

**FEED THE CHILDREN, INC.**  
**BOARD OF DIRECTORS MEETING**  
**June 30, 2008**

The Board of Directors of Feed The Children, Inc. met on Monday, June 30, 2008 at 11:00 a.m. in the corporate office at 333 N. Meridian, Oklahoma City, OK.

Present:                Mr. Dwight Powers, Chairman  
                             Mr. George Stevens, Treasurer  
                             Mr. Rick England  
                             Mr. Dan Mugg  
                             Ms. Linda Schluchter  
                             Dr. Larry Jones, President  
                             Dr. C. Earnest Wyatt

Absent:                 Mr. Leo Fundaro, Jr.

In Attendance:        Miss Larri Sue Jones, V.P. & General Counsel  
                             Mr. Travis Arnold, C.O.O.  
                             Mr. Mark Weimer, outside legal counsel

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**QUORUM**

Mr. Dwight Powers, Chairman, stated that the Directors were present, noted that a quorum was present and declared the meeting to be open for the transaction of business.

**BUSINESS TRANSACTED**

- I. Minutes of the May 16, 2008 Board Meeting were presented for approval. Motion was made by Mr. Rick England and seconded by Mrs. Linda Schluchter to approve minutes as presented. Motion passed unanimously.
- II. Resolution of Audit Fee Dispute. Mr. Arnold shared that the audit fee dispute had been resolved, the 2008 audit would be performed by McGladrey Pullen for a fixed fee of \$350,000.00 and the engagement letter had been presented. Additionally, the pre-audit discussion between management (Mr. Travis Arnold, Mrs. Christy Tharp, Mr. Mervyn Fernandes and Mr. George Stevens) had taken place on June 12.
- III. Discussion of FTC Transportation proposed rate changes. Mr. Arnold gave a brief overview of the situation faced by FTC's wholly-owned subsidiary, FTC Transportation, in light of the current fuel prices and the economy. Since FTC Transportation's rates have not been reviewed nor adjusted for the past two years, it has put out for bid to JB Hunt for a pricing proposal for core-carrier hauling for FTC. Once that proposal is received, Mr. Arnold will present it to

**EXHIBIT**

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the Board, along with a proposed rate structure for FTC Transportation.

- IV. **Fiduciary Responsibilities.** Mr. George Stevens gave a presentation on fiduciary responsibilities and corporate governance of the Board of Directors. The presentation included director duties regarding stewardship of the organization, duties regarding financial operations and duties regarding Internal Revenue Service ramifications. Following the presentation, discussion was had regarding Directors and Officers Insurance Coverage as had been requested in the May 16, 2008 meeting. Current coverage is \$5,000,000.000. The Board may increase the coverage to \$10,000,000.00 for an increase in premium of approximately \$12,000.00. Coverage limits may be increased to \$15,000,000.00 or higher at the policy renewal date. Motion was made by Mrs. Linda Schluchter and seconded by Mr. Dan Mugg to have the policy limits increased to \$10,000,000.00 effective immediately and to have other liability limits explored for FTC's Board of Directors by the policy renewal date. Motion passed unanimously.
- V. **Report of Elkhart Building Condition.** Mr. Pete Sosenko was asked to join the meeting and gave a presentation regarding the condition of the Elkhart building, including a thorough report of the expenditures to rehab the building. Bids are still outstanding. Discussion was also had regarding pursuing insurance claim(s) for the damage sustained by the building. The Board has decided to refrain from making any decision regarding the building until all bids are in. Once all bids have been received, the Board will make decisions regarding the building. Mr. Sosenko then left the meeting.
- a. Asbestos cleanup is in process due to the environmental hazards. This is expected to be completed this week (week ending July 4) with an expense of \$12,444.00
- b. J.O. Mory Phase I – Electrical safeguard 800 hours. We are on target for the August 1<sup>st</sup> completion of phase I. This expense is quoted at \$40,000. Note: it is expected that another 800 hours or \$40,000 will be needed to address discovery issues found while addressing life safety issues.
- c. Facility Plumbing, Heat and Air are initially quoted at over 5000 hours, or an estimated \$278,000.
- d. Facility maintenance quote secured from J.O. Mory. Initial quote indicates an annual expense of \$777,000. It was confirmed that they will agree to a 6 month contract. We should also be receiving the quote from Grub & Ellis sometime this week.
- e. Hazardous Materials Cleanup is quoted at \$30,000. **With approval, we would like to get started sometime this week.**

f. We also need to address the card access system, as this ties in with our ability to reduce the overall security service hours being expensed current day.

