

# Kentucky Agricultural Finance Corporation

Minutes of the July 17, 2009 Meeting

The meeting of the Kentucky Agricultural Finance Corporation Board was held on Friday, July 17, 2009 at 10:00 a.m. EDT at Kentucky State University, Cooperative Extension Building, Room 106, in Frankfort, Kentucky. Bruce Harper, presiding, called the meeting to order.

## **Notification of Press**

Mr. Harper received verification that the media had been notified regarding the Kentucky Agricultural Finance Corporation (KAFC) monthly meeting.

## **Roll Call**

### ***Members Present***

Bruce Harper (designee for Commissioner Farmer), George Begley, Bob Gaslin, Wayne Hunt, Larry Jagers, Tom Midkiff (designee for Secretary Miller), Frank Penn, Peggy Peterson, Bob Proffitt

### ***Members Absent***

Kenneth Burdine, Doug Lawson

### ***Others Present***

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

**Guests** –Biff Baker, Legislative Research Commission (LRC); Representative Lonnie Napier; Nathan Mick, Garrard County Economic Development; Darrell Loy; Harold and Sharon Burton, Burton Livestock; Dr. Brian and Robin Williams; Chad and Cheri Monroe, Monroe Farms; Michael Duckworth, Citizens Commerce Bank; David Ross and Ryan Ross, Triple R Farms; Andy Bishop, Farm Credit Services of Mid-America; Nathan Routt and Larry Snell, Kentucky Center for Agricultural and Rural Development (KCARD)

## **Review and Approval of Minutes**

**Bob Gaslin moved to approve the minutes of the May 8, 2009 meeting, as presented, of the KAFC Board of Directors; Frank Penn seconded the motion. The motion passed without dissent.**

Mr. Harper welcomed the new Board Members and asked them to introduce themselves. He reported that the three board members who termed off have been invited to join us at the Ham Breakfast and will be recognized at the Annual Meeting in January.

Mr. McCloskey introduced Biff Baker.

## **Director of Financial Services Report**

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

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

<b>KAFC Statement of Financial Position</b>	
<b>ASSETS:</b>	
Interest Earned from Loans	\$1,302,893
Interest Earned from State Investment Commission	316,974
Interest Fund (2802 Acct.)	2,319,867
Principal/Loan Fund (2803 Acct.)	8,128,155
Loan Funds Disbursed	22,934,714
KADB Approved Loans not Transferred	100,000
Funds Held by State & not transferred to KAFC	2,000,000
<b>Total Assets:</b>	<b>\$35,482,737</b>

**Wayne Hunt moved to approve the financial report; Larry Jagers seconded the motion. The motion passed without dissent.**

Mr. Hunt excused himself to attend the Kentucky Agricultural Development Board (KADB) Meeting.

Mr. McCloskey reported that we met with potential Large/Food Animal Veterinarian Loan Program applicants in West Liberty.

Mr. McCloskey reported on a meeting he and Tim Hughes had with John Preston, Small Business Development Center, and Darrell Loy. They are in the process of submitting an application for a stockyard in Garrard County. They are also working with Larry Snell, KCARD. Mr. Harper called on Representative Napier. Representative Napier gave an update on the support of the surrounding community for the stockyards.

Mr. McCloskey presented a Memorandum regarding the Application Expiration Policy. Currently there is no policy when a KAFC application expires. Staff recommends that all new applications received subsequent to the July 17, 2009 meeting have 90 days from the time the application is received at the Governor's Office of Agricultural Policy to submit the required information. It was also recommended that all currently pending applications over ninety (90) days old be given thirty (30) days notice to submit all the required information or their application will expire. **Tom Midkiff moved to approve the recommendation of staff to have a 90 day expiration of all new applications and to give notice to all existing applications; Mr. Gaslin seconded the motion. The motion passed without dissent.**

Mr. McCloskey reported on the Guidelines for Making and Servicing Direct and Guaranteed Loans to Poultry Producers handout from the United States Department of Agriculture (U.S.D.A.).

