

# Kentucky Agricultural Finance Corporation

Minutes of the September 7, 2012 Meeting

The meeting of the Kentucky Agricultural Finance Corporation Board was held on Friday, September 7, 2012 at 10:10 a.m. EDT at the Vest Lindsey House, 401 Wapping Street, Frankfort, KY. Commissioner James Comer, presiding, called the meeting to order.

## **Notification of Press**

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

## **Roll Call**

### ***Members Present***

Commissioner James Comer, George Begley, Kenny Burdine, Wayne Hunt, Larry Jagers, Doug Lawson, Frank McAninch, Tom Midkiff (designee for Secretary Miller), Joel Oney, Frank Penn, Peggy Peterson

### ***Members Absent***

Westy Adams

### ***Others Present***

**Staff** – Roger Thomas, Biff Baker, Sandy Gardner, Cyndi Hall, Bill McCloskey, Brian Murphy

**Guests** – Bruce Harper, Kentucky Department of Agriculture (KDA); Brett Stillwell, PNC Bank; Dave Fowler and Todd Purnell, Purnell Sausage; Dave Carter, Meat Hook, Inc.; Richard Medley, Central Kentucky Area Credit Association; Ethan Jones, applicant

## **Review and Approval of Minutes**

**Frank Penn moved to approve the minutes of the June 15, 2012 meeting of the KAFC Board of Directors; Frank McAninch seconded the motion.** The motion passed without dissent.

## **Executive Director's Report**

Roger Thomas welcomed everyone to the KAFC Board Meeting.

Mr. Thomas noted the passing of Sandra Smith, wife of the former Commissioner of Agriculture, Billy Ray Smith; Mike Hayden, the Governor's Chief of Staff; and Commissioner Comer's mother-in-law.

Mr. Thomas asked Commissioner Comer to report on the 2012 Kentucky State Fair.

Mr. Thomas introduced, Brian Murphy, the new General Counsel for the Governor's Office of Agricultural Policy (GOAP).

Mr. Penn gave an update on Jim Mahan. Cyndi Hall gave an update on Westy Adams.

Mr. Thomas extended an invitation to the board to attend the National Conference of State Agricultural Finance Programs (NCOSAFP), which will be held at the Hyatt Regency in Lexington, October 21 to 24, 2012 and is being hosted by GOAP.

No action was taken on the Executive Director's Report.

**Director of Financial Services Report**

Commissioner Comer called on Bill McCloskey to give the Director of Financial Services 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 (as of 7/30/2012):</b>	
Interest Earned from Loans	\$3,112,052
Interest Earned from State Investment Commission	1,085,366
Interest Fund (2802 Acct.)	4,197,481
Principal/Loan Fund (2803 Acct.)	4,870,068
Loan Funds Disbursed	27,350,489
KADB Approved Loans not Transferred	0
Funds Held by State & not transferred to KAFC	2,000,000
<b>Total Assets</b>	<b>\$38,417,974</b>

**Kenny Burdine moved to approve the financial report; Mr. McAninch seconded the motion.** The motion passed without dissent.

Mr. McCloskey reported that he has made many energy visits.

**New Business**

The following applications were received between May 26, 2012 and August 24, 2012.

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

**AF12-0024**            **Ward, Steve and Kathie** – Applicants requested \$46,980 for equipment upgrades in four (4) broiler barns in Hickman County. Clinton Bank in Clinton is the participating lender. This loan was approved by staff (July 31, 2012) based upon loan size and credit score per Agricultural Infrastructure Loan Program policy adopted June 24, 2005.

**AF12-0030**            **Gilkison, Brennan and Serena** – Applicants requested \$75,000 for the construction of a grain bin in Clark County. Farm Credit Services in Richmond is the participating lender. Staff recommended loan approval contingent on loan-to-value no worse than 80%. **Wayne Hunt moved to approve AF12-0030, based on staff's recommendation, pending fund availability;** Mr. Penn seconded the motion. *The motion passed without dissent.* Joel Oney abstained.

