

The actions delineated below were taken in open session of the Kentucky Agricultural Finance Corporation Board at the October 7, 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  
E.S. Good Barn  
Lexington, Kentucky  
October 7, 2016**

**Call to Order**

Commissioner Quarles, presiding, called the Kentucky Agricultural Finance Corporation Board (KAFC) regular business meeting to order at 10:06 a.m. (EDT).

**Roll Call**

The following members were present: Westy Adams, Kenneth Burdine, Larry Jagers, Frank McAninch, Aaron Miller, Frank Penn, Edwin King (designee for Secretary William M. Landrum III) and Commissioner Ryan Quarles.

Members absent: George Begley, Wayne Hunt, Doug Lawson and Linda Rumpke.

**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 introduced Edwin King, Chief of Staff at the Kentucky Finance and Administration Cabinet, and yielded the floor.

Mr. King expressed his excitement to be attending his first KAFC board meeting.

Commissioner Quarles updated the board on the activities of the Kentucky Department of Agriculture and himself since the September 9, 2016 board meeting.

Commissioner Quarles stated the Hunger Initiative meetings have concluded, and the statewide taskforce will be convening to develop a strategic plan based on recommendations.

Commissioner Quarles mentioned the KDA 2017 Hemp Program.

Commissioner Quarles thanked the UK College of Agriculture, Food and Environment for hosting KAFC during Kentucky Ag Leadership Day, and noted that board members should take time to talk with legislators during lunch.

**Approval of Minutes**

Commissioner Quarles entertained a motion to approve the minutes of the September 9, 2016 KAFC board meeting.

Mr. Miller moved to approve the minutes, as presented; Mr. McAninch 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 September 9, 2016 board meeting.

Mr. Beeler called on Mr. McAninch to address the board. Mr. McAninch requested an update on the hemp industry, particularly the market potential and profitability.

Commissioner Quarles clarified that hemp is approved under the current Farm Bill, therefore the economic potential has not been fully recognized. Commissioner Quarles directed any questions regarding hemp to Brent Burchett, Director of KDA's Division of Value-Added Plant Production.

Mr. Penn commended the Commissioner, KDA and the Office of the State Vet for their handling of the Mercer County equine neglect case, and requested an update.

Commissioner Quarles complimented the work of the KDA staff, specifically Dr. Stout and his team. Due to ongoing investigation, the Commissioner could not comment any further on the case.

Mr. McAninch requested that hunting be considered as an agritourism cost-share item under the County Agricultural Investment Program. GOAP staff forwarded this request to the GOAP Director of KADF Programs.

Commissioner Quarles mentioned US Secretary of Agriculture Tom Vilsack visited Kentucky and encouraged the board to read about his visit.

**Deputy Executive Director's Report**

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

Mr. McCloskey mentioned the Kentucky Agribusiness Summit information in the update packet.

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

<b>K AFC Statement of Financial Position</b>	
<b>As of September 30, 2016</b>	
<b>Assets</b>	
Cash KAFC Accounts	\$ 15,039,396
Loan Payments Due KAFC	
Category A	\$ 45,287,380
Category B	\$ 615,121
Category C	\$
	\$ 45,902,501
<b>Total Assets</b>	<b>\$ 60,941,897</b>
<b>Liabilities</b>	
KAFC loans approved not closed	\$ 13,169,418
Loans Outstanding	\$ 45,902,501
<b>Total Liabilities</b>	<b>\$ 59,071,919</b>
<b>Unobligated Assets</b>	<b>\$ 1,869,979</b>
<b>Total Liabilities &amp; Unobligated Assets</b>	<b>\$ 60,941,897</b>

Dr. Burdine commented on the current balance of unobligated assets which led to additional board discussion.

Commissioner Quarles recommended a brainstorming session to further discuss and investigate ways for the KAFC to maintain a diversified portfolio, prioritize increasingly limited funds and mitigate risk.

GOAP staff recommended a committee discussion prior to board action.

Mr. McCloskey referenced the KY Agricultural Development Board State Pool Tobacco Funds (*on file*) as of October 3, 2016.

Mr. Adams moved to approve the KAFC Statement of Financial Position; Mr. Jagers seconded the motion.

VOTE: Motion Passed; Unanimous.

### **Loan Review Committee**

Commissioner Quarles called on Dr. Burdine to give the Loan Review Committee report to the board.

Dr. Burdine reported that the Loan Review Committee met at 9 a.m. in the Culton Suite of the E.S. Good Barn, 1451 University Drive, Lexington, KY. Dr. Burdine requested the reviewed loans to be presented in the order of the agenda (*on file*).

