

The actions delineated below were taken in open session of the Kentucky Agricultural Finance Corporation Board at the February 8, 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
101 Lakeview Court
Frankfort, KY 40601**

Call to Order

Commissioner Ryan Quarles, presiding, called the Kentucky Agricultural Finance Corporation Board (KAFC) regular business meeting to order at 10:25 a.m. (EST).

Roll Call

The following members were present: Commissioner Quarles, Westy Adams, Donna Amburgey, John Brady, (designee for Secretary William M. Landrum III), Dr. Kenny Burdine, Wayne Hunt, Larry Jagers, Doug Lawson, Frank McAninch, and Jonathan Noe.

Members absent: Linda Rumpke 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 KAFC board meeting.

Welcome

Commissioner Quarles welcomed everyone to the meeting.

Commissioner Quarles mentioned two personnel changes at the Department of Agriculture; the promotion of Tim Hughes, to Senior Trade advisor and the hiring of Michael Williams, Division of Environmental Service.

Commissioner Quarles invited everyone to attend the Kentucky Proud breakfast on Tuesday, February 12, 2019.

Approval of Minutes

Commissioner Quarles entertained a motion to approve the minutes of the January 11, 2019 KAFC board meeting.

Mr. Hunt moved to approve the minutes; Mr. Brady 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 welcomed everyone to the meeting today.

Mr. Beeler reviewed his schedule since the last meeting.

Mr. Beeler introduced new GOAP staff; Ali Hulett, Administrative Loan Manager and Shelby Wade, Compliance Manager to the board.

Mr. Beeler informed the board that Danielle Milbern and Renee Laurent have transitioned their roles to Project managers.

Mr. Beeler recognized Aleta Botts, Executive Director of Kentucky Center for Rural Agriculture and Development (KCARD).

Mr. Beeler called on Brian Lacefield, Farm Service Agency State Executive Director to address the board.

Mr. Beeler called on Dr. Will Snell, Co-Director of the Kentucky Agricultural Leadership Program (KALP), to address the board.

Mr. Beeler and Sadie Middleton, Loans Programs Manager, gave a presentation to the board and to the KALP members regarding Kentucky Agricultural Finance Corporation (*on file*).

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 reviewed the KAFC Statement of Financial Position (*on file*) as of January 31, 2019.

Mr. McCloskey reviewed the Kentucky Agricultural Development Fund Cash Flow (*on file*) as of January 3, 2019.

Mr. McCloskey referenced the Kentucky Agricultural Development Fund State Pool Tobacco Funds (*on file*) as of February 5, 2019.

Mr. McCloskey reviewed Kentucky Agricultural Development Fund County Balances (*on file*) as of January 31, 2019.

KAFC Statement of Financial Position	
As of January 31, 2019	
Assets	
Cash KAFC Accounts	\$ 16,724,330
Loan Payments Due KAFC	
Category A	\$ 64,806,078
Category B	\$ 638,926 (Foothills, Karsner, Monroe, Palmer, Weekly Juicery & Ellis)
Category C	\$ 0
	\$ 65,445,004
Total Assets	\$ 82,169,334
Liabilities	
KAFC loans approved not closed	\$ 12,624,176
Principal Outstanding	\$ 65,445,004
Total Liabilities	\$ 78,069,180
Unobligated Assets	\$ 4,100,154
Total Liabilities & Unobligated Assets	\$ 82,169,334

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

VOTE: Motion Passed; Unanimous.

Compliance Committee Report (minutes on file)

Commissioner Quarles yielded the floor to John Brady to report to the board.

Mr. Brady reported that the committee agreed that all lenders must submit required documents in a timely manner.

Mr. Brady reported that the committee reviewed the Kentucky Organic Farm and Feed loan (A2018-0095).

The committee recommended accepting the loan disbursement at a C/LV of 76%.

Mr. Brady thanked the GOAP staff for their hard work.

Mr. Amburgey moved to approve the K AFC Statement of Financial Position; Mr. Noe seconded the motion

VOTE: Motion Passed; Unanimous

Loan Review Committee Report

Commissioner Quarles yielded the floor to Doug Lawson to report to the board.

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

New Business

Agricultural Infrastructure Loan Program (AILP)

AF19-0013 Smith, Lee Jay

Applicant requested \$100,000 for the construction of two (2) 50,000-bushel grain bins in Christian County. Planters Bank in Hopkinsville, KY is the participating lender.

The Loan Review Committee recommended this loan be denied based on the applicants net worth exceeding the limit set forth by the board.

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

VOTE: Motion Passed; Lawson abstained.

AF19-0014 Crawford, Chris

Applicants requested \$25,000 for the construction of a 40x70-storage facility in Graves County. River Valley AgCredit in Mayfield, KY is the participating lender.

Mr. Lawson moved to approve committee recommendation, as presented, pending availability of funds; Mr. Adams seconded the motion.