VI. The Directors then asked for Dr. Larry Jones to recuse himself and leave the meeting. The Directors then asked Mr. Jerry McCarley to join the meeting and give a report regarding the subsequent investigation and findings of his trips to Elkhart, Indiana regarding the salvaging of the facility and the issue of Allen Jones' involvement in receiving any items paid for by FTC.

Mr. McCarley provided information that Allen Jones received a garage door from Walt Anderson that had been billed and paid for by FTC.

Mr. McCarley provided information that Middlebury Electric had performed electrical work at Allen Jones' home and that work had been billed to and paid for by FTC.

Mr. McCarley then provided documentation from several salvage yards that had paid cash for some of the items salvaged from the building. Mr. McCarley also provided an overview from his conversations with the owners and workers at the salvage facilities.

VII. Mr. Stevens then led a discussion involving executive performance and oversight of the Organization's operations during the past few years. Included in the discussion were the following areas of concern, some of which have resulted in sizable loss of funds to the Organization:

a. Continued Funding of International Operations

- Embezzlement by Tim Harris (Ian Harris's son) of over \$100,000 was mentioned
- Peter McLaren's (Ian Harris's brother-in-law) refusal to submit financial data to FTC; all communication must go through his attorney; he would not meet with Mervyn Fernandes when Mervyn was in Thailand previously
- Ian Harris's continuing delay in submitting timely expense reports
- No reporting of possible additional Grants received by Ian Harris, or disposition of the funds received, if any

b. Call Center in Elkhart – Loss on Sale of Equipment and Lawsuit

- Affiliated Media Group involvement as co-defendant; Ray Davis had brokered the transaction originally and was heavily involved in the settlement

- Total loss to FTC was \$1,675,630
- Local counsel had been instructed to settle this matter prior to any discovery due to issues with Affiliated Media Group

c. Stripping of Elkhart Building

- Apparently the building has been stripped over a period of two to the three years
- According to the Maintenance Agreement with Sparks Management, the FTC President was the “contact” on behalf of the Organization with Sparks.
- According to several emails, and the general understanding of the personnel there in Elkhart, Allen Jones was in fact overseeing the building on behalf of the President during the period that the building components and excess equipment were being stripped and removed by Sparks Management personnel and sold for cash in the nearby towns.
- Promissory notes were obtained by the President in January of 2008, without Board discussion and approval, from two of the Sparks employees, ostensibly in repayment of the illicit funds they had received from the stripping and salvaging of the building. One other promissory note was obtained from an FTC employee working on the premises, ostensibly in repayment of FTC time used to work on a Sparks employee’s personal records.

Motion was made by Mrs. Linda Schluchter and seconded by Dr. Earnest Wyatt to void the promissory notes with Walt Anderson, Toby Todd and Jessica Smith. Each Director voted individually to void the notes and to not pursue enforcement of any of the notes. Motion carried unanimously.

- d. A PEPFAR Grant Application was submitted a short while ago without Board approval. The Application contained a “Conflict of Interest” policy statement that the Board feels should not have been signed considering the current relationships involving certain Jones family members and Affiliated Media Group.
- e. Discussion ensued regarding the hiring, without going through normal HR Department procedures, of several high-salaried individuals around the country. Furthermore, the hiring of these individuals also constituted, in

effect, the initiating of new "branches" of the Organization, which the Board felt should have been discussed in advance, as these new branches, although possibly beneficial to the fund-raising activities, are not without extensive costs to support.

