

Kentucky Agricultural Finance Corporation

Minutes of the March 5, 2010 Meeting

The meeting of the Kentucky Agricultural Finance Corporation Board was held on Friday, March 5, 2010 at 10:10 a.m. EST in the Music Room of Berry Hill Mansion, 700 Louisville Road, Frankfort, KY. Mac Stone, presiding, called the meeting to order.

Notification of Press

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

Roll Call

Members Present

Mac Stone (designee for Commissioner Farmer), Westy Adams, George Begley, Kenneth Burdine, Wayne Hunt, Larry Jaggars, Tom Midkiff (designee for Secretary Miller), Frank Penn, Peggy Peterson, Bob Proffitt

Members Absent

Bob Gaslin, Doug Lawson

Others Present

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

Guests –John Rediess and Amy Sipes, John's Custom Meats; Lowell and Katherine Land, Acres of Land

Welcome/Introduction of Guests

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

Review and Approval of Minutes

Tom Midkiff moved to approve the minutes of the February 5, 2010 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. Stone called on Roger Thomas to give the Executive Director's report.

Mr. Thomas gave a brief update on his recent activities:

- February 10, 2010 he attended the Kentucky Proud Legislative Breakfast
- February 16, 2010 he and Angela Blank attended the Adair Chamber of Commerce Meeting where Ms. Blank gave a presentation on the World Equestrian Games
- March 1, 2010 he and Bill McCloskey meet with Peggy Peterson and community leaders in Marion County
- March 4, 2010 he and Bill McCloskey attended the Legislative Breakfast sponsored by the Kentucky Dairy Development Council

Mr. Thomas reported on HB 594 sponsored by Representatives Johnny Bell, Greg Stumbo, Wilson Stone, and Ron Weston. This bill proposes a Dairy Producer Incentive Program and revision to the Milk Commission membership. The bill proposes a fee, 10 cents per gallon

and 5 cents per half gallon, on all milk sold at retail outlets except that purchased with food stamps, etc. This money would be deposited in a separate account to help Kentucky Dairy Farmers when the price of milk falls below 85% of the production costs. It would require the Milk Commission to collaborate with KAFC in the development of a low-interest loan program for milk producers. Approximately 20% of monies from the fund would in turn be allocated to KAFC to create and administer an infrastructure program for low-interest dairy loans. The total revenue would be approximately \$12 Million with \$3 to \$4 Million coming to KAFC to administer.

Mr. Thomas gave brief updates on the HB 530 concerning the budget and SB 105, sponsored by Senator David Givens, which would establish minimum care standards for livestock.

Mr. Thomas noted that the annual report was mailed last month. He thanked Sandra Gardner for her work on this.

Mr. Thomas noted that a legislative mailing was sent out with the DVD One Voice, One Accord. The mailing included a letter signed by three of the Executive Directors of GOAP, Roger Thomas, Keith Rogers and John-Mark Hack. It gave a brief history of the program, the accomplishments, and benefits to agriculture in the Commonwealth.

Mr. Thomas personally invited the KAFC Board to the KADF 10 Year Anniversary Celebration on March 10, 2010 at 5:30p.m.

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 KAFC, which reflected activity since the last meeting.

KAFC Statement of Financial Position	
ASSETS (as of 01/31/ 2010):	
Interest Earned from Loans	\$1,587,737
Interest Earned from State Investment Commission	1,104,175
Interest Fund (2802 Acct.)	2,641,912
Principal/Loan Fund (2803 Acct.)	4,048,323
Loan Funds Disbursed	27,861,505
KADB Approved Loans not Transferred	135,383
Funds Held by State & not transferred to KAFC	2,000,000
Total Assets	\$36,687,124

Mr. McCloskey called attention to the two new 0% Interest Loans (in the Update Folder). Mr. Thomas called attention to the increased amount in the portfolio.

