

The actions delineated below were taken in open session of the Kentucky Agricultural Finance Corporation Board at the November 3, 2017 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
Franklin County Extension Office
Frankfort, Kentucky
November 3, 2017**

Call to Order

Commissioner Quarles, presiding, called the Kentucky Agricultural Finance Corporation Board (KAFC) regular business meeting to order at 10:09 a.m. (EDT).

Roll Call

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

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

Notification of Media

Commissioner Quarles received verification from Marielle Manning, Public Affairs Manager, that the media had been notified of the KAFC board meeting.

Welcome

Commissioner Quarles welcomed everyone to the meeting.

Commissioner Quarles commented on the round table farmer forums, where the Farm Bill, international trade and funding opportunities were discussed.

Commissioner Quarles mentioned the 2018 industrial hemp application period is open with applications due November 15, 2017.

Commissioner Quarles stated Walmart and IBM Watson plan to donate freezers to the Kentucky Hunger Initiative.

Commissioner Quarles announced KDA's Homegrown by Heroes Program would be expanding applicant eligibility.

Commissioner Quarles updated the board on international trade discussions with China, specifically the exportation of Kentucky horses, beef and timber.

Approval of Minutes

Commissioner Quarles entertained a motion to approve the minutes of the October 6, 2017 KAFC board meeting.

Ms. Rumpke moved to approve the minutes; Mr. Hunt 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 referenced the October 2017 Beeler Report (*on file*).

Mr. Beeler updated the board on his activities since the October 6, 2017 board meeting.

Deputy Executive Director’s Report

Commissioner Quarles yielded the chair to John McCauley (designee for Commissioner Quarles) at 10:30 a.m.

Mr. McCauley yielded the floor to Bill McCloskey, GOAP Deputy Executive Director, to report to the board.

Mr. McCloskey referenced a memorandum (*on file*) from Beth Mobley to request the transfer of \$5 million from KADB to KAFC.

Mr. McCloskey referenced the KY Agricultural Development Board State Pool Tobacco Funds (*on file*) as of October 24, 2017.

In response to a question from Mr. McAninch, GOAP staff stated the KADB is continuing discussion on the “Big 4” future funding.

Mr. McCloskey reviewed KADF County Balances (*on file*) as of October 23, 2017.

Mr. McCloskey reviewed the KAFC Statement of Financial Position (*on file*) as of September 30, 2017.

KAFC Statement of Financial Position	
As of September 30, 2017	
Assets	
Cash KAFC Accounts	\$ 15,698,767
Loan Payments Due KAFC	
Category A	\$ 53,123,562
Category B	\$ 626,600
Category C	\$
	\$ 53,750,162
Total Assets	\$ 69,448,929
Liabilities	
KAFC loans approved not closed	\$ 12,354,550
Loans Outstanding	\$ 53,750,162
Total Liabilities	\$ 66,104,712
Unobligated Assets	\$ 3,344,217
Total Liabilities & Unobligated Assets	\$ 69,448,929

Dr. Burdine moved to approve the KAFC Statement of Financial Position; Mr. Brady seconded the motion.

VOTE: Motion Passed; Unanimous.

Compliance Committee Report

Mr. Miller stated the Compliance Committee met at 9:00 a.m. in Room C of the Franklin County Extension Office.

Mr. Miller reported no errors were found in the loans reviewed and commented on the effective processes of staff.

Loan Review Committee Report

Ms. Rumpke reported that the Loan Review Committee met at 9:45 a.m. in Room C of the Franklin County Extension Office.

Ms. Mobley presented a memorandum (*on file*) requesting the transfer of an existing loan balance for Colby Riley (AF13-0004).

The Loan Review Committee recommended approval of the requested loan balance transfer.

Ms. Rumpke moved to accept the committee recommendation, as presented; Dr. Burdine seconded the motion.

VOTE: Motion Passed; Unanimous.

New Business

Agricultural Infrastructure Loan Program (AILP)

AF17-0099 Nesler, Mako

Applicant requested \$100,000 for the construction of a 120,000 bushel grain bin in Graves County. Community Financial Services Bank in Benton, KY is the participating lender.

