

The actions delineated below were taken in open session of the Kentucky Agricultural Finance Corporation Board at the September 9, 2016 regular business meeting. This is provided in summary form; an official record of the meeting is available in the permanent records of the Governor's Office of Agricultural Policy, 404 Ann Street, Frankfort, Kentucky 40601.



**Kentucky Agricultural Finance Corporation Board  
Summary Minutes of the Regular Business Meeting  
Transportation Cabinet  
Frankfort, Kentucky  
September 9, 2016**

**Call to Order**

Commissioner Quarles, presiding, called the Kentucky Agricultural Finance Corporation Board (KAFC) regular business meeting to order at 10:08 a.m. (EDT).

**Roll Call**

The following members were present: Kenneth Burdine, Wayne Hunt, Larry Jagers, Frank McAninch, Aaron Miller, Linda Rumpke, John Brady (designee for Secretary William M. Landrum III), Commissioner Ryan Quarles.

Members absent: Westy Adams, George Begley, Doug Lawson and Frank Penn.

**Notification of Media**

Commissioner Quarles received verification from Hannah Forte, GOAP Boards Coordinator, that the media had been notified of the KAFC board meeting.

**Welcome**

Commissioner Quarles welcomed everyone to the meeting.

Commissioner Quarles updated the board on the activities of the Kentucky Department of Agriculture and himself since the August 12, 2016 board meeting.

Commissioner Quarles updated the board on the conclusion of the Kentucky State Fair.

Commissioner Quarles discussed the P3/HB 309 legislation that passed the general assembly this year and the impacts it may have on state parks.

Commissioner Quarles discussed a recent trip to China to promote Kentucky Thoroughbreds.

**Approval of Minutes**

Commissioner Quarles entertained a motion to approve the minutes of the August 12, 2016 KAFC board meeting.

Ms. Rumpke moved to approve the minutes, as presented; Mr. Miller seconded the motion.

VOTE: Motion Passed; Unanimous.

**Executive Director's Report**

Commissioner Quarles yielded the floor to Warren Beeler, GOAP Executive Director, to report to the board.

Mr. Beeler updated the board on his activities since the August 12, 2016 board meeting. He also referenced upcoming events he will be attending, inviting board members to any events in their area.

Mr. Beeler called on John McCauley, State Executive Director, Kentucky Farm Service Agency (FSA), to discuss activities of the organization.

Commissioner Quarles mentioned the Bill Stoll scholarship fund announced at the Kentucky State Fair. Anyone interested in contributing should contact the KDA.

**Deputy Executive Director’s Report**

Commissioner Quarles yielded the floor to Bill McCloskey, GOAP Deputy Executive Director, to report to the board.

Mr. McCloskey reviewed the KAFC Statement of Financial Position (*on file*) as of August 31, 2016.

<b>KAFC Statement of Financial Position</b>	
<b>As of August 31, 2016</b>	
<b>Assets</b>	
Cash KAFC Accounts	\$ 15,610,189
Loan Payments Due KAFC	
Category A	\$ 44,670,844
Category B	\$ 615,121
Category C	\$
	\$ 45,285,965
<b>Total Assets</b>	<b>\$ 60,896,154</b>
<b>Liabilities</b>	
KAFC loans approved not closed	\$ 12,253,415
Loans Outstanding	\$ 45,285,965
<b>Total Liabilities</b>	<b>\$ 57,539,379</b>
<b>Unobligated Assets</b>	<b>\$ 3,356,774</b>
<b>Total Liabilities &amp; Unobligated Assets</b>	<b>\$ 60,896,154</b>

Mr. McCloskey referenced the Quarterly Update on Category B Loans (*on file*) as of September 1, 2016.

Mr. McCloskey referenced the KY Agricultural Development Board State Pool Tobacco Funds (*on file*) as of September 1, 2016.

Mr. McCloskey referenced the KADF County Account Balances (*on file*) as of August 22, 2016.

Commissioner Quarles moved to approve the KAFC Statement of Financial Position; Dr. Burdine seconded the motion.

VOTE: Motion Passed; Unanimous.

**Loan Review Committee**

Commissioner Quarles called on Ms. Rumpke to give the Loan Review Committee report to the board.

Ms. Rumpke reported that the Loan Review Committee met at 9 a.m. in the downstairs board room of the Governor’s Office of Agricultural Policy 404 Ann Street, Frankfort, KY. Ms. Rumpke requested that the reviewed loans be presented in the order of the agenda (*on file*).

**New Business**

**Agricultural Infrastructure Loan Program (AILP)**

**AF16-0079 Slaton, Michelle**

Applicant requested \$88,852 for the upgrading of eight Tyson broiler barns in Hopkins County. Farm Credit Mid-America in Henderson, KY is the participating lender.

Staff recommended loan approval.

