

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held January 22, 2009 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Kristan Cole called the meeting to order at 5:00 p.m.

Boardmembers present and establishing a quorum were:

Ms. Kristan Cole, Chair
Mr. Ben VanderWeele, Vice Chair
Mr. John Schirack, Boardmember
Mr. Omar Stratman, Boardmember
Mr. Al Poindexter, Boardmember

Staff in attendance was:

Ms. Franci Havemeister, Director
Ms. Lora Haralson, Administrative Assistant
Ms. Candy Easley, Loan Officer
Mr. Robert McFarlane, AAG, Dept. of Law
Ms. Pauline Henrique, State Auditor, Legislative Affairs

B. APPROVAL OF AGENDA

MOTION: Vice Chair VanderWeele moved to approve the agenda as presented.

Boardmember Schirack seconded.

No objections were received.

The agenda was approved.

C. PUBLIC COMMENTS/SESSION

Bill Allen, City Manager, City of Palmer gave a presentation regarding a future Performing Arts Center and a Statewide Agriculture Museum in Palmer. The purpose of the presentation was to ask the Board to consider a cash contribution from the City of Palmer for the Palmer Mat Maid property that is currently for sale with the property to be used to develop a Statewide Agriculture Museum. A focus group has been created for this project.

DeLena Johnson, Executive Director, Palmer Museum of History and Art gave an overview of the Statewide Agriculture Museum project.

Michael Gatti, Attorney, City of Palmer, cited the BAC regulatory authority 11AAC39.720(6) regarding land disposal. He stated the city would be requesting a negotiated disposition based upon cash contribution from the City and in-kind contributions for the development of the structure and facility.

Kyle Beus, Matanuska Creamery, stated the creamery is currently producing 1700 gallons daily of fluid milk. The goal for the 1st quarter is to produce more cheese and ice cream to the market.

Dean Stewart, USDA Rural Development, presented an overview regarding the Business and Industry (B&I) Guaranteed Loan Program. Currently, the Agricultural Revolving Loan Fund (ARLF) has been approved as a lender under the program; however, if the regulations are changed ARLF will have to re-apply.

D. MINUTES OF PRECEDING MEETING

MOTION: Boardmember Poindexter moved to approve the minutes of November 21, 2008.

Boardmember Stratman seconded.

VOTE: The motion passed without objection.

E. REPORTS/CORRESPONDENCE

1. Division Update

Director Franci Havemeister

- Reviewed the Division of Agriculture activities report.
- Stated the 26th legislation began this week.
- HB 12 which deal with Invasive Weeds and HB 70 involves a Farm to School Program could affect the Division of Agriculture.
- Stated Asset Manager Ray Nix visited the Todd Elsberry farm last week and his farm is prospering.

Vice Chair VanderWeele: Stated he would like to see information regarding High Tunnel, vegetable grower day and items of interest in the Division Newsletter.

Vice Chair VanderWeele: Asked why the ARLF board was changed to the BAC board. What the Board can and cannot do? A copy of that legislation will be provided.

2. Agriculture Strategic Plan

Director Franci Havemeister

- Stated the plan would be completed next week and sent to the Board.
- Comments were received from the aquaculture section and she will research this to see if that should be included in the plan.

Boardmember Poindexter stated that aquaculture should be included in the plan and the plan should be able to acquire funding to support that area.

AAG MacFarlane indicated that the word "fish" is included in agriculture in Title 3. He would research this issue and let the Board know.

3. Asset Report -

Asset Manager Ray Nix was absent. The asset report and the Knopp lease will be discussed at the next regularly scheduled meeting.

4. Financial Services

Chair Cole stated a request was received from Financial Services to provide quarterly up to date financials instead of the monthly financials. A sample will be provided at the next BAC meeting for approval. Chair Cole indicated she would like to also see the loan defaults.

5. Ethics Reporting

AAG MacFarlane presented an overview regarding the Board's requirements for Ethics reporting. Stated two Boardmembers will not be able to vote on the Alaska Chip Co., LLC P & S loans.