### **New Business**

#### **Agricultural Infrastructure Loan Program (AILP)**

##### **AF16-0095          Hendrickson, Tyler**

Applicants requested \$25,000 for the purchase of six Tyson broiler barns in Webster County. Planters Bank, Inc. in Hopkinsville, KY is the participating lender.

This loan was approved by staff (09/28/2016) contingent on the aggregate balance of KAFC loans with the applicants not to exceed \$250,000 and the C/LV being no worse than 86%.

No action necessary.

##### **AF16-0096          Murley, Dennis**

Applicants requested \$100,000 for the construction of four Equity broiler barns in Barren County. Farm Credit Mid-America in Glasgow, KY is the participating lender.

Staff recommended loan approval, contingent on the approval and obligation of a 90% FSA guarantee on the FCMA 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; Dr. Burdine seconded the motion.

VOTE: Motion Passed, Unanimous.

##### **AF16-0098          Hadley, Roger**

Applicant requested \$100,000 for the construction of two Equity mega broiler barns in Adair County. Bank of Columbia in Columbia, KY is the participating lender.

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

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

VOTE: Motion Passed, Unanimous.

**AF16-0100 Warren, John**

Applicant requested \$64,080 for the upgrading of four Tyson pullet houses in Daviess County. Farm Credit Mid-America in Owensboro, KY is the participating lender.

Staff recommended loan approval.

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

VOTE: Motion Passed, Unanimous.

**Beginning Farmer Loan Program (BFLP)**

**AF16-0093 Troyer, Benjamin**

Applicants requested \$95,000 for the construction of one Handsome Brook Farm poultry barn in Hart County. Citizens Bank in Hartford, KY is the participating lender.

The Loan Review Committee recommended loan approval, contingent on the C/LV being no worse than 85% or if C/LV is greater than 85%, for there to be a 90% FSA guarantee on the CB and KAFC funds.

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

VOTE: Motion Passed, Unanimous.

Commissioner Quarles yielded his chair to Angela Blank (designee to Commissioner Quarles) at 11:02 a.m. due to a prior speaking obligation with the Kentucky Interim Joint Agriculture Committee.

**AF16-0094 Anderson, Robert**

Applicants requested \$250,000 for the construction of four Pilgrim's Pride breeder barns in Carlisle County. FNB Bank, Inc. in Mayfield, KY is the participating lender.

Staff recommended loan approval, contingent on the approval and obligation of a 90% FSA guarantee on the FNB Bank, Inc. 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; Mr. Jagers seconded the motion.

VOTE: Motion Passed, Unanimous

**AF16-0097 Tudor, Austin**

Applicant requested \$189,930 for the purchase of 190 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%.

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

VOTE: Motion Passed; Unanimous

**AF16-0099 Kendrick, Matthew**

Applicants requested \$47,250 for the purchase of 66 acres in Mercer County. Central Kentucky ACA in Danville, KY is the participating lender.

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

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

VOTE: Motion Passed, Unanimous.

**AF16-0101          Jewell, Dylan**

Applicant requested \$250,000 for the purchase of 4.5 acres with two Pilgrim's Pride breeder barns in Hickman 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 FCB of the Heartland and KAFC funds, and the C/LV being no worse than 100%.

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

VOTE: Motion Passed, Unanimous.

**AF16-0102          Boaz, Greg**

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

Staff recommended loan approval, contingent on the aggregate balance of KAFC loans with the applicants not to exceed \$250,000, the approval and obligation of a 90% FSA guarantee on the FCB and KAFC funds, and the C/LV being no worse than 100%.

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

VOTE: Motion Passed, Unanimous.

**AF16-0103          Curry, Raymond**

Applicant requested \$181,000 for the purchase and upgrading of four Perdue broiler barns on 52 acres in Ohio County. Farm Credit Mid-America in Owensboro, KY is the participating lender.

Staff recommended loan approval, contingent on the C/LV being no worse than 85%.

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

VOTE: Motion Passed, Unanimous.

**AF16-0104          Howard, Eric**

Applicants requested \$208,196 for the purchase of 77 acres in McLean County. Farm Credit Mid-America in Owensboro, KY is the participating lender.

Staff recommended loan approval, contingent on the C/LV being no worse than 85%.

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

VOTE: Motion Passed, Unanimous.

**AF16-0105          Woosley, Aaron**

Applicant requested \$34,000 for the purchase of 26 acres in McLean County. Farm Credit Mid-America in Owensboro, KY is the participating lender.

Staff recommended loan approval.

