

The actions delineated below were taken in open session of the Kentucky Agricultural Finance Corporation Board at the July 15, 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
Taylor County Extension Office
Campbellsville, Kentucky
July 15, 2016**

Call to Order

Commissioner Ryan Quarles, presiding, called the Kentucky Agricultural Finance Corporation Board (KAFRC) regular business meeting to order at 9:22 a.m. (EDT).

Roll Call

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

Members absent: Westy Adams, George Begley, Wayne Hunt and Doug Lawson.

Notification of Media

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

Welcome

Commissioner Quarles welcomed everyone to the meeting.

Commissioner Quarles mentioned the good discussion about the previous day's review of the University of Kentucky Study.

Commissioner Quarles called on Pat Hardesty, Taylor County Extension Agent for Agriculture and Natural Resources, to talk about the Taylor County Extension Office and Conference Center.

Commissioner Quarles reported that Representative John "Bam" Carney could not be in attendance but sent his best, and that Senator Max Wise had joined the boards for breakfast to give welcoming remarks.

Commissioner Quarles yielded the floor to Dan Flannigan from the AgriBank Board of Directors.

Mr. Flannigan welcomed the boards to Taylor County and thanked them for their work.

Commissioner Quarles introduced the following representatives from Homeplace on Green River: Ken Forman, President of the Board Executive Committee, and Pat Forman, Secretary of the Board Executive Committee.

Commissioner Quarles outlined the activity of himself and the Kentucky Department of Agriculture since the June 10, 2016 KAFRC board meeting.

Executive Director’s Report

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

Mr. Beeler introduced and yielded the floor to Myrisa Christy, Grant Facilitation Coordinator, from the Kentucky Center for Agriculture and Rural Development (KCARD).

Myrisa thanked the boards for their continued support and updated the boards on the recent activities of KCARD.

Mr. Beeler introduced and yielded the floor to John McCauley, Kentucky State Executive Director from the Farm Service Agency (FSA).

Mr. McCauley updated the boards on the activities of the FSA.

Mr. Beeler updated the boards on his activity since the June 10, 2016 KAFC board meeting.

Approval of Minutes

Commissioner Quarles entertained a motion to approve the minutes of the June 10, 2016 KAFC board meeting.

Mr. Jagers moved to approve the minutes, as presented; Commissioner Quarles seconded the motion.

VOTE: Motion Passed; Unanimous.

Deputy Executive Director’s Report

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

Mr. McCloskey referenced the county balance sheets (*on file*).

Mr. McCloskey referenced the KY Agricultural Development Board State Pool Tobacco Funds (*on file*) as of July 6, 2016.

Mr. McCloskey reviewed the KAFC Statement of Financial Position (*on file*) as of June 30, 2016.

| KAFC Statement of Financial Position | |
|---|----------------------|
| As of June 30, 2016 | |
| Assets | |
| Cash KAFC Accounts | \$ 11,233,850 |
| Loan Payments Due KAFC | |
| Category A | \$ 43,943,079 |
| Category B | \$ 616,421 |
| Category C | \$ 87,500 |
| | \$ 44,647,000 |
| Total Assets | \$ 55,880,850 |
| Liabilities | |
| KAFC loans approved not closed | \$ 9,892,124 |
| Loans Outstanding | \$ 44,647,000 |
| Total Liabilities | \$ 54,539,123 |
| Unobligated Assets | \$ 1,341,727 |
| Total Liabilities & Unobligated Assets | \$ 55,880,850 |

Commissioner Quarles moved to approve the K AFC Statement of Financial Position; Ms. Rumpke seconded the motion.

VOTE: Motion Passed; Unanimous.

Presentation

Commissioner Quarles yielded the floor to Ms. Herbert to introduce the following representatives from the Farm Service Agency: John McCauley, Kentucky State Executive Director; and Amanda Robertson, Beginning Farmer Regional Coordinator.

Ms. Robertson presented to the board (*on file*).

Commissioner Quarles opened the floor for comments and questions.

Commissioner Quarles thanked the Farm Service Agency representatives for their presentation.

Loan Review Committee

Commissioner Quarles asked Mr. McCloskey to provide a brief overview of the applications reviewed.

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 8 a.m. in JMH room of the Taylor County Extension Office. Ms. Rumpke requested that the reviewed loans be presented in the order of the agenda (*on file*) for ease.

New Business

Agricultural Infrastructure Loan Program (AILP)

AF16-0061 Puckett, Logan D.

Applicants requested \$150,000 for the construction of two Tyson broiler barns in Ohio County. First United Bank and Trust in Madisonville, KY is the participating lender.

Staff recommended approval.

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

VOTE: Motion Passed, Unanimous.

AF16-0062 Elkins, Tim

Pending, no action necessary.

AF16-0065 Payne, James

Applicants requested \$100,000 for the construction of two Pilgrim's Pride mega broiler barns in Graves County. River Valley AgCredit in Mayfield, KY is the participating lender.

Staff recommended approval.

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

VOTE: Motion Passed, Unanimous.

