.
- TT & W Farm Products, Inc. d/b/a/ Heartland Catfish Company agrees to execute and deliver to the Board a Security Agreement, pursuant to which Heartland shall grant to the Board a valid and perfected, first priority security interest in all equipment purchased with the grant funds.

Joe McGilberry seconded the motion. The motion received an affirmative vote of all members present, being a quorum of the Board.

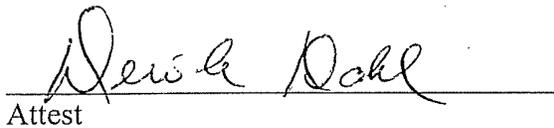
In other matters to come before the Board, Commissioner Spell made the motion to approve the Minutes from the December 5, 2002 meeting. Roger Barlow seconded the motion. The motion received an affirmative vote of all members present, being a quorum of the Board.

Rebecca Wilson made the Board members aware of the Williamson Poultry Project extension of June 1, 2003. Concerning the Family Farm Foods Project, it was noted that the Rural Development Value Added Grant, for which Family Farm Foods applied in 2002, was not approved by the United States Department of Agriculture. Receipt of the USDA grant by Family Farm Foods was a mandatory condition of the Grant Agreement executed between Family Farm Foods and the Board in August 2002. Specifically, Family Farm Foods failed to meet this condition as set forth in Item 4(C)(1) of Annex A to the Agreement. Failure of Family Farm Foods to obtain the USDA grant is considered by the Board to be an "event of default" pursuant to Section 8 of the Agreement. In order to accomplish the objectives of the Mississippi Land, Water and Timber Resources Grant Program and due to the number of applications received by the program for funding, the Board made the decision not to indefinitely encumber the funds. As per the Agreement, Family Farm Foods will have ten (10) days to cure the default or the Board will terminate

its obligations under the agreement and in connection with the grant. The members did want to encourage Family Farm Foods to submit a new application since its original project appears to have been expanded to include other value-added product lines. David Waide made the motion to write Fred Stokes this letter. Joe McGilberry seconded the motion. The motion received an affirmative vote of all members present, being a quorum of the Board. A letter will be sent to Fred Stokes explaining the Board's action.

There being no further business to come before the Land, Water, and Timber Resources Board, the meeting adjourned at 1:25 p.m.


Co-Chairman


Attest

Tommy Gary

From: Tommy Gary [tgary@hughes.net]
Sent: Thursday, May 04, 2006 11:41 AM
To: 'anthony@osa.state.ms.us'
Subject: Wildwood Gin, Inc investment

Anthony,
These are the the numbers on my new plant you requested:

\$1,943,575 total cost of new facility
- \$375,000 costs paid directly to vendors via LWT grant
\$1,568,575 costs paid by owner

owner source of funds:
\$375,000 LWT @ 2%
\$150,000 MDA ag facility loan @ 0% interest
\$1,043,575 owner capital and owner financing
\$1,568,575 total financing

Please don't hesitate to call if you need further information.

Thanks,
Tommy Gary
662-453-6100