- f. An agreement with Team Impact was brought to the Board's attention. The Organization's oral commitment, at present, is to fund Team Impact at the rate of \$140,000 per month in order to gain new donor names. Furthermore, Mr. Jones sits on the Board of Directors of Team Impact, and this raises the issue of a possible conflict of interest.
- g. Other agreements the Organization has committed to, or are currently negotiating, without formal Board approval, were discussed also, and include the following:

- Television Buying Agreement, apparently oral, with Affiliated Media Group, the Organization's largest vendor. They are paid approximately \$40 million per year. This purchasing function has never been let out for bids, and there has been a less than satisfactory accounting by Affiliated of the true cost of the television time.

Also, there remains a possible conflict of interest regarding Allen Jones' employment by Affiliated Media in some unspecified capacity.

- Purchase of the Houston warehouse without prior discussion and evaluation of the necessity of locating a warehouse there, and without proper review of the economic benefit versus the cost of operating the facility.
- Original acceptance of the Elkhart facility for \$1.00. Provisions of the agreement with Bayer were not reviewed nor discussed in advance of the acceptance, and the cost of maintaining that building, compared to other Distribution Centers, is very high. The agreement locked in the Organization to substantially occupy and maintain the building for 6 years.
- Organization book publishing; the Board recognizes the promotional and good will value to the Organization of these books, but felt that the overall costs of writing and publishing these books should be identified, just as other areas of the Organization are required, or will be required, to do.
- Current negotiations with PGA golf professional Lee Janzen to represent FTC on the PGA Tour and to make specific appearances

on behalf of FTC at various events, and to solicit funds from donors through his contacts. Discussion ensued as to the best use of Organization funds, and this item was tabled for later review after Mr. Jones has finalized his proposed contract terms and has sent out a draft to all Board Members to read and reply.

- VIII. The Directors then discussed possible solutions, including division of administrative and operational duties, including unilateral hiring and firing. Additionally, the Directors discussed forming committees pursuant to the By-Laws of the corporation, including Executive, Financial and Human Resources committees.
- IX. The Board then discussed the necessity of having an Executive Compensation Study performed for the Organization. This is a study that all large non-profit organizations should undergo on a fairly regular basis. This study can be performed by our outside financial consulting firm, RSM McGladrey, or FTC may engage a different firm to perform the work, possibly a firm that specializes in this type of study.

Within this context, the question arose as to the future employment status of Frances Jones within the Organization. It has been established in the past that, due to health problems, she is working less than the required hours to qualify for her own health insurance, and therefore consistency requires that the IRS Form 990 must reflect the true hours worked. These hours worked are placed next to the salary on the Form 990 so that the IRS can compare the two figures. It was discussed that the relatively low number of hours worked in relation to the compensation paid might draw unwanted attention from the IRS, and a proposal was put forth to possibly transfer her to contract status at the same compensation rate, with a designation commensurate with her status and contributions to the Organization. This issue was tabled until the entire compensation issue can be addressed.

Discussion further ensued regarding the foster child issue, including the actual functions performed by Mrs. Jones' assistant and the reimbursement of all related expenses of raising the child, which are being charged to the ABC Center in Africa. The Board expressed discomfort with this arrangement, and the issue was tabled until a comprehensive study of both Dr. Jones' and Mrs. Jones' compensation could be made, and the foster child issue could be resolved at the same time.

Discussion then ensued regarding the Board's affirmation of its intent to provide the necessary oversight and governance required to effectively carry out the mission of the organization. Furthermore, it was discussed that the demands on a Board Member continue to mount, and that proper and sufficient governance is a prerequisite for retaining the Organization's tax exempt status. As a result of said discussion, the following resolutions were made by Linda Schluchter and seconded by Dan Mugg:

1. RESOLVED, that effective immediately, no executive officer of Feed The Children, Inc. (FTC) shall have the sole authority to enter into agreements involving the expenditure of material sums of money with third party vendors, suppliers of materials, and service providers. These material agreements will require the review and approval by an Executive Finance Committee which, as empowered through the By-Laws of the Corporation, the Board directs to be formed as soon as practicable, and which shall be composed of certain designated officers of the organization, and which shall include one or more members of the Board of Directors. The names of the people selected to serve on this committee shall be presented to the Board for approval. Additionally, any future agreement or contract that is approved by this committee shall contain a "Statement of Approval" by the Committee, which shall be signed by each of the Committee Members and attached to the agreement.
  
