

The actions delineated below were taken in open session of the Kentucky Agricultural Finance Corporation Board at the April 10, 2015 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 Office Building
Frankfort, Kentucky
April 10, 2015**

Call to Order

Steve Kelly, presiding, called the Kentucky Agricultural Finance Corporation Board (KAFC) regular business meeting to order at 9:55 a.m. (EDT).

Roll Call

The following members were present: Wayne Hunt; Larry Jagers; George Begley; Frank McAninch; Linda Rumpke; Frank Penn; Aaron Miller; Doug Lawson; John Brady (designee for Secretary Lori Flanery) and Steve Kelly (designee for Commissioner James R. Comer)

Members absent: Dr. Kenneth Burdine and Westy Adams.

Notification of Media

Mr. Kelly received verification from Ray Arnold, Boards Coordinator, that the media had been notified of the April KAFC board meeting.

Welcome

Mr. Kelly welcomed everyone to the meeting.

Mr. Kelly noted that the March 6, 2015 KAFC board meeting had been cancelled due to a winter storm.

Approval of Minutes

Mr. Kelly entertained a motion to approve the minutes of the February 6, 2015 KAFC board meeting.

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

VOTE: Motion Passed; Unanimous.

Executive Director's Report

Mr. Kelly yielded the floor to Roger Thomas, Executive Director, Governor's Office of Agricultural Policy (GOAP) to give his report to the board.

Mr. Thomas recognized the service of Tom Midkiff as the proxy for the Secretary of the Kentucky Finance and Administration Cabinet from 2008-2015 and presented him with a commemorative plaque on behalf of the board.

Mr. Thomas briefed the board on two pieces of legislation passed during the 2015 General Assembly relating to the Tobacco Master Settlement Agreement (MSA). HB 512 acknowledged the changes that needed to be made as a result of recent litigation to make sure that Kentucky is as diligent as possible

in enforcing the model statute and the MSA agreement. HB 510 amended the executive branch biennial budget to make appropriations in fiscal year 2016 to multiple programs, including the Agricultural Development Fund and the Agricultural Finance Corporation.

Mr. Thomas explained that the Governor vetoed a portion of HB 510 in anticipation of the possibility that the 2015 MSA payment might be less than budgeted. This veto gave the Governor the ability to utilize remaining unbudgeted 2014 MSA payment funds to prop up programs that would have to be cut in the event of a shortfall in the 2015 payment.

Mr. Thomas explained that remaining unbudgeted tobacco settlement funds would be available for allocation when the next governor writes his or her first biennial budget.

Director of Financial Services Report

Mr. Kelly called on Bill McCloskey, Director of Financial Services, to give his report to the board.

Mr. McCloskey outlined material contained within the K AFC meeting update packet. Included was a new GOAP promotional brochure, information regarding an upcoming agricultural education event to be held by Alltech in Lexington, the most recent FSA newsletter featuring a calendar of upcoming meetings across the state at which the K AFC programs would be promoted, a copy of a presentation explaining K AFC programs that will be used at these events, a calendar of upcoming GOAP workshops at which stakeholders and administrators will be brought together for an overview of all GOAP programs including information about recent program changes, and material provided by a participating lender outlining its services. *(all material provided is on file with the Boards Coordinator)*

Mr. McCloskey reviewed the K AFC Statement of Financial Position *(on file with the Boards Coordinator)* as of March 31, 2015.

K AFC Statement of Financial Position	
As of March 31, 2015	
Assets	
Cash K AFC Accounts	\$ 12,217,531
Loan Payments Due K AFC	
Category A	\$ 36,637,006
Category B	\$ 628,189
Category C	\$
	\$ 37,265,195
Total Assets	\$ 49,482,726
Liabilities	
K AFC loans approved not closed	\$ 4,977,452
Loans Outstanding	\$ 37,265,195
Total Liabilities	\$ 42,242,647
Unobligated Assets	\$ 7,240,079
Total Liabilities & Unobligated Assets	\$ 49,482,726

Mr. Kelly entertained a motion to approve the K AFC Statement of Financial Position.

Mr. Penn moved to approve the K AFC Statement of Financial Position; Mr. Lawson seconded the motion.

VOTE: Motion Passed; Unanimous.

Loan Committee Report

Mr. Kelly yielded the floor to Ms. Rumpke to give the Loan Committee Report.

Ms. Rumpke stated the Loan Review Committee met at 9:00 a.m. (EDT) on April 10, 2015, to review the following loan:

AF15-0012 Copelin Stephen and Rebecca

Applicant requested \$42,000 to transfer KAFC loan from PBI Bank to Magnolia Bank in Grayson County. The participating lender taking over the loan, Magnolia Bank, requested that the servicing fee remain at 1%. The lender transferring the loan, PBI Bank, submitted a payoff of \$41,600 that was rounded up to \$42,000.

