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October 31, 2007

Olea McCall  
Our insured: Skyland Grain  
Claim #: 00245017, 00245018  
DOL: 10/31/06

Olea McCall:

Thank you for your time in discussing the above claims. I want to take this opportunity to reiterate our settlement offer on behalf of Skyland Grain. We agreed that there are two fields involved, one on section SW 11 (120 ac) and the other on section W1/2 of 13 (240 ac). The third field, identified as section SW 24, you replanted the unsalvageable wheat to Milo. I have obtained comparison yields in your area on irrigated wheat that range between 70-80 bu/ac and harvest time prices that average \$5.60/bu.

Therefore, based on the above numbers and offering a comparison yield of 85 bu/ac as a good faith effort to resolve all claims against Skyland Grain, the following represents our offer for settlement:

SW 11 (120 ac) x 12 bu/ac loss = 1,440 bu x \$5.60/bu = \$8,064  
W1/2 13 (240 ac) x 10.5 bu/ac loss = 2,520 bu x \$5.60/bu = \$14,112

In section NW 24 (120ac), we have agreed to reimburse you for your expenses to plant the mitigated milo crop. As discussed, if you can illustrate a revenue difference between the replanted milo and what the wheat produced, please forward that information for review.

As of this point, however, the following estimate of expenses incurred would be reimbursable:

120 ac x \$10/ac disking = \$1,200  
120 ac x \$10/ac planting = \$1,200  
120 ac x \$50/ac fertilizer = \$6,000  
Total \$8,400

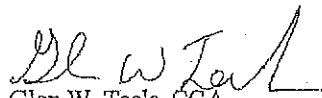
Thus, the offer for settlement is \$30,576.

Thank you for your time and consideration to this. If you agree with the above proposed offer, please sign the attached release so I can forward you your payment.

Please call me between the hours of 8-5 Mon-Fri if you have any other questions.

Sincerely

FARMLAND INSURANCE

  
Glen W. Teels, CCA

785-890-7248

08-CV-0~~1128~~<sup>1128</sup>-PAB-BNB  
Plaintiffs' Exhibit 1