AF16-0071 Payne, Cody

Pending, no action necessary.

AF16-0073 Payne, Corey

Pending, no action necessary.

Beginning Farmer Loan Program (BFLP)

AF16-0038 Gross, Bryant

Applicant requested \$223,450 for the purchase and upgrading of two Tyson breeder barns on 10 acres in McLean County. Independence Bank in Livermore, KY is the participating lender.

Staff recommended approval, contingent on the approval and obligation of a 90% FSA guarantee and a personal guarantee from David Gross on IB and KAFC funds.

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

VOTE: Motion Passed, Unanimous

AF16-0057 Evans, Dennis

Applicants requested \$250,000 for the purchase and upgrading of 6+/- acres with four Pilgrim's Pride broiler barns in Hickman County. First Community Bank of the Heartland in Fancy Farm, KY is the participating lender.

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

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

VOTE: Motion Passed, Unanimous

AF16-0058 Miller, Ryan

Applicant requested \$250,000 for the construction of two Pilgrim's Pride broiler barns in Graves County. First Community Bank of the Heartland in Clinton, KY is the participating lender.

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

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

VOTE: Motion Passed; Unanimous

AF16-0059 Miller, Robert

Applicant requested \$250,000 for the construction of two Pilgrim's Pride broiler barns in Graves County. First Community Bank of the Heartland in Clinton, KY is the participating lender.

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

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

VOTE: Motion Passed, Unanimous.

AF16-0060 Cooper, Jeremy

Applicants requested \$250,000 for the construction of two Perdue breeder barns in Butler County. Farm Credit Mid-America in Bowling Green, KY is the participating lender.

The Loan Review Committee recommended pending the application until updated financials are provided.

Commissioner Quarles moved to approve the committee recommendation, Dr. Burdine seconded the motion.

VOTE: Motion Passed, Unanimous.

AF16-0063 Rickard, David

Applicants requested \$65,000 for the purchase of 40+/- acres with improvements in Muhlenberg 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 SDB and KAFC funds.

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

VOTE: Motion Passed, Unanimous.

AF16-0064 Price, Charles

Applicants requested \$250,000 for the purchase of 131+/- acres with four Perdue broiler barns, poultry equipment and other improvements in Butler County. Farm Credit Mid-America in Bowling Green, KY is the participating lender.

The Loan Review Committee recommended approval contingent on the approval and obligation of a 90% FSA guarantee on FCMA and KAFC funds.

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

VOTE: Motion Passed, Unanimous.

AF16-0066 Deweese, Elisha

Applicant requested \$250,000 for the construction of four Pilgrim's Pride mega broiler barns in Ballard County. River Valley AgCredit in Kevil, KY is the participating lender.

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

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

VOTE: Motion Passed, Unanimous.

AF16-0067 Hicks, Matthew D.

Applicants requested \$250,000 for the construction of two Tosh finishing barns in Hickman County. Citizens Deposit Bank in Arlington, KY is the participating lender.

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

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

VOTE: Motion Passed, Unanimous.

AF16-0068 Miller, Ronnie

Applicant requested \$250,000 for the construction of two Pilgrim's Pride broiler barns in Graves County. Frist Community Bank of the Heartland in Clinton, KY is the participating lender.

The Loan Review Committee recommended denying the loan application because of the low credit score.

Commissioner Quarles moved to approve the committee recommendation; Mr. Penn seconded the motion.

VOTE: Motion Passed, Unanimous.

AF16-0070 Shocklee, Brandon

Applicants requested \$250,000 for the construction of six Tyson broiler barns in McLean County. Farm Credit Mid-America in Owensboro, KY is the participating lender.

Staff recommended approval, contingent on the C/LV being no worse than 40% and the FCMA loan for \$1,099,000 and FSA direct loan for \$300,000 being a subordinate position to the KAFC financing. The maximum aggregate balance of KAFC funds to the applicants shall not exceed \$250,000 at any time.

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

VOTE: Motion Passed, Unanimous.

AF16-0072 Baumann, Bryce

Applicants requested \$193,750 for the purchase of real estate in Madison County. Central Kentucky ACA in Richmond, KY is the participating lender.

Staff recommended approval.

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

VOTE: Motion Passed, Unanimous.

Diversification through Entrepreneurship (DEAL)

AF16-0069 Lyle, Thomas

Applicants requested \$100,000 for the purchase of specialized wood shaving equipment for poultry bedding production. Farm Credit Mid-America in Glasgow, KY is the participating lender.

Staff recommended approval, contingent on the personal guarantee of the applicants' grandfather on FCMA and KAFC funds.

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

VOTE: Motion Passed, Unanimous.

Old Business

Amendments

Approval Modifications

AF16-0007 Ragland, Joshua

Mr. McCloskey presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested an approval modification to allow for the disbursement of K AFC funds without the execution of FSA guarantees on Lender and K AFC financing.

The Loan Review Committee recommended approval contingent on verification from FSA that there were no objections during the comment period and that the FSA application process will proceed as normal.