The Ethics Act prohibits Boardmembers from:

1. Using their position for personal gain.
2. Intentionally securing or granting an unwarranted benefit for another person.
3. Taking official action that affects their own personal or financial interests or those of immediate family members.

AAG MacFarlane stated that if you think you might have an ethics conflict let the Chair know as soon as possible so a determination can be made prior to the Board meeting.

Chair Cole asked if the boardmembers who have conflict should not participate in the Executive Session.

AAG MacFarlane responded that they should not participate.

Vice Chair VanderWeele stated he had received an email regarding Ralph Carney resigned from the Board and submitted a loan application, which was the first he had heard of it. He stated he does not have information regarding the loan since he was excluded from the loan applicant information.

Vice Chair VanderWeele asked why can't he participate in the executive session discussion? If every time there is something that he represents in his area of expertise he is asked to leave.

AAG MacFarlane stated the only loan that the two boardmembers should be excluded from would be the Alaska Chip Co., LLC P & S loans. The Ethics Act precludes that boardmembers who have a conflict can't vote. It is up to the Board whether they want the boardmembers with a conflict to attend the Executive Session.

Boardmembers Poindexter and Stratman indicated they see no reason for Vice Chair VanderWeele and Boardmember Schirack to not attend the Executive Session.

Chair Cole stated she relies on all the boardmembers expertise.

F. EXECUTIVE SESSION

Chair Cole stated the Board would go into Executive Session to consider loans, loan applications and the AAG report.

The session for the Hobbs – Loan Modification Request, Alaska Chip Co., LLC P & S loans, Hoover Loan Modification Request included Chair Kristan Cole, Vice Chair Ben VanderWeele, Boardmember John Schirack, Boardmember Omar Stratman, Boardmember Al Poindexter, Director Franci Havemeister, AAG Robert McFarlane, Loan Officer Candy Easley, Legislative Auditor Pauline Henrique and Administrative Assistant Lora Haralson.

The session for the Valley Dairy, Inc. – Loan Modification Request and AAG Report included Chair Kristan Cole, Vice Chair Ben VanderWeele, Boardmember John Schirack, Boardmember Omar Stratman, Boardmember Al Poindexter, AAG Robert McFarlane, Legislative Auditor Pauline Henrique and Administrative Assistant Lora Haralson.

PUBLIC SESSION ACTION ITEMS

Vice Chair VanderWeele declared a conflict and will not be voting on the Alaska Chip Co. Loan because he has a financial relationship with one of the owners.

Boardmember Schirack declared a conflict because of family relationship.

Chair Cole stated the Vice Chair VanderWeele and Boardmember Schirack will not be voting on the Alaska Chip Co. loan.

6. Hobbs Loan Modification Request Approved

MOTION: Boardmember Poindexter moved to approve the DelRay & Carolyn Hobbs Loan Modification Request #F-5127 as recommended by the loan officer:

1. Delete the February 15, 2009 annual payment with new annual payment of \$16,366.00 to begin February 15, 2010 with all other loan terms to remain the same.

Boardmember Stratman seconded.

VOTE: The motion was passed without objection.

Chair Cole stated that there will be only 2 boardmembers voting and she will only vote if there is a tie vote.

Note: These loans were initially approved and then reconsidered later in the meeting because a unanimous vote was needed since only 3 boardmembers could vote.

7. Alaska Chip Co., LLC Product Processing Loan Approved

MOTION: Boardmember Poindexter moved to approve the Alaska Chip Company, LLC – P Loan as recommended by the loan officer:

1. \$250,000 @ 5% for 15 years payable by monthly payments.
2. Secured by Standard Security Agreement with UCC filing on plant processing equipment, office furniture, plant fixtures, raw materials & account receivables.
3. Collateral Assignment of Plant Property Lease with Property Owner subordination for personal property rights.
4. Secured by 1st Deed of Trust on 5 acre lot Wasilla.
5. Secured by 2nd Deed of Trust on SFR Anchorage.
6. Standard Lenders Title Insurance.
7. Property Insurance with the ARLF as Mortgagee & Loss Payee
8. Majority shareholders Ralph & Darcy Carney sign as co-borrowers with/Alaska Chip Company, LLC.

