

The actions delineated below were taken in open session of the Kentucky Agricultural Finance Corporation Board at the July 10, 2020 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 (GOAP), 404 Ann Street, Frankfort, Kentucky 40601.



**Kentucky Agricultural Finance Corporation Board
Summary Minutes of the Business Meeting
July 10, 2020
Frankfort, KY 40601**

Call to Order

Commissioner Quarles presiding, called the Kentucky Agricultural Finance Corporation Board (KAFRC) regular business meeting to order at 10:08 a.m. (EDT).

Roll Call

The following members were present: Commissioner Ryan Quarles, Westy Adams, Donna Amburgey, John Brady (designee for Secretary Holly M. Johnson), Dr. Kenneth Burdine, Wayne Hunt, Larry Jaggars, Doug Lawson, Donald Mitchell, Frank Penn and Linda Rumpke.

Members absent: Jonathan Noe.

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 everyone to the teleconference meeting. Commissioner Quarles updated the board on activities of the Kentucky Department of Agriculture (KDA), Kentucky State Fair and updates on the hemp industry and COVID-19 impacts on agriculture.

Approval of Minutes

Commissioner Quarles entertained a motion to approve the minutes of the June 12, 2020 KAFRC board meeting.

Ms. Amburgey moved to approve the minutes; Mr. Adams 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 teleconference meeting.

Mr. Beeler updated the board on the activities of GOAP.

Mr. Hunt commented on the number of head processed by Beef Solutions is close to 40 head/week.

Commissioner Quarles called on Mr. Penn to provide an update on the equine industry.

Mr. Penn commented on the concerns of international buyers not being able to come to Kentucky to purchase horses.

In response to a question from Ms. Rumpke, Commissioner Quarles stated that the Kentucky Derby plans to have between 50,000 to 55,000 spectators at Churchill Downs.

Commissioner Quarles also invited board members to attend the upcoming Linking Agriculture for Networking Development (LAND) virtual events.

Commissioner Quarles called on Tim Hughes to speak on the LAND events.

Deputy Executive Director's Report

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

Mr. McCloskey reviewed the Kentucky Agricultural Development State Pool Status (*on file*) as of June 30, 2020.

Mr. McCloskey reviewed the Kentucky Agricultural Development Fund County Account Balances (*on file*) as of June 30, 2020.

Mr. McCloskey reviewed the K AFC Statement of Financial Position (*on file*) as of June 30, 2020.

Mr. McCloskey reviewed the Category B Loans (*on file*) as of June 29, 2020.

Mr. McCloskey reviewed the K AFC COVID-19 Payment Deferral List (*on file*) as of June 29, 2020.

K AFC Statement of Financial Position		
As of June 30, 2020		
Assets		
Cash K AFC Accounts		\$ 17,534,856
Loan Payments Due K AFC		
Category A	\$ 75,918,261	
Category B	\$ 705,887 (Foothills, Weekly Juicery, Bevins, Miracle & Goodlett)	
Category C	\$ 301,500	(Sunstrand)
		\$ 76,925,648
Total Assets		\$ 94,460,504
Liabilities		
K AFC loans approved not closed		\$ 9,549,325
Principal Outstanding		\$ 76,925,648
Total Liabilities		\$ 86,474,973
Unobligated Assets		\$ 7,985,531
Total Liabilities & Unobligated Assets		\$ 94,460,504

Dr. Burdine moved to accept the K AFC financial report; Ms. Rumpke seconded the motion.

VOTE: Motion Passed; Unanimous

Loan Review Committee Report

Commissioner Quarles called on Ms. Rumpke to give the Loan Review Committee report.

Ms. Rumpke stated the loans would be discussed in order of the agenda.

Compliance Committee Report

Commissioner Quarles called on Mr. Brady to give the Compliance Committee report.

Mr. Brady reported on a review of completed previous semi-annual disbursements, gave an update of the 57 loans which were disbursed from January until June of 2020 and reviewed the five randomly selected loans for further review.

The Compliance Committee recommended allowing a 60-day window to receive final documentation after disbursing loan funds, increasing percentage of loan audits to twenty percent and to have the Compliance Committee meet quarterly rather than semi-annually.

Mr. Mitchell moved to accept the Compliance Committee report; Ms. Amburgey seconded the motion.

VOTE: Motion Passed; Unanimous.

New Business

Commissioner Quarles called on Ali Hulett, Mr. McCloskey, and Lindsay Bates to present the following applications.