Mr. McCloskey made note of the Memorandum on the changes made to the KAFC Committees.

Mr. McCloskey called on Cyndi Hall to report on the Memorandum concerning the State Fair.

### **New Business**

The following applications were received between April 18, 2009 and June 26, 2009.

### **Agricultural Infrastructure Loan Program - Discussion and Action**

**AF09-0011 Triple R Farms** – Applicant requests \$53,542 for the construction of two 32' x 400' tobacco barns in Harrison County. Citizens Commerce National Bank in Versailles is the participating lender. Staff recommends loan approval. **Mr. Penn moved to approve the staff recommendation;** *Mr. Gaslin seconded the motion. The motion passed without dissent.*

**AF09-0014 Mattingly, Kenneth** – Applicant requests \$100,000 for the construction of a free stall barn in Barren County. Farm Credit Services of Mid-America in Glasgow is the participating lender. Staff recommends loan approval. **Mr. Jaggars moved to approve the staff recommendation;** *Mr. Penn seconded the motion. The motion passed without dissent.*

**AF09-0016 Monroe Farms** – Applicant requests \$49,123 for the construction of a tobacco barn in Nelson County. Farm Credit Services of Mid-America in Elizabethtown is the participating lender. **George Begley moved to approve the staff recommendation;** *Peggy Peterson seconded the motion. The motion passed without dissent. Mr. Gaslin abstained from voting.*

**AF09-0017 Holder, Samuel M. and Shanda N.** – Applicants request \$21,612.25 for the construction of a 60' x 100' tobacco barn in Monroe County. Edmonton State Bank in Tompkinsville is the participating lender. Staff recommends loan approval. **Mr. Penn moved to approve the staff recommendation;** *Mr. Jaggars seconded the motion. The motion passed without dissent.*

### **Executive Director's Report**

Mr. Harper called on Roger Thomas to give the Executive Director's Report. Mr. Thomas welcomed all the board members and guests.

Mr. Thomas announced that the lunch for the joint Boards is a Kentucky Proud lunch.

Mr. Thomas congratulated Larry Jaggars and Frank Penn on their reappointment, and welcomed the new board members.

Mr. Thomas reported that on July 15, 2009 the new Board Members had an orientation at the Governor's Office of Agricultural Policy (GOAP) office.

Mr. Thomas reported on the announcement from Secretary of Agriculture Vilsack on the Emergency Conservation Program funding. The United States Department of

Agriculture (USDA) announced that Kentucky will receive \$30.5 million of the \$71 million that will be disbursed.

Mr. Thomas invited the KAFC Board to the Commodities Breakfast on August 20, 2009 sponsored by the Kentucky Department of Agriculture (KDA) and the Kentucky Farm Bureau Ham Breakfast on August 27, 2009.

Mr. Thomas made note of the July 30, 2009 meeting of the Joint Committee on Economic Development and Tourism where both GOAP and Kentucky Department of Agriculture (KDA) will make presentations.

Mr. Thomas made note of Mr. McCloskey and Tim Hughes involvement in Toastmasters International.

Mr. Penn questioned Mr. Thomas about the funding for the additional slots for Veterinary students for Tuskegee and Auburn. Mr. Thomas indicated that the funding and the veterinary slots might not be available to Kentucky.

### **Beginning Farmer Loan Program – Discussion and Action**

**AF09-0012**                      **Blakeny, Evan A.** – pending

**AF09-0015**                      **Hayden, Charles & Lorie and Hayden, Travis & Melody**  
– Applicants request \$83,500 for the purchase of an 80 acre farm in Daviess County. Independence Bank in Owensboro is the participating lender. Staff recommends loan approval. **Mr. Jagggers moved to approve the staff recommendation; Mr. Gaslin seconded the motion. The motion passed without dissent.**

### **Large/Food Animal Veterinary Loan Program—Discussion and Action**

**AF09-0013**                      **Williams, Dr. Brian M. and Robin**– Applicants request \$95,000 for the construction of a mixed animal Veterinary Clinic in Lyon County. Fredonia Valley Bank is the participating lender. Staff recommends loan approval. **Mr. Penn moved to approve the staff recommendation; Mr. Midkiff seconded the motion. The motion passed without dissent.**

