

# Kentucky Agricultural Finance Corporation

Minutes of the April 9, 2010 Meeting

The meeting of the Kentucky Agricultural Finance Corporation Board of Directors was held Friday, April 9, 2010 at the Transportation Cabinet Office Building, Room C107A & B, in Frankfort, Kentucky. Bruce Harper, designee for Commissioner Richie Farmer, presiding, called the meeting to order at 10:10 a.m. EDT.

## **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), Westy Adams, George Begley, Kenneth Burdine, Bob Gaslin, Wayne Hunt, Larry Jagers, Doug Lawson, Tom Midkiff (designee for Secretary Miller), Frank Penn, Peggy Peterson, Bob Proffitt

### ***Members Absent***

### ***Others Present***

**Staff** – Roger Thomas, Angela Blank, Sandra Gardner, Cyndi Hall, Michael Judge, Christi Marksbury, Bill McCloskey, Joel Neaveill, Mike Tobin

**Guests** –Dr. Will Snell, University of Kentucky (UK); Larry Snell and Rich Laing, Kentucky Center for Agricultural and Rural Development (KCARD); Biff Baker, Legislative Research Commission (LRC)

## **Welcome/Introduction of Guests**

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

## **Review and Approval of Minutes**

Frank Penn moved to approve the minutes of the March 5, 2010 meeting, as presented, of the KAFC Board of Directors; Tom Midkiff seconded the motion. *The motion passed without dissent.*

## **Reports**

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

Mr. Harper called on Roger Thomas to give the Executive Director's report. Mr. Thomas welcomed all in attendance. He noted the staff that were present as well as Biff Baker, Ag and Natural Resources staff member from LRC.

Mr. Thomas gave a brief update on the recent activities of the Governor's Office of Agricultural Policy (GOAP) staff:

- March 8, 2010, Nathan Hohman and Donna Maloney from ALLTECH met with several members of the GOAP staff.
- March 16, 2010, he and Angela Blank, who made a presentation on the 2010 ALLTECH World Equestrian Games (WEG), attended the Salute to Ag Breakfast in Hopkinsville. Wayne Hunt was also in attendance.

- March 18, 2010, Sandra Gardner and Ms. Blank, who made a WEG presentation, attended the Mercer County Farm City Breakfast.
- March 22, 2010, Joel Neaveill and Ms. Blank, who made a WEG presentation, attended the Henry County Farm City Luncheon.
- March 22, 2010, Ms. Blank and Mr. Neaveill attended an event for the California Leadership Class who were visiting Kentucky. The Kentucky Agriculture Leadership Program (KALP) hosted the event.

Mr. Thomas gave a brief report on the following events:

- March 10, 2010, the 10-Year Anniversary Celebration at the Governor's Mansion was well attended.
- The Regional Area Workshops are now completed, Peggy Peterson attended the workshop in Fayette County, Kylee Palmer will give a presentation to the Board at the July Joint Board Meeting.
- GOAP is applying on behalf of the Kentucky Agricultural Development Fund for the Innovations in American Government Award.
- GOAP has had many opportunities to meet with international groups, among them Ms. Blank and Mr. Neaveill met with a delegation from Mongolia to discuss their plans to develop a horse park; and they met with the Tobacco and Liquor Corporation from Taiwan. Secretary Larry Hayes from Economic Development has included GOAP as well as the Kentucky Department of Agriculture (KDA) in these opportunities.
- The legislature has not finalized the budget.
- Joint Kentucky Agricultural Development Board (KADB) and KAFC Board Meeting July 22 & 23, 2010 will be at Blue Licks State Resort Park.
- Steve Coleman from the Division of Conservation and Will Coffman, Director of Kentucky's Washington D. C. Office met at GOAP to discuss Dead Animal Removal. The KADB will visit the UK composting facility south of Frankfort on April 16, 2010 at the conclusion of the Board Meeting.
- The One Voice, One Accord video was shown.
- WEG Update: Ms. Blank and Mac Stone, KDA, will give a presentation to the board in May.

Mr. Thomas concluded by thanking the board for the expressions of kindness and concern during the illness and death of his father.

#### **The Director of Financial Services Report**

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

Mr. McCloskey made a presentation to the International Marketing for Wood Products Industries workshop in Somerset on April 1, 2010. He discussed the Agricultural Infrastructure Loan Program and received the first Saw Mill loan application at the meeting.

Mr. McCloskey reported on visits with two applicants that will be presented to the board today, B.G. (Bob) Todd, and Mark Owens.

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 (as of 02/28/ 2010):</b>               |                     |
| Interest Earned from Loans                       |                     |
| Interest Earned from State Investment Commission |                     |
| Interest Fund (2802 Acct.)                       | 2,671,944           |
| Principal/Loan Fund (2803 Acct.)                 | 4,242,948           |
| Loan Funds Disbursed                             | 27,715,794          |
| KADB Approved Loans not Transferred              | 736.470             |
| Funds Held by State & not transferred to KAFC    | 2,000,000           |
| <b>Total Assets</b>                              | <b>\$37,367,156</b> |

**Mr. Midkiff moved to approve the financial report;** Doug Lawson seconded the motion. *The motion passed without dissent.*

Mr. McCloskey made note of the Economic and Policy Update provided in the board book as background to the presentation on tobacco by Dr. Will Snell, UK.