Boardmember Stratman seconded.

Alaska Chip Co., LLC Short-term Loan Approved

MOTION: Boardmember Poindexter moved to approve the Alaska Chip Company, LLC – S Loan as recommended by the loan officer:

1. \$50,000 @ 5% for 1 year payable by monthly payments beginning August 2009.
2. Secured by Standard Security Agreement with UCC filing on plant processing equipment, office furniture, plant fixtures, raw materials & account receivables.
3. Collateral Assignment of Plant Property Lease with Property Owner subordination for personal property rights.
4. Secured by 2nd Deed of Trust on 5 acre lot Wasilla.
5. Secured by 3rd Deed of Trust on SFR Anchorage.
6. Standard Lenders Title Insurance.
7. Property Insurance with the ARLF as Mortgagee & Loss Payee.
8. Majority shareholders Ralph & Darcy Carney sign as co-borrowers with/Alaska Chip Company, LLC.

Boardmember Stratman seconded.

Discussion:

Boardmember Stratman stated he will vote against these loans so Chair Cole will have to break the tie vote.

VOTE: The motions passed with 2 yes votes and 1 no vote. Chair Cole voted yes and Boardmember Poindexter voted yes. Boardmember Stratman voted no. Vice Chair VanderWeele declared a conflict will not be voting on the Alaska Chip Co. Loan because he has a financial relationship with one of the owners. Boardmember Schirack declared a conflict because of family relationship.

8. Hoover Loan Modification Request Approved

MOTION: Boardmember Schirack moved to approve the Rodney A. & Dia L. Hoover Loan Modification Request #F-5169 as recommended by the loan officer:

2. To include no loan payments required February 15, 2009 through July 15, 2009 with \$970.00 monthly payment to begin August 15, 2009 and all other loan terms to remain the same.

Boardmember Poindexter seconded.

Hoover Collateral Release Approved

MOTION: Boardmember Schirack moved to approve the Rodney A. & Dia L. Hoover Collateral Release Request #F-5169 as recommended by the loan officer:

1. Collateral release of 10 acre lot conditioned to receipt of principal payment resulting in minimum 75% loan to value of remaining collateral and that Hoovers are in ARLF good financial standing.
2. To be re-amortized with applicable payments adjusted after principal payment and all other loan terms to remain the same.

Boardmember Poindexter seconded.

Discussion:

Vice Chair VanderWeele stated he would like the board to get away from annual balloon payments. He would much rather see the payments calculated out in monthly payments. He stated the BAC will be getting more of these requests due to the economy and wants this changed.

VOTE: The motions passed with 3 yes votes and 1 no voted. Boardmember Schirack, Boardmember Poindexter and Boardmember Stratman voted yes. Vice Chair VanderWeele voted no.

9. Valley Dairy, Inc. Loan Modification Approved

MOTION: Boardmember Schirack moved to approve the Valley Dairy Inc. Loan Modification Request #S5432 as recommended by the Asset Manager:
1. Modify the Valley Dairy, Inc. S5432 loan repayment terms to three (3) years.
2. Monthly payment of \$6,170 with the first payment due on or before 1/30/2009 and a maturity date of 12/20/2011.
3. All other terms of the loan remain the same.
Boardmember Poindexter seconded.

VOTE: The motion passed without objection.

Alaska Chip Co., LLC P & S Loans Discussion:

AAG MacFarlane:

- Stated that the Alaska Chip Co., LLC P & S loans require a majority of a quorum to approve.
- In this situation a unanimous vote was needed since only 3 boardmembers can vote.

Chair Cole stated that once a quorum was established it was her understanding that it was majority vote.

AAG MacFarlane re-stated the regulation that a loan will not be granted without the approval of a majority of a quorum.

