

Kentucky Agricultural Finance Corporation

Minutes of the February 5, 2010 Meeting

The meeting of the Kentucky Agricultural Finance Corporation (KAFC) Board of Directors was held Friday, February 5, 2010 at the Transportation Cabinet Office Building, Room 109 in Frankfort, Kentucky. Bruce Harper, designee for Commissioner Richie Farmer, presiding, called the meeting to order at 10:12 a.m. EST.

Notification of Press

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

Roll Call

Members Present

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

Members Absent

Westy Adams, Frank Penn

Others Present

Staff – Roger Thomas, Angela Blank, Diane Fleming, Sandra Gardner, Tim Hughes, Bill McCloskey, Joel Neaveill, Mike Tobin

Guests – Greg Correll and Richard McAlister, Marksby Farm Foods, LLC

Welcome/Introduction of Guests

Mr. Harper welcomed the Board and guests to the meeting.

Review and Approval of Minutes

Mr. Harper noted that minutes had been mailed to the members prior to the meeting. **Tom Midkiff moved to approve the minutes of the December 4, 2009 meeting, as presented of the KAFC Board of Directors;** Doug Lawson seconded the motion. *The motion passed without dissent.*

Reports

Executive Director's Report

Mr. Harper noted that Roger Thomas was held up in a meeting at the capitol, regarding the budget, and would join the meeting later to give his report.

World Equestrian Games (WEG) Update

Mr. Harper called on Angela Blank, WEG Agricultural Liaison and Director of Public Affairs, to give an update on WEG's agriculture efforts. Ms. Blank provided an update on the status of the Kentucky Proud Pavilion and the Kentucky Proud producer application process, noting that the first jury of products had been completed.

Ms. Blank also briefed the board on a January 14, 2010 press conference held to announce the James Beard Foundation's celebrity chef series "Cookin' in the Bluegrass", which will pair

celebrity chefs with local chefs for the 16-day series. The chefs will prepare their dinners using locally grown food.

Ms. Blank noted that over 150,000 tickets had been sold for WEG, representing all 50 states and 38 countries.

Financial Services Director’s Report

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

Mr. McCloskey noted that the Siemer Milling loan had closed the last week of January and that photo of the project was on the financial “green sheet” reports. Mr. McCloskey gave an extra thanks to Diane Fleming, General Counsel, for her hard work on this direct loan.

Mr. McCloskey added that the Cabbage, Inc. loan had also closed, since the last KAFC meeting in December.

Mr. McCloskey reviewed the financial reports, pointing out how Kentucky Agricultural Development Board (KADB) project closures transferred to KAFC were represented in the reports.

KAFC Statement of Financial Position	
ASSETS (as of 12/31/2009):	
Interest Earned from Loans	\$1,476,918
Interest Earned from State Investment Commission	1,049,779
Interest Fund (2802 Acct.)	\$2,526,697
Principal/Loan Fund (2803 Acct.)	6,685,597
Loan Funds Disbursed	25,179,232
KADB Approved Loans not Transferred	196,933
Funds Held by State & not transferred to KAFC	2,000,000
Total Assets	\$36,588,458

Mr. McCloskey answered questions about the State Investment Commission (SIC) interest.

Mr. McCloskey reported on an event he attended sponsored by the University of Kentucky, related to their recently awarded Beginning Farmer grant through USDA. Mr. McCloskey noted that the second year of that project will have a mentor program that may be an educational opportunity for KAFC’s beginning farmer mentors.

Mr. McCloskey provided an update on John’s Custom Meats. The applicant has a deadline of February 12, 2010 to provide additional information for their application, so that it may be considered at the March meeting.

Mr. McCloskey reviewed the update folder's contents, starting with a proposed new program for KAFC to offer. The Diversification through Entrepreneurship in Agribusiness Loan (DEAL) program would provide financing up to \$100,000 to farm agribusiness endeavors. Mr. Hughes expanded on why the program was developed. Staff will seek additional input and KAFC will review and discuss further at the March meeting.

Mr. McCloskey updated the board on the status of Burton's Livestock. Default notices have been sent monthly and Farm Credit's note is due April 1, 2010. Ms. Fleming provided different plans of action possible since this project continues to remain in default.

Mr. McCloskey reviewed the memo provided in the board materials on Marksbury Farm Foods LLC. Mr. McCloskey yielded the floor to Richard McAlister and Greg Correll for a presentation on their project.

Mr. McAlister reviewed the financing of the business. Mr. McAlister noted that the business plan does not include the KADB funds awarded in December, since that money is dependent on obtaining the equivalent in county funds.

Mr. Correll added that his responsibilities for the project will include running the multi-species plant as general manager.

The pair took questions from the board about capacity, utilities, waste water treatment, and availability of qualified employees. Mr. Harper thanked them for their presentation.

Mr. McCloskey called for the loan review committee to meet on Thursday, February 11, 2010 in Elizabethtown at 9:00 a.m. EST. The committee will be notified once a specific location is confirmed.

Board members shared additional concerns about the project. Mike Tobin, KADB Project Analyst for the project, shared his experience and perception of the project.

New Business

The following applications were received between November 21, 2009 and January 15, 2010.

Agricultural Processing Loan Program – Discussion and Action

AF10-0007 Correll, Greg (Marksbury Farm Foods, LLC) – pending

Agricultural Infrastructure Loan Program - Discussion and Action

AF09-0042 Rice, Darren M. and Amanda – Applicants requested \$100,000 for the installation of an energy efficient grain drying system on a cash grain farm in Butler County. Farm Credit Services of Mid-America (Owensboro) is the participating lender. Staff recommended loan approval, contingent on CLTV no worse than 85%.

