

The actions delineated below were taken in open session of the Kentucky Agricultural Finance Corporation Board at the January 11, 2019 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 Business Meeting
700 Capital Avenue
Frankfort, KY 40601**

Call to Order

Commissioner Ryan Quarles, presiding, called the Kentucky Agricultural Finance Corporation Board (KAFRC) regular business meeting to order at 10:05 a.m. (EST).

Roll Call

The following members were present: Commissioner Quarles, presiding, Frank McAninch, Donna Amburgey, John Brady (designee for Secretary William M. Landrum III), Wayne Hunt, Jonathan Noe, and Linda Rumpke.

Members absent: Westy Adams, Dr. Kenny Burdine, Larry Jagers, Doug Lawson and Frank Penn.

Notification of Media

Commissioner Quarles received verification from Marielle McElmurray, Director of Public Affairs, that the media had been notified of the KAFRC board meeting.

Welcome

Commissioner Quarles welcomed Representative Richard Heath, Chairman of the House Standing Committee on Agriculture, to address the board.

Rep. Heath discussed some of the bills that the House Standing Committee on Agriculture is currently working on.

Commissioner Quarles asked Rep. Heath to speak to the tax on certain services. He discussed the non-profit tax.

In response to a question from Mr. McAninch, Rep. Heath discussed the proposed medical marijuana legislation.

Commissioner Quarles mentioned the passing of the Farm Bill and stated that John McCauley, Director of Agricultural Policy, has a summary if needed.

Commissioner Quarles discussed the federal government shutdown.

Commissioner Quarles stated he recently met with United States Secretary of Agriculture, Sonny Perdue, to discuss USDA involvement with the Farm Bill.

Mr. McAninch asked about the license to grow and process hemp.

Commissioner Quarles stated that anyone wanting to grow or process hemp must contact KDA and obtain a license.

Commissioner Quarles discussed Ag tag season, which supports 4-H and FFA, and the Leopold Conservation Award contest.

Commissioner Quarles discussed the Kentucky Fruit and Vegetable Conference.

Commissioner Quarles stated that the USDA has extended the deadline of market facilitation program (MFP) payments due to the government shutdown.

Commissioner Quarles mentioned that talks will be ongoing with the banking industry regarding hemp.

Commissioner Quarles stated that KDA will be putting out videos soon regarding farming and suicide awareness.

Commissioner Quarles invited everyone to the Kentucky Proud legislative breakfast on February 12, 2019 and the Serving Up Solutions dinner on February 19, 2019.

Approval of Minutes

Commissioner Quarles entertained a motion to approve the minutes of the December 14, 2018 KAFC board meeting.

Mr. Hunt moved to approve the minutes; Mr. Noe 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 mentioned staff changes at GOAP.

Mr. Beeler reviewed his schedule since the last meeting.

Deputy Executive Director's Report

Commissioner Quarles called on Bill McCloskey, GOAP Deputy Executive Director, to report to the board.

Mr. McCloskey addressed the update packet.

Mr. McCloskey recognized Andrew Ellison representing Community Financial Services Bank in Mayfield.

Mr. McCloskey reviewed the KAFC Statement of Financial Position (*on file*) as of December 31, 2018.

Mr. McCloskey reviewed the Kentucky Agricultural Development Fund Cash Flow (*on file*) as of January 10, 2019.

Mr. McCloskey referenced the KY Agricultural Development Board State Pool Tobacco Funds (*on file*) as of January 10, 2019.

Mr. McCloskey reviewed KADF County Balances (*on file*) as of January 3, 2019.

Mr. McCloskey reviewed the Category B loans (*on file*) as of January 2019.

K AFC Statement of Financial Position	
As of December 31, 2018	
Assets	
Cash K AFC Accounts	\$ 15,984,121
Loan Payments Due K AFC	
Category A	\$ 64,531,571
Category B	\$ 639,584 (Foothills, Karsner, Monroe, Palmer, Weekly Juicery & Ellis)
Category C	\$
	\$ 65,171,155
Total Assets	\$ 81,155,276
Liabilities	
K AFC loans approved not closed	\$ 12,507,368
Principal Outstanding	\$ 65,171,155
Total Liabilities	\$ 77,678,523
Unobligated Assets	\$ 3,476,753
Total Liabilities & Unobligated Assets	\$ 81,155,276

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

VOTE: Motion Passed; Unanimous.