Loan Review Committee recommended loan approval, as presented, contingent on FSA approval and obligation of funds.

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

VOTE: Motion Passed; Unanimous.

Presentation

Mr. Kelly yielded the floor to Mr. McCloskey.

Mr. McCloskey introduced Jamie Guffey, Executive Director of the Kentucky Poultry Federation, to present to the board.

Mr. Guffey presented information regarding the current status of the poultry industry in Kentucky. (PowerPoint on file with the Boards Coordinator)

Mr. McAninch questioned the amount of debt taken on by poultry producers, use of antibiotics, impact of the industry on water quality, if it is possible for producers to switch integrators, and about producer interest for installing solar panels on the roofs of poultry houses.

Mr. Guffey responded that most of the debt taken on by producers is covered through anticipated profits resulting from their contracts, that antibiotics are used sparingly when needed, that the poultry industry has a nutrient management plan in place to protect water quality, that it is possible for producers to switch integrators, and that one way to offset utilities expenses may be installing solar panels on the roofs of poultry houses.

New Business

Agricultural Infrastructure Loan Program (AILP)

AF15-0008 McNiel, Robert and Patricia

Applicants requested \$22,500 for the construction of three buildings for plant and vegetable production in Woodford County. Central Kentucky ACA in Lexington, Kentucky, is the participating lender.

The loan was approved by staff on February 24, 2015, based upon the loan size and credit score per Agricultural Infrastructure Loan Program policy adopted June 24, 2005.

No action necessary.

AF15-0014 Price, Robert and Sheila

Applicants requested \$150,000 for the construction of one 66' x 660' mega poultry house in Adair County. Bank of Columbia in Columbia, Kentucky, is the participating lender.

Staff recommended loan approval.

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

VOTE: Motion Passed; Unanimous.

AF15-0016 Yoder, Elwood and Julia

Applicants requested \$100,000 to renovate existing poultry houses into a pullet/brooder facility in Todd County. United Southern Bank in Elkton, Kentucky, is the participating lender.

Staff recommended loan approval.

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

VOTE: Motion Passed; Unanimous.

AF15-0017 Jones, Gary and Pam

Applicants requested \$25,000 for the construction of a tobacco barn for farm operation in Graves County. FNB Bank, Inc., in Mayfield, Kentucky, is the participating lender.

Staff recommended loan approval.

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

VOTE: Motion Passed; With Dissent by Mr. McAninch.

AF15-0018 Loy, Benjamin and Nicole

Applicants requested \$100,000 for the construction of two poultry houses in Adair County. Bank of Columbia in Columbia, Kentucky, is the participating lender.

Staff recommended loan approval contingent on approval and obligation of 90% FSA guarantee on Lender and KAFC funds.

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

VOTE: Motion Passed; Unanimous.

AF15-0019 Vickers, John Russell and Evenlyn Penny

Applicants requested \$100,000 for the construction of 84,000 bushel grain bin in McLean County. Sacramento Deposit Bank in Sacramento, Kentucky, is the participating lender.

Staff recommended loan approval.

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

VOTE: Motion Passed; Unanimous.

Beginning Farmer Loan Program (BFLP)

AF15-0004 Devine, Jason and Christina

Applicants requested \$250,000 for the purchase of 100.4 acres in Mercer County. Central Kentucky ACA in Lexington, Kentucky, is the participating lender.

Staff recommended loan approval, contingent on approval and obligation of 90% FSA guarantee on Lender and KAFC funds.

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

VOTE: Motion Passed; Unanimous.

AF15-0005 Puckett, Brandon and Jamie

Applicants requested \$250,000 for the purchase of four Pilgrim's Pride breeder barns in Fulton County. First Community Bank of Western Kentucky in Clinton, Kentucky, is the participating lender.

Staff recommended loan approval, contingent on approval and obligation of 90% FSA guarantee on Lender and KAFC funds.

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

VOTE: Motion Passed; Unanimous.

AF15-0006 Denney, Shelby and Mary

Applicants requested \$250,000 for the purchase of 125 acres with four Equity Group broiler houses in Clinton County. First Financial Bank is the participating lender.

Staff recommended loan approval, contingent on approval and obligation of 90% FSA guarantee on Lender and KAFC funds.

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

VOTE: Motion Passed; Unanimous.