Agricultural Processing Loan Program (APLP)

AF20-0054 Jackson, Betty

Applicant requested \$125,000 for the construction of 132,000 bushel grain bin in Boyle County. Central Kentucky ACA in Danville, KY is the participating lender.

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

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

VOTE: Motion Passed; Unanimous.

AF20-0059 Voet, Douglas

Applicants requested \$500,000 for the purchase and improvements of 15 acres with a distillery in Fulton County. The Citizens Bank of Hickman in Hickman, KY is the participating lender.

The Loan Review Committee recommended to pend the request for 30 days to obtain further information.

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

VOTE: Motion Passed; Unanimous.

AF20-0061 Nichols, Joel

Applicant requested \$399,270 for the purchase and update of an existing building with straw blanket manufacturing equipment in Trigg County. Community Financial Services Bank in Benton, KY is the participating lender.

The Loan Review Committee recommended to pend the request for 30 days to obtain further information.

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

Mr. Hunt commented on the importance of farmer impact in approving KAFC loans.

VOTE: Motion Passed; Unanimous.

Beginning Farmer Loan Program (BFLP)

AF20-0051 Black, Jason

Applicant requested \$250,000 for the purchase of 50 acres with four (4) Tyson broiler barns and surface water for aquaculture production in Hickman County. First Community Bank of the Heartland in Fancy Farm, KY is the participating lender.

Staff recommended approval, contingent upon the approval and obligation of a 95% FSA guarantee on First Community Bank of the Heartland and KAFC funds, with C/LV no greater than 100%.

Mr. Penn made a motion to approve the staff recommendation, as presented, pending availability of funds; Mr. Mitchell seconded the motion.

In response to a question from Ms. Rumpke, Josh Bailey, loan officer, commented on the applicant's financial status and cash flow history.

VOTE: Motion Passed; Unanimous.

AF20-0052 Vincent, Caleb

Applicants requested \$205,500 for the construction of a 40' x 530' Perdue breeder barn in Edmonson County. Farm Credit Mid-America in Bowling Green, KY is the participating lender.

Staff recommended 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. Jagers made a motion to approve the staff recommendation, as presented, pending availability of funds; Mr. Adams seconded the motion.

VOTE: Motion Passed; Unanimous.

AF20-0055 Owens, David

Applicants requested \$130,000 for the purchase of 150 acres in Franklin County. Central Kentucky ACA in Frankfort, KY is the participating lender.

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

Ms. Rumpke made a motion to approve the staff recommendation, as presented, pending availability of funds; Mr. Adams seconded the motion.

VOTE: Motion Passed; Unanimous.

AF20-0056 Sandusky, Joseph

Applicants requested \$200,000 for the purchase of 130 acres in Marion County. Central Kentucky ACA in Lebanon, KY is the participating lender.

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

Mr. Adams made a motion to approve the staff recommendation, as presented, pending availability of funds; Dr. Brady seconded the motion.

VOTE: Motion Passed; Unanimous.

AF20-0057 Nesbitt, John "Staton"

Applicants requested \$250,000 for the purchase of 110 acres in Mercer County. Central Kentucky ACA in Danville, KY is the participating lender.

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

Mr. Lawson made a motion to approve the staff recommendation, as presented, pending availability of funds; Mr. Mitchell seconded the motion.

VOTE: Motion Passed; Unanimous.

AF20-0058 Miller, Rustin

Applicants requested \$250,000 for the purchase of 21 acres and construction of four (4) Pilgrim's Pride mega-broiler barns in Graves County. First Community Bank of the Heartland in Clinton, KY is the participating lender.

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

Mr. Hunt made a motion to approve the staff recommendation, as presented, pending availability of funds; Mr. Adams seconded the motion.

In response to a question from Ms. Rumpke, staff clarified KAFC's second position on the loan.

VOTE: Motion Passed; Unanimous.

AF20-0060 Elam, Wesley

Applicants requested \$203,000 for the purchase of 115 acres with two (2) Cobb-Vantress layer barns in Clinton County. Farm Credit Mid-America in Somerset, KY is the participating lender.

Mr. McCloskey stated this application was withdrawn.

Large/Food Animal Veterinary Program (VET)

AF20-0053 Kelley, Timothy

Applicants requested \$72,500 for the purchase of a veterinary practice in Rockcastle County. Citizens Bank of Rockcastle County in Broadhead, KY is the participating lender.

