

Kentucky Agricultural Finance Corporation

Minutes of the May 8, 2009 Meeting

The meeting of the Kentucky Agricultural Finance Corporation (KAFC) Board of Directors was held Friday, May 8, 2009 at the Transportation Office Building, Room C109, in Frankfort, Kentucky. Bruce Harper, designee for Commissioner Richie Farmer, presiding, called the meeting to order at 10:00 a.m. EDT.

Notification of the Press

Mr. Harper received verification that the media had been notified regarding the KAFC monthly meeting.

Roll Call

The Secretary called roll.

Members Present

Bruce Harper (designee for Commissioner Farmer), Bob Gaslin, Wayne Hunt, Larry Jagers, Doug Lawson, Tom Midkiff (designee for Secretary Miller), Charles Miller, Frank Penn, Bob Proffitt, James Reams, Annette Crawford-Walters

Others Present

Staff – Roger Thomas, Diane Fleming, Cyndi Hall, Tim Hughes, Christi Marksbury, Bill McCloskey, Joel Neaveill

Guests – Rob Ramsey, Office of Finance; Harry Young, Central Kentucky Ag Credit

Welcome / Introduction of Guests

Mr. Harper thanked everyone for attending the KAFC meeting.

Review and Approval of Minutes

Larry Jagers moved to approve the minutes of the March 5, 2009 meeting, as presented, of the KAFC Board of Directors; Frank Penn seconded the motion. The motion passed without dissent.

Reports

Executive Director's Report

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

Mr. Thomas thanked everyone for being present at the meeting and welcomed the guests.

Mr. Thomas recognized that Cyndi Hall attended the SouthEastern Ag Lenders School (SEALS) in Clemson, South Carolina.

Mr. Thomas reported that he and Joel Neaveill traveled to Washington D. C. where they met with members of the Kentucky congressional delegation and representatives from the United States Department of Agriculture (U.S.D.A.). Staff has been working on a grant proposal through the U.S.D.A. to provide beginning farmers with additional financial and management training opportunities.

Mr. Thomas, Mr. Neaveill, Bill McCloskey, Tim Hughes and Christi Marksbury attended a ground breaking event at Siemer Milling in Hopkinsville with the Governor in attendance. Mr. Hunt commented that Siemer Milling can process about 50% of the wheat that is produced in the Commonwealth and that is important to keep Siemer Milling in Kentucky. With the help of K AFC funds the expansion will expand the capacity of Siemer Milling by 3.5 million bushels per year.

Mr. Thomas reported that Governor Beshear proclaimed May as Beef Month. May 15, 2009 is Beef night at the Lexington Legends.

Mr. Thomas announced June 9, 2009 is Dairy Night at Lexington Legends. A hand out was given to the K AFC Board Members (on file with the Board Secretary).

Mr. Thomas reported that the Governor's Office of Agricultural Policy (GOAP) staff, headed by Kylee Smith, are conducting Regional Administrator Workshops. In total there will be eleven (11) workshops throughout the Commonwealth.

Mr. Thomas announced that the Kentucky Agricultural Development Board (KADB) meeting will be Friday, May 8, 2009 at the Franklin County Extension Office starting at 10:00 a.m.

Mr. Thomas announced that the first Kentucky biofuel miscanthus planting will be on May 13, 2009 at Midwestern Biofuels near South Shore, Kentucky. Representatives Rocky Adkins and Tonya Pullin will join Governor Beshear for the May 13th event, as well as several GOAP staff members.

Mr. Harper announced that USDA Secretary Tom Vilsack will hold a listening session on the National Animal Identification System (NAIS) on May 22, 2009 at the Crowne Plaza Hotel-Airport in Louisville. Charles Miller gave additional information about the requirements for animal I.D.

Mr. Harper announced that H & R Agripower is sponsoring Agriculture Night at the Bowling Green Hot Rods in July, date to be announced.

Financial Services Director's Report

Mr. Harper called on Bill McCloskey to give the Financial Services Director's Report.

Mr. McCloskey made note of the hand out for the Asparagus Festival in Mays Lick on May 16, 2009 (on file with the Board Secretary).

Mr. McCloskey reported that he made presentations at the Lender Meetings organized by the Farm Service Agency (FSA) in five (5) locations across the Commonwealth. He emphasized three things at the meetings. When a lender requests a FSA guarantee they can add a K AFC loan to their request. If K AFC staff has the paper work for the loan a couple days prior to a closing, the paperwork can be pre-approved and a wire can be sent the same day that the bank closes the loan. K AFC is not a bank; it is strictly a lender, created by statute. Mr. McCloskey reported that it has been a great opportunity to get the word out about K AFC.

Mr. McCloskey reported that he will present an overview of the new Large/Animal Veterinarian Loan Program at the next Tobacco Settlement Agreement Fund Oversight Committee Meeting on June 3, 2009. Dr. Melissa Lipps, banker Steve Hornback, Dave Maples, and Dr. Kimbrough are scheduled to be on the program.

