

Kentucky Agricultural Finance Corporation

Minutes of the March 6, 2009 Meeting

The meeting of the Kentucky Agricultural Finance Corporation (KAFC) Board of Directors was held Friday, March 6, 2009 at the Historic Berry Hill Mansion's Music Room in Frankfort, Kentucky. Mac Stone, designee for Commissioner Richie Farmer, presiding, called the meeting to order at 10:30 a.m. EST.

Notification of the Press

Mr. Stone received verification that the media had been notified regarding the KAFC monthly meeting. No media were present.

Roll Call

The Secretary called roll and verified a quorum was present to do business.

Members Present

Mac Stone (designee for Commissioner Farmer), Bob Gaslin, Larry Jaggars, Tom Midkiff (designee for Secretary Miller), Bob Proffitt, Charles Miller, Frank Penn, Annette Crawford-Walters

Members Absent

Wayne Hunt, Doug Lawson, James Reams

Others Present

Staff – Diane Fleming, Sandra Gardner, Cyndi Hall, Tim Hughes, Bill McCloskey, Roger Thomas

Guests – Joe & Melissa Lipps, Shelby Veterinary Clinic; John Gossage, First and Farmers National Bank; Steve Hornback, Citizens Union Bank; Rob Ramsey, Finance Cabinet

Welcome / Introduction of Guests

Mr. Stone thanked everyone for taking time out of their busy schedules to attend this important meeting. Mr. Stone added that he was honored to be at this meeting for Commissioner Farmer who was participating in the Beef Expo in Louisville. Mr. Stone asked guests to introduce themselves.

Review and Approval of Minutes

Ms. Walters moved to approve the minutes of the January 16, 2009 KAFC Board of Directors meeting, as presented; Mr. Midkiff seconded the motion. The motion passed without dissent.

Reports

Executive Director's Report

Mr. Stone called on Roger Thomas for the Executive Director's Report.

Mr. Thomas thanked all for their attendance.

Mr. Thomas noted that the first Large/Food Animal Veterinary Loan application was on the agenda for the day.

Mr. Thomas announced the departure of Angela Blank from the Governor's Office of Agricultural Policy to become the Director of Public Relations for Kentucky Farm Bureau Federation. Mr. Thomas noted that Sandra Gardner will handle communications responsibilities in the interim.

Mr. Thomas remarked that the February and March Tobacco Settlement Agreement Fund Oversight Committee meetings were cancelled. The next meeting is scheduled for April 1.

Mr. Thomas announced that there will be a check presentation/ground breaking at Siemer Milling on March 18 for the funds awarded by KAFC.

Mr. Thomas updated the Board on the dead animal removal issue facing the Commonwealth. He noted that requests had been sent to the FDA to delay implementation for 6-months. He added that Nation Brothers had already stopped their pick-up service, due to the upcoming regulations and the resulting increased costs.

Mr. Thomas provided an update on legislation from the 2009 General Session.

- Revenue bills taxing cigarettes and alcohol have been signed by the Governor with an emergency clause to implement immediately
- HB 100 Trust Fund for Agriculture - provides opportunity for those purchasing the farm license plate to donate \$10 to the Trust Fund to be administered by the Kentucky Department of Agriculture
- HB 153 Milk Commission – up for final vote in the senate
- HB 284 Reorganization of Kentucky Agriculture Resource Development Authority (KARDA) Board - needs committee action in the senate
- HB 344 Food Banks - utilization of distressed/surplus produce for those in need
- SB 41 Reorganization of Senate Agriculture & Natural Resources Committee into two different committees
- SB 47 10% Weight variance - for transport of agriculture products
- SB 83 Update to County Agricultural Development Councils - establishes maximum of two consecutive two-year terms; adds a ninth member to represent underserved constituency
- HCR 106 urges the FDA to delay in the implementation of dead animal regulation
- HR 149/SR 122 Encourages KADB to consider tobacco export requests

Mr. Thomas shared the possibility of partnering with the energy cabinet and doing something for on-farm energy efficiency investments, utilizing stimulus funding.

Mr. Thomas commended the K AFC staff team on their efforts in supporting the work of the K AFC Board.

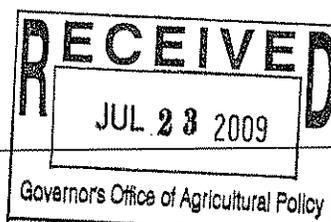
Mr. Thomas took questions from members various issues from his report, including changes to KARDA and options for dead animal removal.

Financial Services Director’s Report

Mr. Stone called on Bill McCloskey to give the Financial Services Director’s Report.

Mr. McCloskey reviewed the financial position report (below) of K AFC, which reflected activity since the last meeting.

K AFC Statement of Financial Position	
ASSETS:	
<i>Interest Earned from Loans</i>	\$1,063,642
<i>Interest Earned from SIC</i>	983,792
Interest Fund (2802 Acct.)	\$2,047,434
Principal/Loan Fund (2803 Acct.)	9,229,830
Loan Funds Disbursed	20,583,473
KADB Loans not Transferred	320,372
Funds Held by State	2,000,000
Total Assets:	\$34,181,109



Mr. McCloskey reviewed the new format for financial reports and reviewed each report. Ms. Gardner pointed out that the pending dollars on the allocated vs. committed table and the pending projects list differed, because the pending dollars in the allocated vs. committed table included projects being considered later in the meeting.