Mr. McCloskey made note of the press release regarding the \$17 Million that was awarded to Kentucky BioProcessing by the Department of Defense. Hugh Hayden will give a presentation at the joint meeting of the KAFC and KADB.

Mr. McCloskey noted the Memorandum on the dates for Board Meetings through the end of 2010.

Mr. McCloskey introduced Dr. Will Snell. Dr. Snell made a presentation on *Burley and Dark Tobacco Situation and Outlook for 2010* (handout on file with the Board Secretary).

Mr. McCloskey introduced Larry Snell and Rich Laing, KCARD. Mr. Snell updated the board on the services offered by KCARD and how they will relate to the new loan program. Mr. Laing gave a summary of the agribusiness entrepreneur client mix that KCARD is currently working with.

Mr. McCloskey presented the Diversification through Entrepreneurship in Agribusiness Loan (DEAL) Program. After KAFC approval, the KADB will have the opportunity to approve. Staff recommends approval. **Bob Gaslin moved to approve DEAL, based on staff's recommendation,** Mr. Lawson seconded the motion. *The motion passed without dissent.* Staff recommends that the funding come from Interest Income in the State Investment Commission Account and from Project Closures. **Kenny Burdine moved to approve transfer of money, pending KADB approval, from Interest Income in the State Investment Commission Account and Project Closures, based on staff recommendation,** Larry Jagers seconded the motion. *The motion passed without dissent.*

## New Business

The following applications were received between February 13, 2010 and March 19, 2010.

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

**AF10-0014**                    **Cissell, Joseph and Margaret** -- Applicants requested \$30,000 for the renovation of an existing barn into 100 cow free-stall barn and construction of a manure stack pad in Marion County. Central Kentucky ACA in Lebanon is the participating lender. Staff recommended loan approval. **Mr. Lawson moved to approve AF10-0014, based on staff's recommendation, pending fund availability;** Mr. Penn seconded the motion. *The motion passed without dissent.*

**AF10-0015**                    **Todd, B.G. (Bob) and June** -- Applicants requested \$100,000 for the construction of a grain bin and feed blending equipment, and for hay, machine and bulk fertilizer storage in Pulaski County. Farm Credit Services of Mid-America in Somerset is the participating lender. Staff recommended loan approval for \$34,000. **Mr. Gaslin moved to approve AF10-0015 for \$34,000, based on staff's recommendation, pending fund availability;** Bob Proffitt seconded the motion. *The motion passed without dissent.*

**AF10-0017**                    **Owens Garden Center, LLC** -- Applicant requested \$100,000 for the construction and improvements to new energy efficient green houses and garden center in Pulaski County. First and Farmers National Bank in Somerset is the participating lender. Staff recommended loan approval. **Mr. Hunt moved to approve AF10-0017, based on staff's recommendation, pending fund availability;** Ms. Peterson seconded the motion. *The motion passed without dissent.*

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

**AF10-0016**                    **Peden, Charles and Amy**- Applicants requested \$250,000 to purchase a 299.48 acre dairy farm and dairy livestock in Barren County. Farm Credit of Mid-America in Glasgow is the participating lender. Staff recommended loan approval. **Mr. Lawson moved to approve AF10-0016, based on staff's recommendation, pending fund availability;** Mr. Jaggars seconded the motion. *The motion passed without dissent.*

## Old Business

**AF10-0001**                    **Cunningham, Danny and Julia** - Applicants requested \$100,000 to for the addition of 120,000 bushels of storage and an energy efficient grain dryer in Calloway County. Jackson Purchase ACA in Murray is the participating lender. Staff recommended loan approval. **Mr. Burdine moved to approve AF10-0001, based on staff's recommendation, pending fund availability;** Ms. Peterson seconded the motion. *The motion passed without dissent.*

**AF09-0018**                    **Karn, Timothy** -- Applicant requested an additional \$42,089 for the installation of an energy efficient grain dryer in Ohio County. The applicant expanded his project to include additional storage. Farm Credit Services of Mid-America in Owensboro is the participating lender. Staff recommended loan approval. **Westy Adams moved to approve AF10-0018, based on staff's recommendation, pending fund availability;** Mr. Proffitt seconded the motion. *The motion passed without dissent.*

Mr. McCloskey noted the Memorandum on **AF08-0050, Michael Kean Loan** (found in the Update folder). The loan is 96 days past due. Mr. McCloskey met with loan officer who indicated that FCS will restructure the loan by April 21, 2010. This loan will be brought back to the KAFC Board in May.

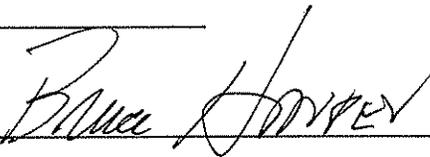
**Closing Remarks**

The next meeting of the KAFC Board will be Friday, May 7, 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. EDT.

Mr. Thomas noted that dress code for the meetings during the summer months is to be business casual.

**Mr. Jagers 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: 