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

Mr. Penn commented on purchasing the building for the veterinary practice, but not buying into the practice.

In response to a question from Ms. Rumpke, Mr. Lawson commented on the depreciating value of mobile homes which was being offered as additional collateral.

Mr. Penn mentioned explaining the value of the VET loan program to retiring large animal veterinarians in efforts to promote the program.

Commissioner Quarles commented on the program changes and getting the information to the Board of Veterinary Licenses.

In response to a question from staff, Mark Dyehouse, loan officer, stated the applicant referred him to the KAFC loan program.

Mr. Hunt made a motion to approve the staff recommendation, as presented; Mr. Brady seconded the motion.

VOTE: Motion Passed; Unanimous.

Old Business:

Commissioner Quarles called on Ms. Hulett, Mr. McCloskey and Ms. Bates to present the following extensions/modifications.

Extensions/Modifications

AF18-0105 Norton, Brian

Ms. Hulett presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested an approval modification to subordinate the new Farm Credit Rural First debt. KAFC will be in a second lien position with a C/LV of 80%.

The Loan Review Committee recommended approval and for staff to have more in-depth discussions with lenders on similar subordination requests going forward.

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

VOTE: Motion Passed; Unanimous.

AF18-0108 Prah, Nathaniel

Ms. Hulett presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested an approval modification to subordinate the new Magnolia Bank debt. KAFC will be in a second lien position with a C/LV of 91% with an 95% FSA guarantee.

The Loan Review Committee recommended approval.

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

VOTE: Motion Passed; Unanimous.

AF18-0150 Wengerd, Jason

Mr. McCloskey presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested an approval modification to release Mr. Nathaniel Wengerd, one of three partners, from all indebtedness regarding the South Central Bank and KAFC participation loan.

The Loan Review Committee recommended approval.

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

VOTE: Motion Passed; Unanimous.

AF19-0032 Collins, Melissa

Mr. McCloskey presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested an approval modification to release Mr. Collins from all indebtedness regarding the CFSB/KAFC participation loan.

The Loan Review Committee recommended approval.

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

VOTE: Motion Passed; Mr. Lawson abstained.

AF18-0090 Wood, Corey

Ms. Bates presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a sixty (60) day extension to allow time for construction to be completed. The new expiration date would be September 13, 2020.

Staff recommended approval.

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

VOTE: Motion Passed; Unanimous.

AF19-0009 Jones, Gerald

Ms. Hulett presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a six (6) month extension to allow time for construction to be completed. The new expiration date would be January 13, 2021.

Staff recommended approval.

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

VOTE: Motion Passed; Unanimous.

AF20-0008 Jantz, Carson

Ms. Bates presented a memorandum (*on file*) regarding the above referenced loan. The loan officer requested a ninety (90) day extension to allow time for documents to be finalized. The new expiration date would be October 19, 2020.

Staff recommended approval.

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

VOTE: Motion Passed; Unanimous.

Closing Remarks

Commissioner Quarles informed the board the next meeting will be Friday, August 14 at 10 a.m. EDT.

Ms. Rumpke commended GOAP and KDA staff for the Agritech announcements and continuing to push Kentucky agriculture forward amidst the pandemic.

Adjournment

Commissioner Quarles entertained a motion to adjourn.

Ms. Amburgey moved to adjourn the KAFC board meeting; Ms. Rumpke seconded the motion.

VOTE: Motion Passed; Unanimous.

The KAFC board meeting adjourned at 11:30 a.m. (EDT).

APPROVED DATE: 8/14/2020

PRESIDING OFFICER: Tim Hughes Proxy for Dr. Ryan Quarles KDA

BOARDS COORDINATOR: Marielle McElmurray
Marielle McElmurray

Compliance Committee

Meeting Minutes



Meeting Date:	July 10, 2020
Meeting Location:	Zoom Conference, Meeting ID: 982 8465 6201
Meeting Chair:	John Brady
Attendees:	John Brady (OFM Proxy), Linda Rumpke, Wayne Hunt, Larry Jagers, Westy Adams, Doug Lawson. Staff: Bill McCloskey, Warren Beeler, Ali Hulett, Lindsay Bates, Brian Murphy, Marielle McElmurray, Sandra Gardner, Grace Clark, Martin Williams, Bill Hearn.
Minutes Issued By:	Ali Hulett, Loan Programs Manager
Meeting Call to Order:	8:30 AM EDT
Meeting Adjourned:	8:58 AM EDT