Commissioner Quarles made a motion to approve the staff recommendation, as presented, pending fund availability; Mr. Jagers seconded the motion.

VOTE: Motion Passed, Unanimous.

**AF16-0082 Denney, Dale**

Applicants requested \$150,000 for the construction of one Cobb Vantress pullet house and upgrading of one pullet house and two hen houses in Wayne County. Farm Credit Mid-America in Somerset, KY is the participating lender.

Staff recommended loan approval, contingent on the aggregate balance of KAFC loans with the applicants not to exceed \$150,000.

Commissioner Quarles made a motion to approve the staff recommendation, as presented, pending fund availability; Ms. Rumpke seconded the motion.

VOTE: Motion Passed, Unanimous.

**AF16-0083 McGowan, Timothy**

Applicants requested \$100,000 for the construction of a pack barn in Russell County. First National Bank of Russell Springs in Russell Springs, KY is the participating lender.

Staff recommended loan approval, contingent on the approval and obligation of a 90% FSA guarantee on the FNBRs and KAFC funds and the C/LV being no worse than 100%.

Mr. McAninch made a motion to approve the staff recommendation, as presented, pending fund availability; Mr. Hunt seconded the motion.

VOTE: Motion Passed, Unanimous.

**AF16-0085 Cornett, Rhonda**

Applicants requested \$25,000 for the purchase and assembly of a 96' x 204' greenhouse in Laurel County. Farm Credit Mid-America in Somerset, KY is the participating lender.

*This loan was approved by staff (09/01/2016) based upon the loan size and credit scores, per Agricultural Infrastructure Loan Program policy adapted June 24, 2005.*

No action necessary.

**AF16-0090 Pemberton, Richard**

Applicants requested \$100,000 for the construction of two Perdue mega pullet houses in Grayson County. Farm Credit Mid-America in Elizabethtown, KY is the participating lender.

Staff recommended loan approval, contingent on the approval and obligation of a Perdue Guarantee on FCMA and KAFC funds.

Mr. Jagers made a motion to approve the staff recommendation, as presented, pending fund availability; Dr. Burdine seconded the motion.

VOTE: Motion Passed, Unanimous. Mr. Miller abstained.

**Beginning Farmer Loan Program (BFLP)**

**AF16-0080          King, Emanuel**

Applicants requested \$26,925 for the purchase of equipment in Christian County. Farm Credit Mid-America in Hopkinsville, KY is the participating lender.

Staff recommended loan approval.

Mr. Hunt moved to approve the staff recommendation, as presented, pending fund availability; Mr. Brady seconded the motion.

VOTE: Motion Passed, Unanimous.

**AF16-0081          Isaacs, Curtis**

Applicants requested \$235,400 for the purchase of 165 acres in Garrard County. Central Kentucky ACA in Stanford, KY is the participating lender.

Staff recommended loan approval, contingent on the approval and obligation of a 90% FSA guarantee on the CKACA and KAFC funds and the C/LV being no worse than 85%.

Mr. McAninch moved to approve the staff recommendation, as presented, pending fund availability; Ms. Rumpke seconded the motion.

VOTE: Motion Passed, Unanimous

**AF16-0084          Cornett, Christon**

Applicant requested \$82,326 for the purchase of 71 acres in Owen County. Central Kentucky ACA in Lexington, KY is the participating lender.

Staff recommended loan approval, contingent on the approval and obligation of a 90% FSA guarantee on the CKACA and KAFC funds and the C/LV being no worse than 100%.

Mr. McCloskey recognized the participating loan officer and applicant in attendance.

Dr. Burdine moved to approve the staff recommendation, as presented, pending fund availability; Mr. Jagers seconded the motion.

VOTE: Motion Passed; Unanimous

**AF16-0087          Kough, Adam**

Applicants requested \$250,000 for the construction of two Tosh finishing barns in Graves County. First Community Bank of the Heartland in Clinton, KY is the participating lender.

Staff recommends approval, contingent on the approval and obligation of a 90% FSA guarantee on the FCB of the Heartland and KAFC funds and the C/LV being no worse than 100%.

Mr. Miller moved to approve the staff recommendation, as presented, pending fund availability; Commissioner Quarles seconded the motion.

VOTE: Motion Passed, Unanimous.

**AF16-0088          Ayer, Joshua**

Applicant requested \$250,000 for the construction of two Tyson breeder barns in McLean County. Sacramento Deposit Bank in Sacramento, KY is the participating lender.

Staff recommended loan approval contingent on the approval and obligation of a 90% FSA guarantee on the SDB and KAFC funds and the C/LV being no worse than 100%.

In addition to the above recommendation, the Loan Review Committee recommended an additional contingency of satisfactory documentation of how cost overruns associated with this project, should there be any, will be addressed.

