

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held February 22, 2011 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Ben VanderWeele called the meeting to order at 1:05 p.m. The quorum was established at 1:10 p.m.

Boardmembers present and establishing a quorum were:

Mr. Ben VanderWeele, Chair
Mr. John Schirack, Vice Chair
Mr. Al Poindexter, Boardmember
Mr. Stuart Davies, Boardmember
Ms. Deidre Berberich, Boardmember
Mr. Chris Flickinger, Boardmember

Staff in attendance was:

Ms. Franci Havemeister, Director
Ms. Lora Haralson, Administrative Assistant
Mr. Robert McFarlane, AAG, Dept. of Law
Ms. Olga Lotosh, ARLF Accountant
Mr. Frank Huffman, MMM&S Manager

B. APPROVAL OF AGENDA

Add to G. NEW/OLD BUSINESS:

- Policy manual update.
- Filling vacant board seat.
- Agenda to be made public.

MOTION: Boardmember Davies moved to approve the agenda as amended.
No objections were received.

The agenda was approved as amended.

D. PUBLIC COMMENTS/SESSION

Wayne Brost, Dairy Farmer asked if he could still refinance his Pt McKenzie Tract loan from 5.00% to 4.50%. He asked about the new railroad route at Pt. McKenzie. Director Havemeister will get back to Mr. Brost.

Lynn Gattis, Gattis Farms stated the BAC agenda should be made available to the public before the day of the meeting.

Rick Gattis, Gattis farms stated unless the Board comes up a solution to help the farmers at the basic level the farming program in Alaska will fail.

F. REPORTS/CORRESPONDENCE

7. Financial Services Olga Lotosh:

- Reviewed the January 2011 financials.

Boardmember Berberich asked about other investments with ARLF funds.

ARLF Accountant Lotosh will research and report back to the Board at the next meeting.

Executive Session Disclosures:

AAG McFarlane stated he preferred that Chair VanderWeele and Vice Chair Schirack not attend the Executive Session regarding the Alaska Chip Co. due to a potential conflict of interest.

Chair VanderWeele stated he would like to attend the Executive Session regarding the Alaska Chip Co., but he will excuse himself from the vote.

Vice Chair Schirack stated he will remove himself from the room during the Executive Session and will excuse himself from the vote.

C. EXECUTIVE SESSION

MOTION: Chair VanderWeele moved to go into Executive Session to discuss Valley Dairy Financials, Hawks – S Loan, Alaska Chip Co. LLC, -S Loan, Skidmore – F & C Loans and the ARLF Aging Report. No objections were received.

The Executive Session for the Valley Dairy financials discussion, Hawks – S loan, Skidmore – F & C loans, ARLF Loan Aging report included Chair Ben VanderWeele, Vice Chair John Schirack, Boardmember Al Poindexter, Boardmember Stuart Davies, Boardmember Deidre Berberich, Boardmember Chris Flickinger, AAG Robert McFarlane, Director Franci Havemeister and Administrative Assistant Lora Haralson. Members of the public who requested to attend the Executive Session for the Valley Dairy financials discussion only were Wayne Brost and Karen Olsen from Valley Dairy.

The Executive Session for the Alaska Chip Co. LLC, S-Loan request included Chair Ben VanderWeele, Boardmember Al Poindexter, Boardmember Stuart Davies, Boardmember Deidre Berberich, Boardmember Chris Flickinger, AAG Robert McFarlane, Director Franci Havemeister and Administrative Assistant Lora Haralson. Vice Chair John Schirack left the meeting for the discussion. Boardmember Berberich left the meeting at 4:45 p.m.

PUBLIC SESSION ACTION ITEMS

2. Hawks Short-Term Approved
MOTION: Boardmember Davies moved to approve the Hawks Farm & Garden Center, Inc. – S Loan as recommended by the loan officer:
1. \$70,000 @ 3.00% - 7 months payable by 5 payments.
2. Secured by 2nd Deed of Trust on subject property.
3. Standard Lenders Title Insurance.
4. Property Insurance w/ARLF Loss Payee.
5. Waive controlled account.
Boardmember Poindexter seconded the motion.
VOTE: The motion passed without objection.

3. AK Chip Co., LLC Short-Term Approved
MOTION: Boardmember Davies moved to approve the Alaska Chip Company, LLC - S Loan as recommended by the loan officer:
1. \$40,000 @ 3.00% for 1 year payable by monthly payments.
2. Secured by standard Security Agreement with UCC filing on plant processing equipment, office furniture, plant fixtures, raw materials and 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 Anchorage SFR.
5. Secured by 2nd Deed of Trust on Wasilla 5 acre parcel w/cabin.
6. Standard Lenders Title Insurance.
7. Property Insurance w/ARLF as Mortgagee & Loss Payee.
8. Majority shareholders Ralph & Darcy Carney sign as co-borrowers w/Alaska Chip Company, LLC.
Boardmember Poindexter seconded the motion.
VOTE: The motion passed with 3 yes votes. Boardmember Poindexter, Boardmember Flickinger and Boardmember Davies voted yes. Chair VanderWeele and Vice Chair Schirack excused themselves from the vote due to a potential conflict of interest.

4. Skidmore Development Approved
MOTION: Boardmember Davies moved to approve the Jason B & Katrina Skidmore – F Loan as recommended by the loan officer:
1. \$45,000 @ 4.50% for 20 years payable by monthly payments.
2. Secured by 2nd DT on subject farm property.
3. Standard Lenders Title Insurance.
4. Property Insurance w/ARLF as Mortgagee & Loss Payee.
Boardmember Flickinger seconded the motion.
VOTE: The motion passed without objection.