Staff recommended loan approval, contingent on the C/LV being no worse than 75% and the submission of acceptable yearend financials.

Mr. McAninch moved to discuss net worth limits; Mr. Hunt seconded the motion.

VOTE: Motion Passed, with dissent.

Ms. Rumpke stated the Strategic Planning Committee has been discussing the implementation of stricter parameters for AILP applicants, specifically their new worth.

Mr. Jagers called for a question on the motion; Mr. Hunt seconded the motion.

VOTE: Motion Passed; with dissent.

Mr. McAninch moved to set net worth limits for individual producers at \$2.5 million for AILP; Dr. Burdine seconded the motion.

VOTE: Motion Failed.

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

VOTE: Motion Passed; with dissent.

AF17-0100 Humphrey, Edward

Applicant requested \$150,000 for the construction of three (3) Perdue broiler barns in Ohio County. Farm Credit Mid-America in Owensboro, KY is the participating lender.

Staff recommended loan approval.

Mr. Brady moved to approve staff recommendation, as presented, pending availability of funds; Mr. Miller seconded the motion.

VOTE: Motion Passed; Unanimous.

Beginning Farmer Loan Program (BFLP)

AF17-0096 Brockman, Connor

Applicants requested \$83,000 for the purchase of 63 acres in Marion County. Central Kentucky ACA in Lebanon, KY is the participating lender.

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

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

VOTE: Motion Passed; Unanimous.

AF17-0097 Crum IV, Manford

Applicant requested \$181,300 for the purchase of 40 acres with improvements in Graves County. The First Community Bank of the Heartland in Clinton, KY is the participating lender.

Staff recommended loan approval.

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

VOTE: Motion Passed; Unanimous.

AF17-0098 Bailey, Dustin

Applicants requested \$107,500 for the purchase of 75 acres with improvements in Bath County. Traditional Bank in Mt. Sterling, KY is the participating lender.

Staff recommended loan approval.

Mr. Miller moved to approve staff recommendation, as presented, pending availability of funds; Mr. McAninch seconded the motion.

VOTE: Motion Passed; Ms. Rumpke abstained.

Old Business

Amendments

AF13-0004 Riley, Colby

The request was discussed and recommendation approved under the Loan Review Committee Report.

Extension Requests

AF16-0040 Beasley, Benjamin

Ms. Mobley 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 in place. The new expiration date would be February 13, 2018.

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

VOTE: Motion Passed; Unanimous.

AF16-0074 Hill, Virginia

Ms. Mobley 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 May 12, 2018.

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

VOTE: Motion Passed; Unanimous.

AF17-0063 Buckley, Tyler

Ms. Mobley presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a 1-month extension to allow time for disbursement to be completed and to remain K AFC compliant. The new expiration date would be November 14, 2017.

Approved by the Operations Committee on October 18, 2017.

No action necessary.

Closing Remarks

Mr. McCauley stated that the Strategic Planning Committee would meet 30 minutes after lunch in room C of the Extension Office.

Ms. Mobley asked if the board would be interested in utilizing iPad board books, if they proved to be more economical than paper board books.

Mr. McCauley stated that the next K AFC Board meeting would be on December 8, 2017 beginning at 10:00 a.m. at the Franklin County Extension Office in Frankfort.

Mr. McCauley invited board members to attend the Kentucky Ag Council on November 19.

Mr. McCauley extended an invitation to K AFC board members to attend the Ag Summit on November 8-9.

Mr. McCauley invited board members to attend the Beginning Farmer Summit on February 15, 2018.
a.

Mr. McCauley introduced Nathan Smith, Legislative Research Commission Agriculture Committee Analyst.

Adjournment

Mr. McCauley entertained a motion to adjourn.

Ms. Rumpke moved to adjourn the K AFC board meeting; Mr. Hunt seconded the motion.

VOTE: Motion Passed; Unanimous.

The K AFC board meeting adjourned at 11:29 a.m. (EDT).