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

Mr. McCloskey reported that at the last Audit Committee meeting the staff was directed to develop policy on handling procedures for the loan payment process including deadlines for slow pays and default procedures. The Audit Committee will meet periodically to review loans in the portfolio.

The Board Secretary reported that the K AFC web site has been updated to include current loan applications for the Agricultural Infrastructure Loan Program, the Beginning Farmer Loan Program and the Large/Food Animal Veterinarian Loan Program. She thanked Sandra Gardner for the revisions which now include a document check list on the first page of the application.

New Business

The following applications were received between January 16, 2010 and February 12, 2010.

Agricultural Infrastructure Loan Program - Discussion and Action

AF10-0008 **Milligan, Harold** - Pending

AF10-0009 **Beyke, Steve** - Pending

AF10-0010 **Brame, David** - Applicant requested \$100,000 for the construction of a grain bin and purchase of a new grain leg and unloading conveyers in Christian County. Planters Bank, Inc. in Hopkinsville is the participating lender. Staff recommended denial of this loan. **Mr. Penn moved to make an exception to policy because of an accident involving the loan officer that affected his memory (being beyond the control of the applicant) and approve AF10-0010, pending fund availability;** Bob Proffitt seconded the motion. *The motion passed with dissent (8 for, 2 against).*

AF10-0012 **Nunn, Dennis and Judy** – Applicants requested \$35,000 for the construction of a grain bin and dryer in Henderson County. Independence Bank in Sebree is the participating lender. Staff recommended loan approval. **Kenny Burdine moved to approve AF10-0012, based on staff's recommendation, pending fund availability;** Wayne Hunt seconded the motion. *The motion passed without dissent.*

AF10-0013 **Hendrickson, Brian Keith** - Pending

Agricultural Processing Loan Program - Discussion and Action

AF10-0011 **Sparrow, Stephen (Greenleaf Plant Food Wholesale, Inc.)** - Pending

Old Business

AF07-0022 **Rediess, John (John's Custom Meats)** - Applicant requested \$277,000 to finish the construction of a meat slaughtering facility in Warren County. Staff recommended denial of this loan. **Mr. Hunt moved to deny AF07-0022, based on staff's recommendation;** Peggy Peterson seconded the motion. *The motion passed without dissent.*

AF10-0006 Land, Lowell and Katherine (Acres of Land) – Applicants requested \$100,000 for the construction of a marketing facility (to replace a building that burned down in April 2009) in Madison County. Central Kentucky ACA in Richmond is the participating lender. Staff recommended loan approval. **George Begley moved to approve AF10-0006, based on staff’s recommendation, pending fund availability;** Ms. Peterson seconded the motion. *The motion passed without dissent.*

AF10-0007 Correll, Greg; Correll, Preston and McAlister, Richard (Marksbury Farm Foods, LLC) – Applicants requested \$250,000 for the construction of a retail meat processing facility in Garrard County. Universal Guaranty Life Insurance Company is providing \$1.5 million in financing. The application was referred to the loan review committee for consideration. The committee recommended funding the loan with the specifics developed by staff. **Mr. Hunt moved to approve AF10-0007, based on the committee’s recommendation, pending fund availability;** Mr. Penn seconded the motion. **Mr. Burdine amended the motion making the loan contingent on the applicant securing County Funds from at least five (5) counties, with a minimum amount secured of \$50,000;** Westy Adams seconded the motion. *The amendment passed without dissent. The motion as amended passed without dissent.*

Closing Remarks

The next meeting of the KAFC Board will be Friday, April 9, 2010 at the Transportation Cabinet Office Building, 400 Mero Street, Frankfort, KY. The regular business meeting of KAFC will begin at 10:00 a.m. EST.

Mr. Thomas thanked Mr. Stone for stepping in for Bruce Harper and presiding over the meeting.

Mr. Jaggars moved to adjourn; Ms. Peterson seconded the motion. *The motion passed without dissent.* The meeting adjourned at 11:25 a.m. EDT.

APPROVED: _____

PRESIDING OFFICER: _____

SECRETARY: _____