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

**AF12-0025**            **Wilson, James "Steve" / Meat Hook, LLC** – Applicant requested \$525,000 for the purchase of equipment and working capital for a start-up butcher shop and delicatessen in Jefferson County. This is a direct loan. Staff recommended loan approval contingent on loan-to-value no worse than 80% and the review and approval of financials by the Executive Director and a KAFC Board Member. **Mr. Hunt moved to approve AF12-0025, based on staff's recommendation, pending fund availability;** *Dr. Burdine seconded the motion. Tom Midkiff moved to amend the motion to remove working capital from the eligible items for reimbursement. Mr. Penn seconded the amendment. The amendment passed without dissent. The motion as amended passed without dissent.*

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

**AF12-0026**            **Jones, Ethan and Michelle** – Applicants requested \$250,000 for the purchase of a 246.5 acre farm in Boyle County. Central Kentucky ACA in Lebanon is the participating lender. Staff recommended loan approval. **Doug Lawson moved to approve AF12-0026, based on staff's recommendation, pending fund availability;** *Mr. Oney seconded the motion. The motion passed without dissent.*

**AF12-0027**            **Glenn, Matthew and Jamie** – Applicants requested \$250,000 for the purchase of farm land at auction in McLean County. Independence Bank in Owensboro is the participating lender. Staff recommended loan approval contingent on Glenn's successful bid at the auction and a loan-to-value no worse than 80%. **Mr. Hunt moved to approve AF12-0027, based on staff's recommendation, pending fund availability;** *Larry Jaggars seconded the motion. The motion passed without dissent.*

**AF12-0028**            **Glenn, Brandon** – Applicant requested \$250,000 for the purchase of farm land at auction in McLean County. Independence Bank in Owensboro is the participating lender. Staff recommended loan approval contingent on Glenn's successful bid at the auction and a loan-to-value no worse than 80%. **Mr. Lawson moved to approve AF12-0028, based on staff's recommendation, pending fund availability;** *Mr. Jaggars seconded the motion. The motion passed without dissent.*

**AF12-0029**            **Yoder, Thomas** – Applicant requested \$136,800 for the purchase of two (2) poultry houses on 30 acres in Wayne County. Farm Credit Services in Somerset is the participating lender. Staff recommended loan approval contingent on loan-to-value no worse than 80% and a FSA guarantee. **Mr. Midkiff moved to approve AF12-0029, based on staff's recommendation, pending fund availability;** *Dr. Burdine seconded the motion. The motion passed without dissent.*

## **Old Business**

### **Extensions – Discussion and Action**

**AF11-0020**            **Quiggins, Tim** - Applicant requested a second extension on the expiration date of this loan. He was approved for \$100,000 for construction of a meeting hall, sale barn and holding barn at the June 3, 2011 board meeting. The construction is almost complete. Staff recommended the KAFC loan approval be

extended to December 3, 2012. **Dr. Burdine moved to extend the expiration date of AF11-0020, based on staff's recommendation, pending fund availability; Mr. Midkiff seconded the motion.** The motion passed without dissent.

**AF11-0035 F. B. Purnell Sausage Co. Inc.** – Applicant requested using assets valued at \$9,125,918 to secure the direct KAFC loan of \$1,500,000. Based on financial strength of the Purnell Sausage Co., Inc. staff recommends securing the \$1,500,000 KAFC loan based on assets valued at \$9,125,918 with a lien subordinate to PNC Bank loan. **Mr. Oney moved to accept the collateral presented, based on staff's recommendation; Mr. Lawson seconded the motion.** The motion passed without dissent.

**Withdrawal – No Action Necessary**

**AF12-0004 Owensboro Grain Company**

**Paid in Full – No Action Necessary**

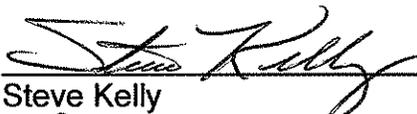
**AF05-0030 Owensboro Grain Company**  
**AF05-0039 Smith, Billy Dale**  
**AF06-0006 Davis, Jeffery Sam**  
**AF06-0012 Critchelov, Danny**  
**AF06-0026 Hancock, Kirby**  
**AF07-0037 Grider, Ed**  
**AF11-0016 Newcomb, Aaron**

**Closing Remarks**

The next meeting of the KAFC Board will be Friday, October 5, 2012 at the Transportation Cabinet Office Building, 200 Mero Street, Frankfort, KY. The regular business meeting of KAFC will begin at 10:00 a.m. EDT.

**Mr. Jagers moved to adjourn; Mr. Penn seconded the motion. The motion passed without dissent.** The meeting adjourned at 11:30 a.m. EDT.

**APPROVED:** 10-5-2012

**PRESIDING OFFICER:**   
Steve Kelly

**SECRETARY:**   
Cyndi Hall