Loan Review Committee Report

Commissioner Quarles yielded the floor to Linda Rumpke to report to the board.

Ms. Rumpke requested that the remaining reviewed loans be presented in the order of the agenda (*on file*).

New Business

Agricultural Infrastructure Loan Program (AILP)

AF19-0004 Jarvis, Brady

Applicants requested \$26,960.50 for the construction of a barn in Muhlenberg County. Farm Credit Mid-America in Owensboro, KY is the participating lender.

No Action Necessary.

AF19-0008 Murley, Dennis

Applicants requested \$100,000 for the purchase of four (4) Keystone broiler houses in Wayne County. Monticello Banking Company in Monticello, KY is the participating lender.

Staff recommends approval, with C/LV no greater than 85%.

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

VOTE: Motion Passed; Unanimous.

AF19-0009 Jones, Gerald

Applicant requested \$100,000 for the construction of an agritourism event building in Madison County. Central Kentucky ACA in Richmond, KY is the participating lender.

The Loan Review Committee recommends approval with an exception to utilize future projections of farm income and with a C/LV no greater than 75%.

Ms. Rumpke moved to approve committee recommendation, as presented, pending availability of funds; Mr. McAninch seconded the motion.

VOTE: Motion Passed; Unanimous.

Agricultural Processing Loan Program (APLP)

AF18-0145 Gencanna Global USA Pended on 10/12

Beginning Farmer Loan Program (BFLP)

AF18-0164 Schlabach, Jeremy

Applicants requested \$250,000 for the purchase on one (1) Handsome Brook layer barn and equipment in Logan County. The Citizens Bank of Hickman in Hickman, KY is the participating lender.

The Loan Review Committee recommended denying the application due to limited repayment capacity.

Mr. McAninch stated his concern with denying the request and stated that KAFC money is to be used to take risks on some young farmers.

Ms. Rumpke moved to approve committee recommendation, as presented, pending availability of funds; Ms. Amburgey seconded the motion.

VOTE: Motion Passed; Unanimous.

Commissioner Quarles yielded the floor to Senator Paul Hornback, Chairman of the Senate Standing Committee on Agriculture, to address the board.

Sen. Hornback thanked the board for the work that they do and asked for their support of legislators to continue to use the KADF as intended and invest in Kentucky agriculture.

Commissioner Quarles yielded the floor to Representative Nancy Tate to address the board.

Rep. Tate updated the board on her background and the influence of agriculture in her district.

Rep. Tate thanked the board for their work and dedication to Kentucky agriculture.

Rep. Tate and Sen. Hornback responded to a question from Mr. McAninch regarding the proposed medical marijuana legislation.

Mr. McAninch stated his hopes that the Kentucky legislature will consider medical marijuana.

Commissioner Quarles acknowledged KADB member, Katie Moyer, to comment on the status of hemp projects in Kentucky.

AF19-0001 Toon, Matthew

Applicant requested \$224,000 for the purchase of 86 acres in Carlisle County. The Citizens Deposit Bank in Arlington, KY is the participating lender.

Staff recommends approval, with C/LV no greater than 65%.

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

VOTE: Motion Passed; Unanimous.

AF19-0002 Souto, Melvyn

Applicants requested \$88,000 for the construction of hydroponics greenhouse in Monroe County. The Citizens Bank in Hartford, KY is the participating lender.

The Loan Review Committee recommends approval of the guidelines exception request with C/LV no greater than 75% and for staff to address the committee's concerns with the lender.

Ms. Rumpke moved to approve committee recommendation, as presented, pending availability of funds; Mr. Brady seconded the motion.

VOTE: Motion Passed; Unanimous.

AF19-0003 Jackson, James Adam

Applicant requested \$92,400 for the purchase of 40 acres in Daviess County. Farm Credit Mid-America in Owensboro, KY is the participating lender.

The Loan Review Committee recommends approval.

Ms. Rumpke moved to approve the committee recommendation, as presented, pending availability of funds; Mr. McAninch seconded the motion.