AF15-0007 Miller, Aaron and Melissa

Applicants requested \$250,000 for the construction of two Equity Group mega houses in Taylor County. Central Kentucky ACA in Lebanon, Kentucky, is the participating lender.

Staff recommended loan approval, contingent on approval and obligation of 90% FSA guarantee on Lender and KAFC funds and CL/AV is no worse than 100%.

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

VOTE: Motion Passed; Mr. Miller abstained.

AF15-0010 Smith, David and Julie

Applicants requested \$250,000 for the purchase of 20 acres and construction of four poultry houses in Barren County. First Financial Bank is the participating lender.

Staff recommended loan approval, contingent on approval and obligation of 75% SBA guarantee, 90% FSA guarantee and loan to appraised value no worse than 90%.

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

VOTE: Motion Passed; with Dissention from Mr. Penn.

AF15-0011 Steele, Philip and Sarah

Applicants requested \$100,250 for the purchase of 63 acres Mercer County. Farm Credit Mid-America in Danville, Kentucky, is the participating lender.

Staff recommended loan approval.

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

VOTE: Motion Passed; Unanimous.

AF15-0013 Woolf, Earl Jr.

Applicant requested \$250,000 for the purchase of 12 acres with six Tyson poultry houses in Graves County. First Community Bank of Western Kentucky in Clinton, Kentucky, is the participating lender.

Staff recommended loan approval, contingent on approval and obligation of 90% FSA guarantee on Lender and KAFC funds.

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

VOTE: Motion Passed; Unanimous.

AF15-0015 Bray, Derick

Applicant requested \$250,000 for the purchase of 71.95 acres and construction of two mega poultry houses in Adair County. United Citizens Bank in Columbia, Kentucky, is the participating lender.

Staff recommended loan approval, contingent on approval and obligation of 90% FSA guarantee on Lender and KAFC funds and CL/AV is no worse than 100%.

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

VOTE: Motion Passed; Unanimous.

AF15-0021 Robertson, Johnathan and Emily

Applicants requested \$8,987.50 for the construction of a barn utilized for hay and equipment storage in Mercer County. Farm Credit Mid-America in Danville, Kentucky, is the participating lender.

Staff recommended loan approval.

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

VOTE: Motion Passed; Unanimous.

Old Business

AF13-0072 Horn, Timothy

Mr. McCloskey presented a memorandum (*on file with the Boards Coordinator*) regarding the above referenced loan. The loan officer requested an increase in the amount of approved funds on behalf of Mr. Horn to pay for additional expenses that were not included in the original cost estimates. The main changes stem from the rewiring and electrical work needed for the upgrade, as well as the additional labor expenses. The additional amount requested was \$18,000. The original commitment was \$57,000 and is now increased to a total commitment of \$75,000. Independence Bank in Owensboro, Kentucky, is the participating lender.

Staff recommended approval of the request, as presented, pending fund availability.

Mr. Miller moved to approve the staff recommendation; Mr. Hunt seconded the motion.

VOTE: Motion Passed; Unanimous.

AF13-0011 Tackett, Amos

Mr. McCloskey presented a memorandum *(on file with the Boards Coordinator)* regarding the above referenced loan. The loan officer requested no-cost time extension on behalf of Mr. Tackett to provide time to refinance the project at a lower interest rate and on longer terms as a result of how FCMA and the FSA are willing to finance poultry equipment. The new expiration date would be July 17, 2015. This is the 5th extension request for this applicant.

Mr. Lawson moved to approve the staff recommendation; Mr. Jagers seconded the motion.

VOTE: Motion Passed; Unanimous.

Paid in Full

AF05-0017 Smotherman, Richard
AF08-0020 Stephen, Randal
AF08-0028 Freezor, Normand

No action necessary.

Withdrawn Applications

AF14-0005 Brown, Bradley

No action necessary.

Pending Applications

AF15-0009 Shocklee, Brandon
AF15-0020 Sykes, Joshua

No action necessary.

Closing Remarks

Mr. Kelly stated that the next KAFC Board meeting will be Friday, May 8, 2015, at 10:00 a.m. (EDT) at the Transportation Cabinet Office Building, 200 Mero Street, in room C-109.

Adjournment

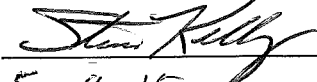
Mr. Kelly entertained a motion to adjourn.

Mr. McAninch moved to adjourn the KAFC board meeting; Mr. Hunt seconded the motion.

VOTE: Motion Passed; Unanimous.

The KAFC board meeting adjourned at 11:32 a.m. (EDT).


APPROVED DATE:



PRESIDING OFFICER:

5-8-15

BOARD SECRETARY:


Ray Arnold