APPROVED DATE: 12-8-2017

PRESIDING OFFICER: *John Jank*

BOARDS COORDINATOR: *Marielle Manney*

Appendix A: Loan Review Committee Meeting Minutes



Meeting Date:	November 3, 2017
Meeting Location:	Franklin Co. Extension Office, Frankfort
Meeting Chair:	Linda Rumpke
Attendees:	Warren Beeler (staff), John Brady (OFM Proxy), Kenny Burdine, Steve Doan (staff), Hannah Forte (staff), Wayne Hunt, Larry Jagers, Bill McCloskey (staff), Aaron Miller, Beth Mobley (staff), and Linda Rumpke
Minutes Issued By:	Beth Mobley
Meeting Call to Order:	9:48 am
Meeting Adjourned:	9:56 am

Agenda Items:

1. Review Transfer of Loan request AF13-0004—Colby Riley
 - a. LRC recommends granting this request based on:
 - i. Request meeting approved guidelines for disbursed loan transfer consideration adopted by the KAFC Board on January 8, 2016
 - Applicant needs to restructure debts in order to sustain farming operation and originating Lender is unwilling to refinance
 - Tri-Party concurrence executed
 - Submission of applicable/requested financial documentation
 - ii. Loan balance transfer shall be no than the outstanding principal and accrued interest balances (\$198,062.29)

Appendix B: Strategic Planning Committee Meeting Minutes



Meeting Date:	November 3, 2017
Meeting Location:	Franklin Co. Extension Office, Frankfort
Meeting Chair:	John McCauley
Attendees:	Kenny Burdine, Steve Doan (staff), Hannah Forte (staff), Wayne Hunt, Marielle Manning (staff), Bill McCloskey (staff), Aaron Miller, Beth Mobley (staff), Tracey Park (staff), Tonya Phillips, Linda Rumpke
Minutes Issued By:	Beth Mobley
Meeting Call to Order:	12:11 pm
Meeting Adjourned:	1:20 pm

Agenda Items:

1. Discuss elimination of tobacco production history incentive (\$50K) for AILP applicants
 - a. SPC recommends preserving the incentive, but will only be available to:
 - i. Applicants who can document tobacco dependency within the previous five (5) years, as evidenced by federal tax returns
 - ii. Applicants who cannot document tobacco dependency within that time, will be limited to \$100,000, not to exceed 50% of the project cost

2. Discuss implementation of a net worth cap for AILP applicants
 - a. SPC recommends implementing a net worth cap of \$3.5 million, based on:
 - i. Ensuring funds are meeting the statutory intent of KAFC loan programs
 - ii. Maintaining healthy portfolio with loans to established producers with proven repayment capacity
 - b. Applicants with net worth exceeding \$3.5M may request funding under the AILP, but will be discouraged to do so if traditional financing is available and obtainable
 - i. Applications where applicants' net worth exceeds \$3.5M will be referred to the Loan Review Committee to discuss net worth composition and asset valuation

3. Discuss credit score thresholds
 - a. SPC recommends referring applications, where one or more of the applicants' credit scores is less than 600, to the Loan Review Committee

4. SPC will present recommendations to the KAFC Board at the December 8, 2017 for official action, with anticipated revisions to be effective and published January 1, 2018
 - a. Staff shall revise any internal and external documents, per Board's action

Appendix C: Compliance Committee Meeting Minutes



Meeting Date:	November 3, 2017
Meeting Location:	Franklin Co. Extension Office, Frankfort
Meeting Chair:	Aaron Miller
Attendees:	Warren Beeler (staff), John Brady (OFM Proxy), Kenny Burdine, Steve Doan (staff), Hannah Forte (staff), Larry Jagers, Bill McCloskey (staff), Aaron Miller, Beth Mobley (staff)
Minutes Issued By:	Beth Mobley
Meeting Call to Order:	9:10 am
Meeting Adjourned:	9:45 am

Agenda Items:

1. Review Loan Disbursement Checklists
 - a. 23 loans disbursed April-June 2017
 - b. Staff discussed internal disbursement/monitoring processes
2. Randomly selected, reviewed and discussed loan/payment files
3. Questions, comments suggestions for staff
4. Discuss any changes to Administrative Procedures
 - a. None