Ms. Rumpke moved to approve the recommendations, as presented, pending fund availability; Commissioner Quarles seconded the motion.

VOTE: Motion Passed, Unanimous.

**AF16-0089            Wilson, Brandon**

Applicants requested \$250,000 for the purchase of 117 acres in Ballard County. Independence Bank in Mayfield, KY is the participating lender.

Staff recommended loan approval.

Dr. Burdine moved to approve the staff recommendation, as presented, pending fund availability; Mr. McAninch seconded.

VOTE: Motion Passed, Unanimous.

**AF16-0091            Carrico, Zachary**

Applicant requested \$85,000 for the purchase of 55 acres with improvements in Washington County. Central Kentucky ACA in Lebanon, KY is the participating lender.

Staff recommended loan approval, contingent on the approval and obligation of a 90% FSA guarantee on the CKACA and KAFC funds and the C/LV being no worse than 95%.

Mr. McAninch moved to approve the staff recommendation, as presented, pending fund availability; Dr. Burdine seconded the motion.

VOTE: Motion Passed, Unanimous.

**Old Business**

**Amendments**

**AF14-0049            Spurrier, Wesley**

Ms. Rumpke referenced a memorandum (*on file*) regarding the above referenced loan. The loan officer requested an extended amortization on the remaining KAFC participated Loan balance from 15 to 25 years.

The Loan Review Committee recommends approving the following amendments to the KAFC loan:

- Reamortize the remaining principal balance over 25 years, with a re-evaluation of applicants' personal and business financial positions after 6 months.
  - Applicant will get the benefit of making the reduced payment amount for 6 months.
  - In or around April of 2017, the Loan Review Committee will review financial progress of the applicants and business to determine any additional course of action.
    - Applicants' presence is requested at that meeting
  - Six month re-evaluation will include the review of personal and business performance:
    - Balance sheets
    - Cash flows/ P&Ls
    - Repayment history
    - Management of other debts—student loan issues resolved
    - Better accounting for quantity and types of animals processed (deer vs. pigs vs. cows, etc)

- Applicants' accountant, Mark Hubbs, must submit monthly financial reports to KAFC for up to 12 months.
- KAFC must be given prior notice to any additional debt that will be undertaken while the KAFC loan is open.

Ms. Rumpke moved to approve the committee recommendation, as presented, pending fund availability; Mr. Hunt seconded.

VOTE: Motion Passed, Unanimous.

**AF15-0047 Vincent, Huey**

Beth Herbert, Loan Program Manager, presented a memorandum (*on file*) regarding an approval modification request. The loan officer has requested an approval modification to allow for the Perdue guarantee, on both FCMA and KAFC financing, to be accepted in place of the FSA guarantee.

Staff recommends approving this request.

Mr. Miller moved to approve the staff recommendation, as presented, pending fund availability; Mr. Hunt seconded the motion.

VOTE: Motion Passed, Unanimous.

**Extension Requests**

**AF15-0034 Hardin, Mary**

Ms. Herbert presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a 3-month extension to allow time for construction to be completed and permanent financing to be in place. The new expiration date would be December 5, 2016.

Staff recommends approving this request.

Dr. Burdine moved to approve the staff recommendation, as presented, pending fund availability; Mr. McAninch seconded the motion.

VOTE: Motion Passed, Unanimous.

**AF16-0052 Fox, Kody**

Ms. Herbert presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a 3-month extension to allow time for title issues to be resolved and this loan closed and disbursed. The new expiration date would be December 10, 2016.

The extension was approved by the Operations Committee on September 1, 2016.

No action necessary.

**AF16-0053 Stearman, Adam**

Ms. Herbert presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a 3-month extension to allow time for attorney to finish necessary paperwork as required by FSA and for this loan to be closed and disbursed. The new expiration date would be December 10, 2016.

The extension was approved by the Operations Committee on September 1, 2016.

No action necessary.

**Withdrawn**

AF16-0062 Elkins Dairy

No action necessary.

**Closing Remarks**

Commissioner Quarles stated that the next KAFC Board meeting will be on Friday, October 7<sup>th</sup>, 2016 beginning at 10:00 a.m. (EDT) at the E.S. Good Barn in Lexington.

Mr. McAninch thanked the KAFC board members for their sympathies with his father's passing.

**Adjournment**

Commissioner Quarles entertained a motion to adjourn.

Mr. Jagers moved to adjourn the KAFC board meeting; Commissioner Quarles seconded the motion.

VOTE: Motion Passed; Unanimous.

The KAFC board meeting adjourned at 11:21 a.m. (EDT).

APPROVED DATE:

10/7/16 \_\_\_\_\_

PRESIDING OFFICER:

*Quarles* \_\_\_\_\_

BOARDS COORDINATOR:

*Jagers* \_\_\_\_\_