Mr. Lawson moved to approve AF09-0042, based on staff's recommendation, pending fund availability; Mr. Midkiff seconded the motion. *The motion passed without dissent.*

AF09-0043 Strode, Richard and Karen (Strode Farm Enterprise, LLC) – Applicants requested \$100,000 for the construction of an 80' x 120' shop to accommodate large farm machinery in Daviess County. Independence Bank (Owensboro) is the participating lender. Staff recommended loan approval. **Wayne Hunt moved to approve AF09-0043, based on staff's recommendation, pending**

fund availability; Bob Gaslin seconded the motion. *The motion passed without dissent.*

AF09-0045 Pleasants Jr., George and Catherine – Applicants requested \$40,774.25 for the construction of one building (54' x 112') and two additions (14' x 48' and 24' x 60') to existing barns in Lincoln County. Central Kentucky ACA (Stanford) is the participating lender. Staff recommended loan approval. **Mr. Midkiff moved to approve AF09-0045, based on staff's recommendation, pending fund availability;** Kenneth Burdine seconded the motion. *The motion passed without dissent.*

AF10-0003 Bradley, Jeffrey and Sally – Applicants requested \$100,000 for the conversion of the existing poultry houses from pullet production to broiler production in Henderson County. Independence Bank (Henderson) is the participating lender. Staff recommended loan approval. **Mr. Burdine moved to approve AF10-0003, based upon staff's recommendation, pending fund availability;** Bob Proffitt seconded the motion. *The motion passed without dissent.*

AF10-0004 Hust, Lawrence and Ann – Applicants requested \$75,000 for improvement of the farm's current grain drying system in Webster County. Independence Bank (Sebree) is the participating lender. Staff recommended loan approval. **Mr. Hunt moved to approve AF10-0004, based upon staff's recommendation, pending fund availability;** Mr. Lawson seconded the motion. *The motion passed without dissent.*

AF10-0006 Land, Lowell (Acres of Land) – pending

Beginning Farmer Loan Program – Discussion and Action

AF09-0044 Owens, Nelson and Debra – Applicants requested \$250,000 for the purchase of the family poultry farm in Wayne County. Farm Credit Services of Mid-America (Somerset) is the participating lender. Staff recommended loan approval. **Mr. Proffitt moved to approve AF09-0044, based upon staff's recommendation, pending fund availability;** Mr. Lawson seconded the motion. *The motion passed without dissent.*

AF10-0002 Jury, Richard "Jeremy" and Randi – Applicants requested \$11,220 for the purchase of 5 acres with improvements in Nelson County. Farm Credit Services of Mid-America (Elizabethtown) is the participating lender. Staff recommended loan approval. **Mr. Burdine moved to approve AF10-0002, based upon staff's recommendation, pending fund availability;** Mr. Hunt seconded the motion. *The motion passed without dissent.*

AF10-0005 Warren, Dustin and Bailey, Jerry (Warren Farms) – Applicants requested \$23,306 for the purchase of a 15.83 acre farm and drainage tile installation in Daviess County. Independence Bank (Owensboro) is the participating lender. Staff recommended loan approval. **Mr. Lawson moved to approve AF10-0005, based upon staff's recommendation, pending fund availability;** Larry Jaggars seconded the motion. *The motion passed without dissent.*

Old Business

AF08-0025 Walden, Larry and Nancy – Applicants requested a second extension for his Agricultural Infrastructure Loan. Staff recommend approval of the

extension to March 30, 2010. **Mr. Midkiff moved to approve an extension for AF08-0025, based upon staff's recommendation;** Mr. Jagers seconded the motion. *The motion passed without dissent.*

AF08-0048 Goode, Ronald and Brenda – Applicants requested second 6-month extension for his Agricultural Infrastructure Loan. Staff recommended approval of the extension to July 18, 2010. **Mr. Burdine moved to approve an extension for AF08-0048, based upon staff's recommendation;** Mr. Proffitt seconded the motion. *The motion passed without dissent.*

AF08-0102 French, Marion & Fonda – Applicants requested an extension for their Beginning Farmer Loan. Staff recommended approval of the extension to July 16, 2010. **Mr. Lawson moved to approve an extension for AF08-0102, based upon staff's recommendation;** Mr. Midkiff seconded the motion. *The motion passed without dissent.*

AF08-0105 Brockman, Dwain & Theresa – Applicants requested an extension for their Agricultural Infrastructure Loan. Staff recommended approval of the extension to September 6, 2010. **Peggy Peterson moved to approve an extension for AF08-0105, based upon staff's recommendation;** Mr. Burdine seconded the motion. *The motion passed without dissent.*

AF07-0062 Trunnell's Farm & Market—Expired

AF08-0047 Grasslands Dairy Cattle, LLC—Expired

AF06-0004 Lantern Hill Farm—Paid in Full

Executive Director's Report

Mr. Harper recognized Roger Thomas, Executive Director, as having arrived and yielded the floor for his report. Mr. Thomas apologized for his delay due to a budget meeting.

Mr. Thomas expressed his appreciation to staff and others for the work on Cabbage Inc., as well as the Siemer Milling closing.

Mr. Thomas provided a synopsis of the legislative weekly update where Speaker Stumbo anticipated that the House's budget recommendation would be presented by the end of next week [2/8/2010 - 2/12/2010].

Mr. Thomas noted that this year is the 10th anniversary of the Kentucky Agricultural Development Fund, and that planning is underway for a small celebration in March – to be announced.

Closing Remarks

The next meeting of the K AFC Board will be Friday, March 5, 2010 in Frankfort, KY. The regular business meeting of K AFC will begin at 10:00 a.m. EST.

The meeting adjourned at 12:13 p.m. EST.

APPROVED: _____

PRESIDING OFFICER:

Bruce Johnson

SECRETARY:

Cyndi Hall