Agenda Items:	
<ol style="list-style-type: none"> 1. Review of previous semi-annual disbursements 2. Review Loan Disbursement Checklists <ol style="list-style-type: none"> a. 22 loans disbursed January-March 2020 b. 35 loans disbursed April-June 2020 3. Review of randomly selected disbursed loans by Committee Chair <ol style="list-style-type: none"> a. AF18-0156 Anthony Isbell b. AF19-0078 Cole Nelson c. AF18-0139 Aaron Newcome d. AF18-0138 Wendal Hostetler e. AF19 -0129 William Mefford 4. Questions, comments, suggestions <ol style="list-style-type: none"> a. Implement 60-day policy to receive filed and final documentation from lender after disbursement of KAFC funds. b. Increase percentage of loan audits to twenty percent. c. Increase amount of compliance meetings from semi-annually to quarterly. 5. Motion to Adjourn 	

Loan Review Committee

Meeting Minutes



Meeting Date:	June 12, 2020
Meeting Location:	Zoom Conference, Meeting ID: 983 7552 7035
Meeting Chair:	Doug Lawson
Attendees:	Jonathan Noe, John Brady, Larry Jagers, Kenny Burdine, Wayne Hunt, Frank Penn, Westy Adams, Doug Lawson, Tim Hughes, Donna Amburgey, Linda Rumpke, Tim Hughes Staff: Shelby Wade, Ali Hulett, Bill McCloskey, Warren Beeler, Sandy Gardner, Lindsay Bates, Marielle McElmurray, Grace Clark, Martin Williams, Bill Hearn, Brian Murphy Guests: Josh Devore, Sarah Butler, Becky Marlowe, Chad Pennington
Minutes Issued By:	Ali Hulett, Loan Programs Manager
Meeting Call to Order:	8:30 AM
Meeting Adjourned:	10:07 AM

Agenda Items:

New Business

1. Review of AF20-0038—Cash, Bernard “Eugene”
 - a. On behalf of Mr. Cash, the loan officer requested the loan be considered for approval with an exception to the construction commencement guideline and net worth guideline.
 - b. Recommend denial.
2. Review of AF20-0037—Pennington, Chad
 - a. On behalf of Mr. Pennington, the loan officer requested the loan be considered for approval.
 - b. Recommend approval in the reduced amount of \$500,000 with a C/LV no greater than 80%.
3. Review of AF20-0041—Yoder, James
 - a. On behalf of Mr. Yoder, the loan officer requested the loan be considered for approval as a refinance.
 - b. Recommend denial.
4. Review of AF20-0043—Lunsford, Chase
 - a. On behalf of Mr. Lunsford, the loan officer requested the loan be considered for approval.
 - b. Recommend approval contingent upon the approval and obligation of a 90% FSA guarantee on FCMA and KAFC funds or a C/LV no greater than 85%.
5. Review of AF20-0040—Sulfridge, Travis
 - a. On behalf of Mr. Sulfridge, the loan officer requested the loan be considered for approval with an exception to the deed restriction guideline.
 - b. Recommend approval, with C/LV no greater than 85% and to refer policy guideline changes to the Guidelines Committee.
6. Review of AF20-0049—Koehn, Victor

Loan Review Committee

Meeting Minutes



Agenda Items:

- a. On behalf of Mr. Koehn, the loan officer requested the loan be considered for approval as a refinance.
- b. Recommend denial.

Old Business

7. Review of AF19-0066—Farmer, Zachary
 - a. On behalf of Mr. Farmer, the loan officer requested to change collateral position to a shared position.
 - b. Recommend approval, approval contingent upon the approval and obligation of a 90% FSA guarantee on FCMA and KAFC funds and a C/LV no greater than 85%.
8. Review of AF18-0093—Linhart, Kathleen
 - a. On behalf of Ms. Linhart, the loan officer requested to remove the FSA guarantees from the real estate notes and subordinate into a third lien position after a principal reduction of \$62,700 is made to the Ag Credit note.
 - b. Recommend approval, with a C/LV no greater than 85%.
9. Review of AF18-0019—Case, Russell
 - a. On behalf of Mr. Case, the loan officer requested the loan be removed from expired status and funds be disbursed.
 - b. Recommend denial.