VOTE: Motion Passed; Unanimous.

AF19-0005 Tabor, Austin

Applicants requested \$250,000 for the purchase of 40 acres with four (4) Keystone breeder barns in Allen County. Farm Credit Mid-America in Glasgow, KY is the participating lender.

Staff recommends approval, contingent upon the approval and obligation of a 90% FSA guarantee on FCMA and KAFC funds, with C/LV no greater than 100%.

Mr. Noe moved to approve staff recommendation, as presented, pending availability of funds; Ms. Rumpke seconded the motion.

VOTE: Motion Passed; Unanimous.

AF19-0006 Alford, Andrew

Applicants requested \$70,000 for the purchase of 55 acres in Edmonson County. Franklin Bank & Trust in Franklin, KY is the participating lender.

Loan Review Committee recommends approval.

Ms. Rumpke moved to approve staff recommendation, as presented, pending availability of funds, with C/LV no greater than 85%; Ms. Amburgey seconded the motion.

VOTE: Motion Passed; Unanimous.

Old Business:

Extensions

AF18-0005 Edwards, Justin

This request is for a thirty (30) day extension to allow time for adequate time for closing to be completed. The new expiration date will be February 19, 2019.

Approved by Operations Committee on January 2, 2019.
No Action Necessary.

AF18-0119 Bilbrey, Daniel

This request is for a sixty (60) day extension to allow adequate time for the integrator contract to be finalized and received. The new expiration date will be February 14, 2019.

Approved by Operations Committee on December 14, 2018.

No Action Necessary.

AF17-0102 Woolf, Earl Lee "Sonny"

This request is for a sixty (60) day extension to ensure adequate time for the loan to close. The new expiration date will be April 8, 2019.

Staff recommends approval.

Ms. Rumpke moved to approve the recommendation of 90 days, pending availability of funds, Mr. Hunt seconded the motion.

VOTE: Motion Passed; Unanimous.

AF18-0019 South Fork Malthouse

This request is for a six (6) month extension to allow time for construction and installation to be completed. The new expiration date will be July 13, 2019.

Staff recommends approval.

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

VOTE: Motion Passed; Unanimous.

AF18-0098 Detre, Jason

This request is for a sixty (60) day extension to ensure adequate time for closing. The new expiration date will be March 10, 2019.

Staff recommends approval.

Ms. Rumpke moved to approve the recommendation for an extension of 90 days, pending availability of funds, the new expiration date will be April 10, 2019; Mr. Noe seconded the motion.

VOTE: Motion Passed; Unanimous.

Memo Action Item:

Steve Doan, General Counsel, presented a memo (*on file*) requesting authority to extend all deadlines for approved FSA loan applicants in 30-day increments, should an applicant fail to meet a deadline because of the FSA shutdown. Staff may extend a deadline as many times as necessary in order to prevent KAFC funds from expiring. This approval would expire 30 days after the FSA resumes operation.

Staff recommends approval.

Ms. Amburgey moved to approve staff recommendation, as presented; Mr. McAninch seconded the motion.

VOTE: Motion Passed; Unanimous.

Closing Remarks

Adjournment

Commissioner Quarles entertained a motion to adjourn.

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

VOTE: Motion Passed; Unanimous.

The KAFC board meeting adjourned at 11:40 a.m. (EST).

APPROVED DATE:

2-8-2019

PRESIDING OFFICER:

Jim Quaker

BOARDS COORDINATOR:

Tracey Park

Tracey Park

APPENDIX A: Loan Review Committee Meeting Minutes



Meeting Date:	January 11, 2019
Meeting Location:	Kentucky State Capitol, Frankfort
Meeting Chair:	Linda Rumpke
Attendees:	Linda Rumpke, Jonathan Noe, John Brady, Wayne Hunt, John McCauley. Staff: Warren Beeler, Bill McCloskey, Steve Doan, Sadie Middleton. Guest: Brandon Gilles (FCMA)
Minutes Issued By:	Sadie Middleton
Meeting Call to Order:	9:08 AM EST
Meeting Adjourned:	9:38 AM EST

Agenda Items:

Applications - Old Business

1. Review of AF18-0164—Schlabach, Jeremy
 - a. Recommend denial due to cash flow concerns.

Applications - New Business

2. Review of AF19-0002—Souto, Melvyn
 - a. Recommend approval.
3. Review of AF19-0003—Jackson, Adam
 - a. Explanation from Brandon Gilles, loan officer.
 - b. Recommend approval.
4. Review of AF19-0006—Alford, Andrew
 - a. Recommend approval.
5. Review of AF19-0009—Jones, Gerald
 - a. Recommend approval.