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

VOTE: Motion Passed, Unanimous.

**AF16-0106 Fields, Brandon**

Applicants requested \$250,000 for the purchase of 295 acres in Hart County. Farm Credit Mid-America in Elizabethtown, KY is the participating lender.

Staff recommended loan approval, contingent on the C/LV being no worse than 85%.

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

VOTE: Motion Passed, Mr. Miller abstained.

**Louisville Agribusiness Loan Program (METCO)**

**AF16-0107 Hurley, Sherry**

Applicant requested \$37,500 for the renovation and buildout of a facility and the purchase of additional equipment in Jefferson County. Metropolitan Business Development Corporation in Louisville, KY is the participating lender.

The Loan Review Committee recommended pending the loan, and communicating to the lender that the C/LV needed to be no worse than 90%, as required by the METCO Loan Program Guidelines.

Dr. Burdine moved to approve the committee recommendation to pend the request; Mr. Miller seconded the motion.

VOTE: Motion Passed, Unanimous.

**Old Business**

**Administrative Procedure**

Beth Herbert, Loan Program Manager, presented a memorandum (*on file*) regarding the adoption of the KAFC Distressed Loan Policy.

Staff and the KAFC Operations Committee recommended approving the adoption of this policy and the inclusion of said policy in the KAFC Administrative Procedures.

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

VOTE: Motion Passed, Unanimous.

**Amendments**

**AF11-0031 Young, Greg**

Dr. Burdine referenced a memorandum (*on file*) regarding the above referenced loan. The loan officer requested the substitution of collateral.

The Loan Review Committee recommended approval.

Dr. Burdine moved to approve the committee recommendation, as presented; Mr. Penn seconded.

VOTE: Motion Passed, Unanimous.

**AF12-0001            Rose, Joyce**

Dr. Burdine referenced a memorandum (*on file*) regarding the above referenced loan. The loan officer has requested to extend the maturity and reamortize the remaining loan balance.

The Loan Review Committee recommended approval.

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

VOTE: Motion Passed, Unanimous.

**AF13-0017            Cash, Eugene**

Dr. Burdine referenced a memorandum (*on file*) regarding the above referenced loan. The loan officer has requested the substitution of collateral.

The Loan Review Committee recommended approval.

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

VOTE: Motion Passed, Unanimous.

**Extension Requests**

**AF15-0074            Revlett, John**

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 January 2, 2017.

The extension was approved by the Operations Committee on September 30, 2016.

No action necessary.

**AF16-0029            Phelps, Eric**

Ms. Herbert presented a memorandum (*on file*) regarding the above referenced loan. 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 January 8, 2017.

Staff recommends approving this request.

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

VOTE: Motion Passed, Unanimous.

**AF16-0031            Smith, Robert**

Ms. Herbert presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a 3-month extension to allow time for Mrs. Smith to find employment and for the loan officer to close the KAFC loan. The new expiration date would be January 8, 2017.

Staff recommends approving this request.

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

VOTE: Motion Passed, Unanimous.

**AF16-0032 Schlosnagle, Chelsey**

Ms. Herbert presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a 3-month extension to allow time for purchase to be completed and financing to be in place, as K AFC funds are for the land purchase and FSA funds are for the construction. The new expiration date would be January 8, 2017.

Staff recommends approving this request.

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

VOTE: Motion Passed, Unanimous.

**Closing Remarks**

Ms. Blank stated that the next K AFC Board meeting will be on Friday, November 4<sup>th</sup>, 2016 beginning at 10:00 a.m. (EDT) at the Franklin County Extension Office in Frankfort.

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

Mr. McCauley stated that he was with Secretary Vilsack as he traveled around the state and announced several community grants. Mr. McCauley reported that FSA had a record fiscal year in terms of loans, which would not have happened without the support of K AFC and GOAP.

Mr. McCauley yielded the floor to Amanda Robertson, FSA Beginning Farmer Regional Coordinator, to discuss the upcoming New and Beginning Farmer Summit on Friday, November 11<sup>th</sup>, 2016, during the North American International Livestock Exposition.

GOAP staff will forward additional information to board members when available.

**Adjournment**

Ms. Blank entertained a motion to adjourn.

Mr. Jagers moved to adjourn the K AFC board meeting; Mr. Miller seconded the motion.

VOTE: Motion Passed; Unanimous.

The K AFC board meeting adjourned at 11:40 a.m. (EDT).

APPROVED DATE:

11-4-16

PRESIDING OFFICER:

Chelsey Blank

BOARDS COORDINATOR:

Harold Doy