4. Skidmore Chattel Approved

- MOTION:** Boardmember Davies moved to approve the Jason B & Katrina Skidmore – C Loan as recommended by the loan officer:
1. \$12,000 @ 4.00% for 7 years payable by monthly payments.
 2. Secured by Standard Security Agreement & UCC Filing on farm equipment.
 3. Standard Lenders Title Insurance.
 4. Property Insurance w/ARLF as Mortgagee & Loss Payee.
- Boardmember Flickinger seconded the motion.
- VOTE:** The motion passed without objection.

Valley Dairy Modification See Below

Valley Dairy is presently holding approximately 100,000 pounds of pasteurized cheese that could be sold to generate income to pay its delinquent loan obligation on Loan S#5444. The ARLF currently has a security interest in 40,000 pounds of this cheese. Valley Dairy and the ARLF recognize that an orderly sale of the cheese would maximize the ARLF's recovery on Loan S#5444 while minimizing the disruption to Valley Dairy's business that would result if ARLF exercised its right to take immediate possession of the cheese under the security agreement. Therefore, pursuant to 11 AAC 39.940, the Board finds there is reasonable cause to modify Valley Dairy loan S#5444 as follows:

- MOTION:** Board member Al Poindexter moved that that there was reasonable cause to modify loan S#5444 with the following conditions:
1. Valley Dairy shall immediately undertake efforts to market and sell so much of its cheese inventory as is necessary to pay Loan S#5444 in full. All proceeds from the sales of Valley Dairy's aged cheese inventory shall be paid to ARLF by 4:30 p.m. each Friday commencing March 11, 2011. A minimum payment of \$1,625.00 shall be made regardless of the amount of cheese sold.
 2. At the time of each payment Valley Dairy shall provide the Division of Agriculture with an accounting of sales in a form acceptable to the Division. The Division retains the right to inspect and inventory the cheese at any time and to require production of invoices, bank records, sales receipts and other records to insure compliance with this modification.
 3. Valley Dairy shall execute all documents reasonably necessary to carry out the terms of this modified payment agreement including a modification to the security agreement for Loan S#5444 granting to ARLF a security interest in Valley Dairy's entire cheese inventory. All such documents shall be executed by Valley Dairy and provided to the ARLF no later than 4:30 p.m. on March 4, 2011.
 4. Loan S#5444 shall be paid in full no later than August 31, 2012. ARLF will release its security interest on any unsold

cheese in Valley Dairy's inventory when Loan S#5444 has been paid in full.

5. Valley Dairy must make a \$5,000 payment on long term Loan F#5172 by Friday March 4, 2011 before any modification of Loan S#5444 will go into effect.
6. In the event Valley Dairy fails to make the \$5,000 payment required by paragraph 5 above, or in the event Valley Dairy fails to make any regular payment required by Loan F#5172 or Loan S#5444, the entire balance owing on both loans shall become immediately due and payable and both loans will be referred to the AAG for immediate collection without any further notice or action by the Board.

Board member Davies seconded the motion.

VOTE: The motion passed without objection.

E. MINUTES OF PRECEDING MEETING

MOTION: Boardmember Davies moved to approve the minutes of January 20, 2011 as amended.

Boardmember Poindexter seconded the motion.

No objections were received.

The minutes were approved as amended.

F. REPORTS/CORRESPONDENCE (resumed)

6. Division Update/Division Newsletter – Director Franci Havemeister:

- Discussed the presentation given to the House Resources Committee.

Mt. McKinley Meat & Sausage Discussion – Production Manager Frank Huffman:

- Stated 20 animals per month are being locally processed and the price of meat has increased.
- MMM&S transports inmates morning and evening.
- The boxed meat that is purchased goes to the Department of Corrections and a processing charge is added to the sale of that meat.
- MMM&S prices are more expensive than Country Foods who is a wholesaler.
- At the present time 20% to 30% of the meat processed is Alaska Grown.
- All meat slaughtered is USDA inspected.

Boardmember Poindexter asked about vocational training. Production Manger Huffman indicated the students would be harder to train.

8. ARLF Loan Interest Comparison – Loan Officer Easley:
(The Board had no questions).

9. ARLF Applications in Process – Loan Officer Easley:
(The Board had no questions).

10. AAG Report – AAG McFarlane:
Reviewed the February 2011 AAG report.

G. NEW/OLD BUSINESS:

ARLF Budget discussion:

- Boardmember Poindexter stated the board would like to review the ARLF budget in July before it is submitted.

ARLF re-finance policy discussion:

- Boardmember Poindexter stated the Board needs to establish a policy not to re-finance loans once the ARLF loan balance is low. He is concerned that farmers will not be able to obtain loans.
- Boardmember Davies stated that each case should be looked at individually and if it can be funded we should fund it and we should not set a policy.
- AAG McFarlane suggested that the Board establishes a policy and see if it requires a regulation. AAG will email the Board a draft regulation regarding the policy for review.

ARLF Resolution letter from Office of the Governor:

(The Board had no questions).

City of Palmer proposal for the Matanuska Maid Block Map:

(The Board had no questions).

Make the BAC Agenda public:

MOTION: Boardmember Poindexter made a motion to put the draft agenda on the website the day before the meeting.

VOTE: The motion passed without objection.

ARLF P & P Manual

- Director Havemeister will review a draft of the manual in March and will provide the Board with the manual draft before it is finalized.

BAC vacant position.

- Director Havemeister stated Jason Hooley, Boards and Commissions will have another Boardmember appointed soon.

H. BOARDMEMBER COMMENTS:

Boardmember Davies stated the Delta Farm Forum will be held on Feb. 26, 2011.

I. SET NEXT MEETING & AGENDA ITEMS

The March meeting will be held on March 31, 2011 at 1:00 p.m.

J. ADJOURNMENT: The meeting was adjourned at 5:59 p.m.