Chair Cole asked Boardmember Stratman if he was voting negative on the Alaska Chip Co., LLC to force her to vote or did he want to vote in the negative?

Boardmember Stratman replied he voted negative to force the Chair vote and he didn't have a lot of information about the loan.

REQUEST FOR RECONSIDERATION ALASKA CHIP. CO., LLC P & S Loans.

Boardmember Stratman asked for reconsideration of his vote on the Alaska Chip Co., LLC P & S loans.

MOTION: Boardmember Stratman moved to reconsider the Alaska Chip Co., LLC P & S Loans.
Boardmember Poindexter seconded.

VOTE: The motion passed with 3 yes votes. Chair Cole, Boardmember Poindexter and Boardmember Stratman voted yes. Vice Chair VanderWeele and Boardmember Schirack did not vote due to conflict of interests.

7. Alaska Chip Co., LLC Product Processing Loan Approved

- MOTION:** Boardmember Poindexter moved to approve the Alaska Chip Company, LLC – P Loan as recommended by the loan officer:
1. \$250,000 @ 5% for 15 years payable by monthly payments.
 2. Secured by Standard Security Agreement with UCC filing on plant processing equipment, office furniture, plant fixtures, raw materials & account receivables.
 3. Collateral Assignment of Plant Property Lease with Property Owner subordination for personal property rights.
 4. Secured by 1st Deed of Trust on 5 acre lot Wasilla.
 5. Secured by 2nd Deed of Trust on SFR Anchorage.
 6. Standard Lenders Title Insurance.
 7. Property Insurance with the ARLF as Mortgagee & Loss Payee
 8. Majority shareholders Ralph & Darcy Carney sign as co-borrowers with/Alaska Chip Company, LLC.
- Boardmember Stratman seconded.

Alaska Chip Co., LLC Short-term Loan Approved

- MOTION:** Boardmember Poindexter moved to approve the Alaska Chip Company, LLC – S Loan as recommended by the loan officer:
1. \$50,000 @ 5% for 1 year payable by monthly payments beginning August 2009.
 2. Secured by Standard Security Agreement with UCC filing on plant processing equipment, office furniture, plant fixtures, raw materials & account receivables.
 3. Collateral Assignment of Plant Property Lease with Property Owner subordination for personal property rights.
 4. Secured by 2nd Deed of Trust on 5 acre lot Wasilla.
 5. Secured by 3rd Deed of Trust on SFR Anchorage.
 6. Standard Lenders Title Insurance.
 7. Property Insurance with the ARLF as Mortgagee & Loss Payee.
 8. Majority shareholders Ralph & Darcy Carney sign as co-borrowers with/Alaska Chip Company, LLC.
- Boardmember Stratman seconded.

VOTE: The motions passed with 3 yes votes. Chair Cole, Boardmember Poindexter and Boardmember Stratman voted yes. Vice Chair VanderWeele declared a conflict will not be voting on the Alaska Chip Co. Loan because he has a financial relationship with one of the owners. Boardmember Schirack declared a conflict because of family relationship.

G. NEW/OLD BUSINESS

Boardmember Poindexter stated a request was asked for the Board to hold a BAC meeting in the Homer area to visit the Kachemak Shellfish Mari culture facility.

- Kachemak Shellfish Mari culture Association Letter correspondence was received and included in the board packet however, no action was needed.

Chair Cole stated that the Board will try to hold a meeting in the Homer area sometime this summer.

H. BOARDMEMBER COMMENTS

Vice Chair VanderWeele asked if aquaculture is part of the Division of Agriculture.

AAG MacFarlane will make a determination regarding aquaculture.

I. SET NEXT MEETING & AGENDA ITEMS

The Board of Agriculture & Conservation meeting for February will be held on Thursday, February 26, 2009 at 4:00 p.m.

The Board of Agriculture & Conservation meeting for April will be held on Thursday, April 2, 2009 at 4:00 p.m.

J. ADJOURNMENT

MOTION: Boardmember Schirack moved to adjourn.
Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection.
The meeting was adjourned at 7:32 p.m.