Appendix B: Compliance Committee Meeting Minutes



Meeting Date:	January 11, 2019
Meeting Location:	Kentucky State Capitol, Frankfort
Meeting Chair:	John Brady
Attendees:	John Brady (OFM Proxy), Linda Rumpke, Wayne Hunt, Frank McAninch, Jonathan Noe. Staff: Bill McCloskey, Warren Beeler, Sadie Middleton, Steve Doan, Renee Laurent.
Minutes Issued By:	Sadie Middleton
Meeting Call to Order:	12:25 PM EST
Meeting Adjourned:	12:57 PM EST

Agenda Items:

1. Review Loan Disbursement Checklists
 - a. 25 loans disbursed 2018 Q3
 - b. 38 loans disbursed 2018 Q4
2. Review of randomly selected disbursed loans.
 - a. AF18-0095 Kentucky Organic Farm & Feed – staff review and report findings on the collateral, combined loan-to-value, and mortgage/title.
3. Direction to staff, provided by committee members
 - a. Implement 60-day policy to receive filed mortgages from lender after disbursement of KAFC funds.
 - b. For all preliminary documents, call lender after 30 days to obtain final. Send letter from Executive Director after 60 days.
 - c. Follow up with all Q3 and Q4 disbursements that are missing documents and email updated Post-Disbursement Checklist (Excel doc) to committee members by the February 2019 KAFC meeting.
4. Discussion on specific items to be provided to committee members
 - a. Send the Post-Disbursement Checklist (Excel doc) to the committee chair via email prior to committee meeting.
 - b. The committee chair will randomly select 10% of the disbursed loans for review.
 - c. KAFC staff will bring the selected blue and brown folders to the Semi-Annual Compliance Committee meeting for thorough review by committee members.
5. Motion to Adjourn

Appendix C: Joint Committee on Industrial Hemp Meeting Minutes



Meeting Date:	January 11, 2019
Meeting Location:	Kentucky State Capitol, Room 110 Frankfort, KY
Meeting Chair:	Wayne Hunt
Attendees:	Members: Wayne Hunt, Keith Rogers, Frank McAninch, Bobby Foree, Katie Moyer, Mark Barker CED: Taylor Sears. KDA: Joe Bilby GOAP Staff: Bill McCloskey, Warren Beeler, Steve Doan, Sadie Middleton, Joe Montgomery, Renee Laurent, Marielle McElmurray
Minutes Issued By:	Renee Laurent
Meeting Call to Order:	1:00 PM
Meeting Adjourned:	2:00 PM

Agenda Items:

The Joint Committee on Industrial Hemp met to discuss how the Kentucky Agricultural Development Board and the Kentucky Agricultural Finance Corporation should move forward regarding the processing of grant and loan applications relating to industrial hemp.

Kentucky Department of Agriculture (KDA) General Counsel Joe Bilby presented the committee with an overview of the newly approved Farm Bill with a focus the legalization of industrial hemp. Bilby also discussed Kentucky's State Plan which has been delivered to U.S. Secretary of Agriculture Sonny Perdue. Keith Rogers of KDA gave an overview of the current 2019 Industrial Hemp Producer Application Process.

The members also discussed the different scenarios under which loans and grants would be made available.

After thorough discussion, the Committee recommended that the KADB and KAFC will consider applications for funding now that hemp has been removed from the list of schedule I narcotics. The KADB will consider funding hemp applications related to education and certified seed for 2019. The KADB and KAFC will consider applications for loans on a participation basis. Hemp shall be an eligible crop for CAIP and Next Generation Beginning Farmer Program.

There being no further business, the meeting was adjourned.