



## Kids play with food, eat art

Laramie Farris (left) put sprinkles in her veggie monster's hair last Friday during the Food Art class at the Carnegie Arts Center's Summer Art Institute. Nolan Deeds and Alex Goodwin (above) made veggie monsters, butterflies and peanut-butter bugs. The kids all agreed — the best part was they got to eat their art!

Photos by DeeAnn Ihrig/summer art teacher

# Members suing Frontier Equity for mismanagement

By Pat Schiefen

The Goodland Star-News

Frontier Equity Exchange has been involved in a lawsuit brought by members for the last four years, charging mismanagement and unequal treatment to members.

At Frontier's annual meeting on Tuesday, May 6, the board asked its attorney, Ron Vignery of Vignery and Mason, to talk about the lawsuit, which has now gone to the Kansas Supreme Court.

Vignery told members that after a District Court trial between Frontier Equity and Chuck Ihrig, who farms near Goodland, his mother Grace and their Circle Bar Ranch Co., the court found no mismanagement in the operations of Frontier and ruled that the steps taken by Frontier management had stopped improper discounting.

Ihrig had wanted access to almost a complete set of books, including employee salaries and grain tickets. Vignery said Frontier felt that much information would violate the privacy of members and create a possible unfair business advantage for competitors.

Ihrig took the case to the state Court of Appeals, which agreed with most of the district court's rulings except that the judges thought the discounting needed to be further investigated.

Ihrig said after Vignery's talk, "I should have been told about Vignery speaking so I could prepare." He said that incidents of discounting the suit complains about were more severe than presented by audits.

The case began when the Ihrigs filed a petition in December 2002 asking to look at the co-op's books and records for the previous five years. The suit contended that mis-



Ron Vignery

management was indicated by smaller patronage payments by the co-op, reduced value of its stock, the association's borrowing of money and alleged unequal treatment of stockholders in violation to Frontier's by-laws, District Court documents say. A trial was held in Sherman County in December 2004, with Judge Jack Burr presiding. Ihrig was represented by former Goodland attorney Perry Warren.

Evidence showed that 1999 was a very good year for the co-op but the years following were not as good, mostly as a result of drought.

Greg Daughhetee, a certified public accountant for Lindberg and Vogel of Hays, testified that losses of \$1.4 million in 2003 were due to the bankruptcy of a major supplier, Farmland Industries. This led to Frontier reducing shareholder's

equity by 28 percent, he said. That along with the drought caused Frontier to borrow money to continue business. Daughhetee said borrowing was common during that time.

He said his audits indicated that benefits for Frontier employees were less than average and salaries were in line with other cooperatives. The audits indicated that charge offs of unpaid accounts were not excessive, the accountant testified.

Ihrig complained of an incident where General Manager Brad Cowan had allegedly provided a discount by using a false moisture reading for a farmer whose business Cowan wanted. Ihrig said he reported the incident to the auditors and the board, along with others not involving Cowan. The incidents were investigated using an audit and inventory of grain on hand, said Daughhetee. These measures did not show the moisture discrepancies were widespread, he testified.

Ihrig petitioned the court to look at records including the general manager's employment contract; salaries, wages and benefits of all Frontier employees; all monthly purchases of fuel, fertilizer and chemicals; monthly sales to each individual customer and their names; monthly purchases of grain from each customer; list of all stockholders and what stock is being purchased back and for what price; monthly accounts receivable for each customer including write offs and overdue; all deposit slips; all federal income tax information for the past five years; all bad debts

written off in the past five years; and the minutes of board meetings for the past five years.

In a reply, the cooperative indicated that it would take a Frontier employee a month to furnish all the records requested.

The court ruled that the release of all of the information requested could create privacy problems and problems with competition. Judge Burr also found that the evidence did not show mismanagement but rather the efforts of the coop to deal with a depressed agricultural economy.

The court ruled that the evidence presented by Ihrig was not enough to warrant letting him have access to the complete set of books, records and individual transactions.