Ms. Rumpke moved to approve the committee recommendation; Mr. Jagers seconded the motion.

VOTE: Motion Passed, Unanimous.

Extension Requests

AF15-0010 Smith, David

Ms. Herbert presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a 6-month extension to allow time for construction to be completed and K AFC funds disbursed. The new expiration date would be January 10, 2017. This is the second extension request for this loan.

Staff recommended approval.

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

VOTE: Motion Passed, Unanimous.

AF15-0015 Bray, Derick

Ms. Herbert presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a 6-month extension to allow time for construction to be completed and K AFC funds disbursed. The new expiration date would be January 10, 2017. This is the second extension request for this loan.

Staff recommended approval.

Commissioner Quarles moved to approve the staff recommendation; Dr. Burdine seconded the motion.

VOTE: Motion Passed, Unanimous.

AF15-0016 Yoder, Elwood tiem

Ms. Herbert presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a 6-month extension to allow time for the dispute to be resolved or alternative integrator secured, closing to be completed and permanent financing in place. The new expiration date would be January 10, 2017. This is the second extension request for this loan.

Staff recommended approval.

Commissioner Quarles moved to approve the staff recommendation; Mr. McAninch seconded the motion.

VOTE: Motion Passed, Unanimous.

AF15-0018 Loy, Benjamin

Ms. Herbert presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a 3-month extension to allow for final installations to be completed, permanent financing in place and birds to be placed. The new expiration date would be October 10, 2016. This is the second extension request for this loan.

Staff recommended approval.

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

VOTE: Motion Passed, Unanimous.

AF15-0046 Rutherford, Blake

The loan officer requested a 6-month extension to allow time for construction to commence and possibly be completed. The new expiration date would be January 10, 2017. This is the first extension request for this loan.

Approved by Operations Committee 7/6/16.

No action necessary.

AF15-0047 Vincent, Huey

The loan officer requested a 6-month extension to allow time for applicants to finalize FCMA re-approval process and for construction to commence. Loan officer will be requesting an amendment to the KAFC approval based on the updated contingencies associated with the re-approval through FCMA. This request and supporting documentation should be submitted within the next 30 days. The new expiration date would be January 17, 2017. This is the first extension request for this loan.

Approved by Operations Committee 7/6/16.

No action necessary.

AF16-0029 Phelps, Eric

The loan officer requested a 3-month extension to allow bond rates to increase to the point where the KAFC portion can be funded at no additional cost to the applicant. The new expiration date would be October 8, 2016. This is the first extension request for this loan.

Approved by Operations Committee 7/6/16.

No action necessary.

AF16-0031 Smith, Robert

The loan officer requested a 3-month extension to allow time for Mrs. Smith to find employment and for the loan office to close the KAFC loan. The new expiration date would be October 8, 2016. This is the first extension request for this loan.

Approved by Operations Committee 7/6/16.

No action necessary.

AF16-0036 Neufeld, Wilhelm

The loan officer requested a 4-month extension to allow time for purchase to be completed and permanent financing in place. The new expiration date would be December 13, 2016. This is the first extension request for this loan.

Approved by Operations Committee 7/6/16.

No action necessary.

AF16-0037 Neufeld, Wilhelm

The loan officer requested a 4-month extension to allow time for purchase to be completed and permanent financing in place. The new expiration date would be December 13, 2016. This is the first extension request for this loan.

Approved by Operations Committee 7/6/16.

No action necessary.

Official Write-Off

AF11-0034 Fair, Christopher

Ms. Herbert presented a memorandum (on file) regarding the above referenced loan. The loan officer informed GOAP staff that the proceeds from the master commissioner sale will be insufficient to cover all of Mr. Fair's outstanding debts, including the delinquent K AFC loan. Staff is requesting a formal write-off of the loan as there are no other assets to be liquidated or further action that can be taken.

Commissioner Quarles moved to write off the loan; Mr. Miller seconded the motion.

VOTE: Motion Passed, Unanimous.

Paid in Full

| | |
|-----------|-----------------|
| AF07-0099 | Glenn, Wayne |
| AF08-0050 | Kean, Michael |
| AF08-0064 | McCubbin, Henry |
| AF13-0024 | Rush, Sarah Ann |

No action necessary.

Withdrawn Applications

| | |
|-----------|------------------|
| AF15-0039 | Quarles, Clinton |
|-----------|------------------|

No action necessary.

Closing Remarks

Commissioner Quarles stated that the next K AFC Board meeting will be on Friday, August 12, 2016 beginning at 10:00 a.m. at the Franklin County Extension Office.

Adjournment

Commissioner Quarles entertained a motion to adjourn.

Commissioner Quarles moved to adjourn the K AFC board meeting; Dr. Burdine seconded the motion.

VOTE: Motion Passed; Unanimous.

The K AFC board meeting adjourned at 11:03 a.m. (EDT).

APPROVED DATE: 8-12-16

PRESIDING OFFICER: Angie Bur

BOARDS COORDINATOR: Jannah Ford