### **Old Business**

#### **Beginning Farmer Loan Program - Discussion and Action**

**AF09-0009**                      **Smith, Miles, Richard & Tammy** – Applicants request \$105,875 for the purchase of a 108 acre farm in McLean County. Independence Bank in Livermore is the participating lender. Staff recommends loan approval. **Mr. Jagggers moved to approve the staff recommendation; Bob Proffitt seconded the motion. The motion passed without dissent.**

Mr. Hunt returned. Commissioner Farmer and Diane Fleming joined the Board Meeting.

**AF07-0043**

**Ross, Ryan**

**AF07-0044**

**Ross, Michael**

Applicants request to modify their exiting loans to extend the amortization period five additional years. Citizens Commerce National Bank is the participating lender. **Tom Midkiff moved to pend this request until the staff had time to research how much impact this request could potentially have on other similar request.** *Mr. Penn seconded the motion. The motion passed without dissent.*

Mr. Harper recognized Commissioner Farmer who greeted the K AFC Board Members and welcomed new Board Members.

**AF08-0025**

**Walden, Larry and Nancy** – Applicants request to amend

the existing application from \$75,000 to \$100,000 and a 120 day extension, for the construction of a 60' x 100' tobacco barn in Monroe County. PBI Bank is the participating lender. Staff recommends approval contingent on CLTV no worse than 90%. **Mr. Midkiff moved to approve the staff recommendation;** *Mr. Hunt seconded the motion. The motion passed without dissent.*

**AF08-0045**

**Jones, Thomas and Annette** – Applicants request a 120

day extension of the expiration date to be November 18, 2009. Forcht Bank is the participating lender. Staff recommends approval of this request. **Mr. Hunt moved to approve the staff recommendation;** *Ms. Peterson seconded the motion. The motion passed without dissent.*

**AF06-0061**

**Burton, Harold** --update.

**Mr. Penn moved that the meeting go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810 (1) (c);** *Mr. Jagers seconded the motion. The motion passed without dissent.* The meeting went into closed session at 11:40 a.m.

**Mr. Midkiff moved to reconvene the regular meeting;** *Ms. Peterson seconded the motion. The motion passed without dissent.* No action was taken during closed session. Open session reconvened at 12:30.

**Mr. Gaslin moved to request that Burton Livestock, LLC have a financial and management audit conducted by KCARD. When the final report is released that report will be disclosed to the members of the K AFC Board for decision-making purposes. The K AFC Board also requests that all business arrangements that involve cattle enterprises be submitted, including details of the verbal arrangements. The K AFC Board maintains its right to seek a judgment to obtain payment of this loan in accordance with the terms of the contract. The K AFC Board is also requesting supporting accounting documents from the Burton's accountant, Brian Leedy.** *Mr. Penn seconded the motion. The motion passed without dissent.*

**AF08-0026**

**Mays, James & Mary** – withdrawn.

**AF08-0106**

**Hopewell, Eric**—withdrawn.

**AF09-0003**

**Jeffries, Tim**—withdrawn.

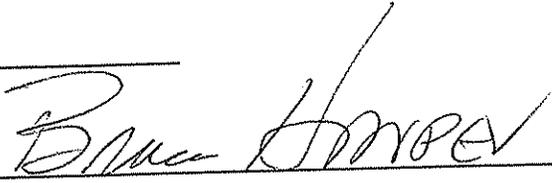
**Closing Remarks**

The next meeting of the KAFC Board will be August 21, 2009 at Kentucky Exposition Center, Louisville, KY. This will be a joint meeting of KADB and KAFC.

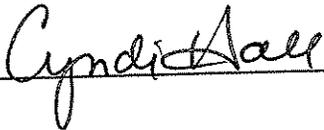
The meeting adjourned at 12:45 p.m. EDT.

APPROVED: \_\_\_\_\_

PRESIDING OFFICER:

  
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SECRETARY:

  
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