Mr. McCloskey presented a Memorandum regarding the Transfer of Funds among K AFC's Programs and Accounts, included in the Board Packet. This recommendation is based on the financials as of March 31, 2009. A new spreadsheet shows the recommendations for the transfers. Action taken today will be presented to the KADB Friday, May 15, 2009. **Mr. Hunt moved to approve the transfer of funds among the K AFC programs and Accounts as outlined in the Memorandum; Mr. Penn seconded the motion. The motion passed without dissent.**

Mr. McCloskey commended Sandy Gardner on her work to provide up-to-date financials. Mr. Jagers asked for clarification on the funds for Grasslands. Mr. Thomas noted that the amount of total assets for K AFC has grown. Mr. Hunt pointed out that the total assets are twice the amount that K AFC started with.

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:	
Interest Earned from Loans	\$1,258,864
Interest Earned from State Investment Commission	988,208
Interest Fund (2802 Acct.)	2,247,071
Principal/Loan Fund (2803 Acct.)	8,192,987
Loan Funds Disbursed	21,869,884
KADB Approved Loans not Transferred	1,050,000
Funds Held by State & not transferred to K AFC	2,000,000
Total Assets:	\$35,359,943

New Business

The following applications were received between February 14, 2009 and April 17, 2009.

Agricultural Infrastructure Loan Program

AF09-0006 **Fairview Farms** – Applicant requested \$40,000 for the purchase and installation of a grain bin in McLean County. Independence Bank (Livermore) is the participating lender.
This loan was approved by staff (April 22, 2009), based upon loan size and credit score per Agricultural Infrastructure Loan Program policy adopted June 24, 2005.

AF09-0007 **Futrell, Chase T.** – Applicant requested \$20,500 for the construction of a 5.5 acre dark fired tobacco barn in Calloway County. FNB Bank (Murray) is the participating lender.

This loan was approved by staff (April 23, 2009), based upon loan size and credit score per Agricultural Infrastructure Loan Program policy adopted June 24, 2005.

AF09-0008 **Brumfield, David L. and Linda K.** – Applicants requested \$40,000 for the construction of a facility to market produce and greenhouse plants grown on applicant's farm and other products grown on local farms in Hopkins County. First United Bank and Trust (Madisonville) is the participating lender.
This loan was approved by staff (April 27, 2009), based upon loan size and credit score per Agricultural Infrastructure Loan Program policy adopted June 24, 2005.

AF09-0009 **Smith, Miles; Smith, Richard and Tammy** – pending

AF09-0010 **Turner, Jonathan and Haley** – Applicants requested \$39,000 for the construction of a 54' x 22' tobacco barn in Trimble County. United Citizens Bank and Trust Company (Carrollton) is the participating lender. Staff recommends approval. **Annette Crawford-Walters moved to approve AF09-0010, based upon staff's recommendation, pending fund availability; Mr. Miller seconded the motion. The motion passed without dissent.**

Beginning Farmer Loan Program

AF09-0005 **Miller, Michael** – Applicant requested \$17,500 for the purchase of dairy cattle in Grant County. Farm Credit Services of Mid-America (Dry Ridge) is the participating lender. Staff recommended approval. **Mr. Jagers moved to approve AF09-0005, based upon staff's recommendation, pending fund availability; Ms. Crawford-Walters seconded the motion. The motion passed without dissent.**

Old Business

AF08-0079 **Mattingly, William and Susan** – The Mattingly's were approved for \$87,500 on 9/5/2008 to construct a housing and feeding barn for a dairy operation in Marion County. Due to cost overruns, the Mattingly's are requesting an additional \$12,500, for a total of \$100,000. The loan officer is requesting the K AFC loan be amortized over 10 years with an interest payment the first year and with principal and interest payments in years two through ten. The loan officer indicated this is the first time CKACA has ever structured a loan with an interest only payment in the first year. If approved this will be the first time K AFC has approved an interest only payment in the first year as part of a participation loan program. Mr. McCloskey presented a Memorandum with details of the new loan. Staff recommends approval of this request. **Ms. Crawford-Walters moved to approve the amendment to AF08-0079; Mr. Hunt seconded the motion. The motion passed without dissent.**

AF06-0061 **Burton Livestock, LLC**
Mr. Hunt moved that the meeting go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(1) (c); Doug Lawson seconded the motion. The motion passed without dissent. The meeting went into closed session at 11:06 a.m.

Mr. Penn moved to reconvene the regular meeting; Tom Midkiff seconded the motion. The motion passed without dissent. No action was taken during closed session. Open session reconvened at 11:17 a. m.

Mr. Hunt moved to initiate procedures of default against Burton Livestock, LLC unless certain conditions are met. These conditions include a management and financial analysis by an independent analyst (approved by KAFC), UCC filings against the cattle, and other recommendations as presented by the KAFC staff. A letter shall be sent to all parties involved. Mr. Lawson seconded the motion. The motion passed without dissent.

Closing Remarks

The next meeting of the KAFC Board will be Friday, June 5, 2009 in Frankfort, at the Capitol, Room 110. The regular business meeting of KAFC will begin at 10:00 a.m. EDT.

The meeting adjourned at 12:20 a.m. EDT.

APPROVED: _____
PRESIDING: Bruce Horner
SECRETARY: Cyndi Hester