Ihrig appealed the District Court ruling to the Kansas Court of Appeals in Topeka and got its ruling in February. The appellate court affirmed Judge Burr's decision in part, reversed it in part and remanded the case to the District Court for a ruling on the discounting issues.

Frontier sent a form that showed salaries, payroll taxes and corporation costs for each of its division to Ihrig after he made a request in 2002. Ihrig was not satisfied with the information, and that was when he filed the suit claiming Frontier had denied him access to the books and records.

In August 2003, Ihrig filed an amended petition asking for more information. A month later, the district court granted a motion to amend and ordered the Ihrigs to for-

ward a new letter to Frontier listing the items they wanted to see. The Ihrigs did so and Frontier forwarded financial "statements of operations" for 2001 to 2003, according to court documents.

In October 2003, Frontier offered to meet with Ihrig and his accountant and the outside auditor for the co-op. That meeting was held in January 2004, and apparently Ihrig went away unsatisfied. The matter then went to trial in December of that year.

The appellate court ruled that the Ihrigs failed to provide enough evidence of mismanagement to justify more access to corporate records and upheld the district court.

The court said it was troubled, though, by Ihrig's assertion that Frontier was not treating its patrons equally. There were questions about the alteration of grain tickets, the court said, and that this issue so concerned a former controller of Frontier, Randy Schoenthaler, that he

quit and took some records to the Sherman County attorney. He had been with Frontier for 11 years.

Bonnie Selby, Sherman County attorney, said those documents were turned over to the state Department of Commerce and it found no irregularities at that time.

The appellate court said the Ihrigs should have had more access to financial records because they showed that grain ticket alteration had occurred more than once.

The appellate court reversed the District Court's ruling that the discounting on grain had been remedied. Because the co-op's bylaws called for equal treatment of all members, it said, the discounting was troublesome. It ordered the District Court to set the limits for disclosure of the records.

The co-op and the Ihrigs are waiting to see if the Supreme Court upholds the appellate decision that discounting needs to be further investigated.

## correction

Darrel Rohr was identified at Bob Rohr in a caption under a picture of a window that a deer had gone through at Howard Johnson's on Page 3 of the Friday, June 9, edition of The Goodland Star-News. This was due to a reporting error.

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The Goodland Star-News will

correct any mistake or misunderstanding in a news story. Please call our office at (785) 899-2338 to report errors. We believe that news should be fair and factual. We want to keep an accurate record and appreciate you calling to our attention any failure to live up to this standard.

## matters of record

### District Traffic

The following fines were paid in the Sherman County District Court:

May 23 — Steven A. Moore, \$150 for speeding.  
Kristi A. Springer, \$132 for

speeding.

May 25 — Paul C. Martin, \$126 for speeding.  
May 26 — Keeli S. Biediger, \$231 for speeding and \$10 for no seat belt.




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# Relay For Life

## June 23, 2006

### 7 p.m. to 7a.m.

**7 p.m.**  
Survivor Lap followed by the  
Caregiver Lap


**7:30 p.m.**  
Basket Auction

**5:30 - 10 p.m.**  
Kiwanis serving hamburgers  
and refreshments, open to the  
public

**9 p.m.**  
Luminary Service

**5 a.m. - 9 a.m.**  
Knights of Columbus will be  
serving breakfast, open to  
the public.

**Proceeds from Kiwanis &  
the Knights of Columbus  
go to Relay for Life**



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This home sits on approx. 15 acres perfect for horses! Farm house has vinyl siding, central heat and air, large living room, kitchen with dining area, three bedrooms, 1 1/4 baths. The partial basement has family room area and several other multi-purpose rooms. Detached double car attached garage, large 40 x 60' quonset. \$90,000. Please call Donna Moore, 1-800-974-2426 for more information or to set up an appointment to see this home.



**NEW LISTING**  
**1509 Cherry,**  
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