2. RESOLVED, that all such material agreements, both written and oral that now exist, shall be reviewed as soon as practicable by the Executive Finance Committee to determine the nature, provisions and terms of those agreements. This review shall include a study to determine whether Feed The Children, Inc. is complying with all commitments made under those agreements, and whether there exist any contingent liabilities arising from those agreements which may have heretofore gone undetected. Furthermore, these material agreements shall be analyzed by the Financial Department to determine, regarding the benefits of such agreements versus the costs to the Organization, if having entered into them was in the best interests of the Organization. Should they be determined not to be in the best interests of the Organization, the Board directs that measures be taken to immediately rescind or cancel such agreements if possible, and if not, to terminate the agreements at the earliest practicable time.
  
3. RESOLVED, that effective immediately Feed The Children, Inc. shall not enter into any further material agreements that have not been committed to a writing, and that have not been reviewed and approved by both the Organizations' General Counsel and by the Executive Finance Committee. Additionally, if requested by either FTC's in-house Counsel or by the Board, outside counsel may be solicited to review certain contracts and to report back to the Board on their findings.
  
4. RESOLVED, that in view of the increased areas of risk involving employer-employee relations, as soon as practicable an Executive Human Resources

Committee shall be formed and established as a permanent committee, and shall be composed of certain members of the organization, and may include one or more members of the Board of Directors. The names of the people selected to serve on this committee shall be presented to the Board for approval. This Committee shall have the duty of reviewing recommendations for hiring of executive level employees and approving such employment, and shall also have the duty of reviewing all recommended terminations of executive level employees, or such other employees as may be deemed appropriate, prior to their termination in order to determine the justification for and appropriateness of such action.

5. RESOLVED, that the present FTC International Operations, under the management of Ian Harris, be thoroughly reviewed by the International CFO's office to determine more clearly the nature of grants received and expenditures made by both Mr. Harris, regarding the African missions, and by Peter McLaren regarding the Thailand office. Complete cooperation by these parties in this inquiry is expected, and anything less than this cooperation, which would include excessive delay in providing all documents requested or refusal to speak with properly authorized individuals conducting the investigation, shall be grounds to terminate without further delay the agreements with one or both of these parties. A full report shall be made to the Board, through the Audit Committee, of the findings of this inquiry and appropriate action, if required, will be taken without delay. FTC shall not reimburse Ian Harris, Peter McLaren, nor any FTC affiliate for any legal or financial expenses incurred in this review.
  
6. RESOLVED, that no further International Offices be opened without the involvement of FTC's General Counsel in the assessment of the legal requirements to begin a Organization in a foreign country. Furthermore, the recommendation to begin a Organization in an additional country shall be reviewed by the Executive Finance Committee to determine in advance the justification for making the commitment of funds necessary to set up and maintain the new foreign Organization, and to determine if adequate infrastructure exists, or will be constructed, to support said Organization.
  
7. RESOLVED, that Feed The Children, Inc. shall as soon as practicable draft an Annual Budget in sufficient detail to enable the meaningful comparison on a monthly basis of actual financial operations to the budgeted operations. The Board feels this is a necessity regarding good stewardship in the oversight of

both the cost of raising funds and the costs of operating the various programs, along with the attendant general overhead costs of the Organization. This directive is designed to ensure that the annual goals of the Organization are being met.