VOTE: Motion Passed; McAninch opposed.

Agricultural Processing Loan Program (APLP)

AF18-0145 Gencanna Global USA Pended on 10/18

Beginning Farmer Loan Program (BFLP)

AF18-0010 Collins, Melissa (Collins Sporthorses, LLC)

Applicants requested \$250,000 for the purchase of 46 acres with a 41-stall horse barn in Graves County. Community Financial Services Bank in Benton, KY is the participating lender.

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

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

VOTE: Motion Passed; Unanimous.

AF19-0011 Byrne, Michael

Applicants requested \$51,000 for the purchase of 14 acres in Daviess County. Independence Bank in Owensboro, KY is the participating lender.

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

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

VOTE: Motion Passed; Unanimous.

AF19-0012 Bennett, Zachary

Applicants requested \$250,000 for the purchase of 103 acres in Shelby County. Farm Credit Mid-America in Shelbyville, KY is the participating lender.

Staff recommends approval, contingent upon approval and obligation of a 90% FSA guarantee on KAFC and FCMA funds, with a C/LV no greater than 80%.

Mr. Brady moved to approve staff recommendation, as presented, pending availability of funds; Mr. Noe 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 adequate time for closing to be completed. The new expiration date will be March 19, 2019.

Staff recommends approval.

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

VOTE: Motion Passed; Unanimous.

AF18-0113 Leonard, Abraham

This request is for a six (6) month extension to allow adequate time for construction and closing to be complete. The new expiration date will be September 14, 2019.

Staff recommends approval.

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

VOTE: Motion Passed; Unanimous.

AF17-0132 Bennett, Joshua "Trey"

This request is for a thirty (30) day extension to allow adequate time for the loan to close. The new expiration date will be March 14, 2019.

Staff recommends approval.

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

VOTE: Motion Passed; Unanimous.

Memo Action Item:

Mr. Doan presented a memo (*on file*) regarding the following six (6) loans that were approved by the KAFC staff, as allowed by the Board effective January 11, 2019, for 30-day extensions for loan closings impacted by the federal government shutdown, as requested by the indicated loan officer.

AF17-0035 Hunter, John "Eric"

Loan officer John Farthing. The new expiration date will be April 14, 2019.

AF17-0076 Linder, Patrick

Loan officer Will Rice. The new expiration date will be February 15, 2019.

AF18-0150 Wengerd, Jason

Loan officer Todd Lockett. The new expiration date will be April 9, 2019.

AF18-0157 Neltner, Brian

Loan officer Wayne Mattingly. The new expiration date will be March 14, 2019.

AF18-0159 Young, Joe "Junior"

Loan officer Sarah Adams. The new expiration date will be April 14, 2019.

AF18-0160 Nichols, Jillian Macy

Loan officer Jesse Clark. The new expiration date will be April 14, 2019.

No Action Necessary.

Modifications

AF12 - 0014 McKay, Bradley

This modification has two (2) requests:

The first request is for KAFC to maintain its second lien position during loan restructuring by Independence Bank.

The second request is for KAFC to reamortize this loan over fifteen (15) years, beginning in 2019.

This request went to the Loan Review Committee.

Mr. Lawson indicated that more information is needed from the bank. Mr. Lawson moved that the applicant provide a full application to analyze the current situation and consult with KCARD, to develop a business plan prior to reapplying. Mr. Hunt seconded the motion.

VOTE: Motion passed; Unanimous.

AF18 - 0072 Kentucky American Seeds, LLC

This request is for the KAFC Board of Directors to approve the restructured loan at 95% combined loan-to-value. The loan officer indicated that after of year of successful principal repayment, the combined loan-to-value will be at 86%.

This request went to the Loan Review Committee.

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

VOTE: Motion passed; Unanimous.

Closing Remarks

John McCauley, Kentucky Department of Agriculture, Office of the Commissioner announced that the quarterly Kentucky Agricultural Council Meeting will take place on February 14, 2019 in meeting room C106-107 of the South Wing of the Kentucky Exposition Center, Louisville, KY.

Adjournment

Commissioner Quarles entertained a motion to adjourn.

Mr. Adams Moved to adjourn the KAFC board meeting; Mr. Jagers seconded the motion.

VOTE: Motion Passed; Unanimous.

The KAFC board meeting adjourned at 11:48 a.m. (EST).

APPROVED DATE:

3-8-2019

PRESIDING OFFICER:

Ben Quillen

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:
<ol style="list-style-type: none"> 1. Review Loan Disbursement Checklists <ol style="list-style-type: none"> a. 25 loans disbursed 2018 Q3 b. 38 loans disbursed 2018 Q4 2. Review of randomly selected disbursed loans. <ol style="list-style-type: none"> 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 <ol style="list-style-type: none"> 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 <ol style="list-style-type: none"> 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