New Business

The following loan applications were received between December 20, 2008 and February 13, 2009.

Agricultural Infrastructure Loan Program

Mr. McCloskey presented the following applications for the Agricultural Infrastructure Loan Program.

AF08-0105 Brockman, Dwain & Theresa – Applicant requested \$57,478.50 for construction of a 37' x 96' quick cover building and improvements to cattle handling facilities in Adair County. First and Farmers National Bank (Columbia) is the participating lender. Staff recommended approval, noting that John Gossage the loan officer was present if there were questions.

Ms. Walters moved to approve AF08-0105, based on staff's recommendation, pending fund availability; Mr. Proffitt seconded the motion. The motion passed without dissent.

AF09-0001 Perkins and Perkins Farms – Applicant requested \$100,000 for the purchase of 2.069 acres with grain elevator, handling and 150,000 bushel storage complex in Logan County. Branch Banking and Trust (Russellville) is the participating lender. Staff recommended approval.

Mr. Gaslin moved to approve AF09-0001, contingent on securing additional acreage for collateral, pending fund availability; Mr. Miller seconded the motion. The motion passed without dissent.

AF09-0003 Jeffries, Tim – pending

Beginning Farmer Loan Program

Cyndi Hall presented the following application for the Beginning Farmer Loan Program.

AF09-0002 Walker, Kelly & Aaron – Applicant requested \$110,000 for the purchase of 208 acres in Hancock County. Farm Credit Services of Mid-America (Owensboro) is the participating lender. Staff recommended approval.

Mr. Midkiff moved to approve AF09-0002, based upon staff's recommendation, pending fund availability; Mr. Jagers seconded the motion. The motion passed without dissent.

Large/Food Animal Veterinary Loan Program

AF09-0004 Lipps, Melissa & Joseph – Applicant requested \$88,565 for the purchase of 50% interest in the Shelby Veterinary Clinic in Shelby County. Citizens Union Bank (Shelbyville) is the participating lender. Staff recommended approval, noting that the applicant and loan officer, Steve Hornback, were present.

Mr. Jagers moved to approve AF09-0004, based upon staff's recommendation, pending fund availability; Mr. Penn seconded the motion. The motion passed without dissent.

The applicant and loan officer thanked the board for providing this program as an opportunity for those with a passion for large animal veterinary medicine. Mr. Rogers added that at some point in the future would like to have both KAFC & KADB visit this veterinary clinic.

Old Business

AF07-0081 Windimere Farms (AILP) – The board was notified that this loan was paid in full on February 11, 2009.

AF08-0024 Clark, Kevin (AILP) – Applicant requested a 6-month extension on the completion date for this loan. Staff recommended approval of the request, extending the project completion date to November 9, 2009.

Ms. Walter moved to approve AF08-0024, based on staff's recommendation; Mr. Jagers seconded the motion. The motion passed without dissent.

Audit Committee Report

Mr. Stone yielded the floor to Ms. Walters for a report from the Audit Committee.

First, Ms. Walters reviewed the memo for Kentucky BioProcessing [*memo on-file with Secretary*]. The Board indicated that they would like Mr. Hayden of Kentucky BioProcessing to attend the meeting where the interest rate will be set, so that an update on the project may be provided to the Board.

Ms. Walters moved the committee recommendation, including the above presentation; Mr. Gaslin seconded the motion. The motion passed without dissent.

Ms. Walters updated the Board on Burton Livestock, noting that an interest payment was due March 2, 2009 and has not been made. Ms. Walters reviewed the committee's recommendation (Appendix A) and shared the committee's concerns with the financial information being provided by both the applicant and the accountant.

Mr. Midkiff moved to approve the committee recommendation; Mr. Gaslin seconded the motion. The motion passed without dissent.

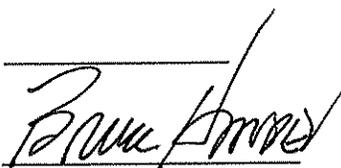
Ms. Walters updated the Board on Caulier-Eimbeke (Unity Farms) and reviewed the proposed loan structure (Appendix B). Michael Duckworth, the loan officer, clarified that the bank, Citizens Commerce National Bank, would pay off the original note with interest (~\$103,000) and write a new participation agreement and second mortgage for the full \$250,000 loan that KAFC approved.

Ms. Walters moved to approve this loan restructure; Mr. Penn seconded the motion. The motion passed without dissent.

Closing Remarks

The next meeting of the KAFC Board will be Friday, April 3, 2009 in Frankfort, KY. The regular business meeting of KAFC will begin at 10:00 a.m. EST.

The meeting adjourned at 12:11 p.m. EST.

APPROVED: _____
PRESIDING: 
SECRETARY: 