8. RESOLVED, that each Board Member and each key executive employee be required to disclose in writing any possible conflict of interest that they, or any family members, may have with vendors, contractors, and professional persons with whom FTC has a business relationship. Furthermore, because the IRS can revoke a non-profit organization's tax exempt status for "Private Inurement", each Board Member and key executive employee must attest that they have not used the Organization's assets or earnings for the benefit of themselves or their family members. These signed statements by the individual Board Members and key executive employees are to be kept on file together with Board of Directors Meeting Minutes as a permanent record of the directive of the Board to make full disclosure of any and all dealings that might expose the Organization to public scrutiny in an unfavorable light.
  
9. RESOLVED, that each Board Member (including their family members) and each key executive employee shall disclose any gifts, anything of pleasure (trips, vacations, etc.) or benefit received from any vendor, contractor or professional person with whom FTC has a business relationship.
  
10. RESOLVED, that Feed The Children, Inc.'s organizational structure be reviewed by an Ad Hoc Committee to determine if current operations, along with the sheer size and far-reaching nature of the Organization, might require a restructuring of positions, job descriptions and line-authority reporting in order to go forward in an efficient and productive manner. Individuals appointed to serve on this committee shall be selected by the President, the Chief Operating Officer, and the General Counsel, and they themselves may wish to serve on the committee. Additionally, such other members may be selected to serve on this committee as deemed appropriate by the three officers named above. The recommendations of this committee shall be presented to the Board for approval, and after such, a revised Organization Chart, reflecting positions without individual employee names, shall be drafted reflecting management's concept of the most efficient operational environment. Such revised Organization Chart shall be presented to the Board for approval, and such approval shall be made in writing by the Board. At the conclusion of this project, the Ad Hoc Committee shall be disbanded.

11. RESOLVED, that on either an annual, bi-annual or other basis deemed to be the most practicable, the highest paid vendors shall be required to submit bids, along with two other companies in their fields, in order to renew their contracts. These bids will be reviewed by the Executive Finance Committee, and the subsequent approval of new contracts, and/or renewal of old contracts, shall be approved in writing by this Committee.
  
12. RESOLVED, that each Board Member and each key executive employee be required to disclose whether he or she serves on any other For-Profit or Non-Profit Board of Directors, and whether they are compensated in any manner for serving on said Board.
  
13. RESOLVED, that as soon as practicable, a "Whistle-Blower Policy" be put in place whereby Board Members, management and staff may raise issues regarding the organization's ethical or financial practices. The policy, to be established by the Executive Human Resources Committee, shall designate the proper channel for the issues to be raised. The policy will make clear the Board's intention that there will be no retribution for someone having raised these issues, and the Board directs that procedures be drafted to insure that confidentiality be protected in each instance.
  
14. RESOLVED, that each Committee formed by these Resolutions shall draft for Board approval the parameters and policies within these Resolutions for said Committee.

After the foregoing resolutions were made, motion was made to ratify and implement the resolutions by Mrs. Linda Schluchter and seconded by Mr. Dan Mugg. Motion carried unanimously.

X. Dr. Jones then returned to the meeting.

The Directors then discussed with Dr. Jones the concerns raised during his performance evaluation. Following the discussion, the following motions were made:

Motion was made by Mr. Dwight Powers and seconded by Mrs. Linda Schluchter to remove Dr. Larry Jones from all issues surrounding the Elkhart, Indiana situation -

including the facility, Allen Jones, Walt Anderson, Toby Todd, Jessica Smith and the decisions to be made regarding the same. Dr. Jones will have no authority or control over the matters or issues in Elkhart, Indiana. Motion passed unanimously.

Motion was made by Mr. George Stevens and seconded by Mr. Dwight Powers to appoint Mrs. Linda Schluchter as the Chairperson of the Audit Committee. Motion passed unanimously.

#### OTHER BUSINESS

The next board meeting will be in August, 2008. The Directors will be notified.

#### ADJOURNMENT

Having no further business to bring before the Board, motion was made by Mr. Rick England and seconded by Mr. Dwight Powers to adjourn the meeting. Motion passed unanimously.

Respectively submitted,

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Ms. Larri Sue Jones, V.P & General Counsel

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Mr. Dwight Powers, Chairman