

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held February 26, 2009 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Kristan Cole called the meeting to order at 4:02 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 (telephone)
Mr. Al Poindexter, Boardmember (telephone)

Staff in attendance was:

Ms. Franci Havemeister, Director
Ms. Lora Haralson, Administrative Assistant
Ms. Candy Easley, Loan Officer
Mr. Ray Nix, Asset Manager
Mr. Robert McFarlane, AAG, Dept. of Law

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

(No members of the public had comments)

D. MINUTES OF PRECEDING MEETING

Amendments to January 22, 2009 meeting:

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Michael Gatti, Attorney, City of Palmer, cited the BAC regulatory authority AAC 11.39.726 **11AAC39.720(6)** regarding land disposal.

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Vice Chair VanderWeele stated he would like the board to get away from annual **(added) balloon** payments.

MOTION: Boardmember Schirack moved to approve the minutes of January 22, 2009 as amended.

Vice Chair VanderWeele seconded.

No objections were received.

The minutes were approved as amended.

E. REPORTS/CORRESPONDENCE

1. Division Update

Director Franci Havemeister

- Reviewed the Division of Agriculture activities report.
- Stated she testified in Juneau before the House and Senate Finance Committee, answered many questions and indicated the legislature will be looking at ways to trim the budget.
- Reported the legislature is reviewing a one-time FY 09 General Fund appropriation for the Plant Materials Center (PMC) in the amount of \$500,000 and \$225,000.

Vice Chair VanderWeele asked if there is anything the BAC could do to justify the PMC funding.

Director Havemeister replied that Boardmembers could contact the legislature to support the funding.

2. Agriculture Strategic Plan

Director Franci Havemeister

- Stated the plan was finalized and was distributed to the legislature.

3. Asset Report

Asset Manager Ray Nix

- Reviewed the January/February 2009 Asset Report.
- Palmer Feed Mill Property will continue as OTC offering and will be reviewed in spring 2009.

Knopp Modification of Lease

Asset Manager Ray Nix

- Reviewed the Paul Knopp lease regarding the dairy requirement.
- Recommend to modify the lease to release Mr. Knopp of the dairy requirement.

Action: To have Franci Havemeister, Director Division of Agriculture Proceed and sign with the modification of the lease agreement with Mr. Knopp

The board had no objections.

Mt. McKinley Meat & Sausage

Asset Manager Ray Nix

- Stated the negative balance in the financials was due to a \$30,000 charge that was incorrectly applied and will be corrected.
- The ARLF accountant had retired and outstanding receivables have not been posted to the balance sheet.
- Stated the expenses for the meat plant continue to increase. He expects the losses to the meat plant will be more this year than last year.

The Board asked that Asset Manager Nix present options and recommendations for Mt. McKinley Meat & Sausage at the next BAC meeting.

Anchor Point Parcels Purchase Option

Asset Manager Ray Nix

- Reviewed the appraisal and option to purchase as stated in the lease agreement.

MOTION: Vice Chair VanderWeele moved to authorize the Director to move forward with the sale of the Anchor Point property identified in AG 20004 to the Lessee subject to:

- Minimum Price: \$234,000.00
- Minimum Down Payment: 10%
- Maximum Term: 30 years
- Interest Rate: 7%
- Closing Costs: Buyer Responsibility

Boardmember Schirack seconded the motion.

Discussion:

Boardmember Poindexter stated he would like to see the property kept as agricultural land.

Chair Cole reminded the Board that the option to purchase is in the lease agreement.

Asset Manager Nix stated that some of the property is wetland and it is not agricultural covenant land.

VOTE: The motion passed with no objection.

4. Financial Reports

Vice Chair VanderWeele asked for an explanation of what the repossessed property is that was listed on the Real and Personal Property Inventory report.

Loan Officer Easley stated it is all the real estate ARLF owns.

Loan Officer Candy Easley

5. ARLF Interest Rate/GBC Review

Loan Officer Easley reviewed the current interest rates comparable to the ARLF rates.

MOTION: Boardmember Poindexter moved to change the interest rates as listed:

- Short term = from 5.0% to 3.0%
- Chattel = from 5.0% to 3.0%
- Long term = from 5.0% to 4.0%

Boardmember Stratman seconded.

Discussion:

Boardmember Stratman asked if it was tied to prime.

Loan Officer Easley stated the interest rates were fixed and not tied to the prime rate. If a loan is made at 3.0% and it closes at 3.0% it stays at that interest rate until it is paid off.

Director Havemeister asked what would be the long term effect on the ARLF.

Boardmember Schirack stated 3.0% is okay with him for short term, but he was not sure about 4.0% on the long term.

Director Havemeister stated ARRC is 5.0%. Why would you want to lower the ARLF interest rate since Alaska Rural Rehabilitation Corp. (ARRC) is the most comparable?

Vice Chair VanderWeele stated that he disagrees with the Loan Officer. He said that you can't compare ARLF with Farm Service Agency (FSA). FSA is a last resort lender for higher risk loans and should not be in the same category as ARLF.

Boardmember Schirack stated in the current times the Board could help the farmers and save them 2.0% for a short term loan.

AMENDMENT

TO MOTION: Boardmember Schirack moved to change the interest rates as listed:

- Short term = from 5.0% to 3.0%
- Chattel = remain at 5.0%
- Long term = remain at 5.0%

Vice Chair VanderWeele seconded.

Discussion:

Boardmember Poindexter stated leaving the interest rate at 5.0% for long term loans does not help more development but just helps them operate. The Board should be interested in promoting more development.

Loan Officer Easley stated that ARLF borrowers that have chattel and long term debts are still buying equipment and supplies.

Chair Cole stated that residential property rates have dipped below 5.0% and if the Board does not want to go to 4.0%, a 4.50% on long term loans and maybe 4.0% on chattel loans could be considered.

**AMENDMENT
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TO THE MOTION: Boardmember Stratman moved to change the interest rates as listed:

- Short term = from 5.0% to 3.0%
- Chattel = from 5.0% to 4.0%
- Long term = from 5.0% to 4.50%

Boardmember Poindexter seconded.

Discussion:

Boardmember Stratman stated there is a national trend of lower interest rates. The Federal Reserve board is at 0% or close to it, which helps the economy. He feels the Board can justify the 4.50% rate for the long term loans at this time.

Loan Officer Easley stated the Board could lower interest rates for a lesser term if the Board was concerned about tying up the interest rate for a long term loan.

Vice Chair VanderWeele stated the interest changes are only for one year or until the Board changes them again.

Boardmember Stratman stated once the interest rates are changed we can't change the interest rate for that loan.

Loan Officer Easley clarified that once the Board approves a loan it is approved at the rate it is at that date. The loan commitment is for 90 days and the Board could extend it another 90 days for good cause. However, if the Board approves a loan today at 3.0% and decides to change it next month to 5.0%, the borrower has a loan commitment at 3.0% for at least 90 days.

Boardmember Schirack asked if anyone that has a higher interest rate can come back and re-finance their loans which would increase the workload. He also asked about the fixed rate on loans.

Loan Officer Easley stated once the board approves the loan and it is closed, the rate at that time is the fixed rate of the loan until it is paid off.

VOTE ON SECOND

AMENDMENT

AMENDMENT RESTATED:

- Short term = from 5.0% to 3.0%
- Chattel = from 5.0% to 4.0%
- Long term = from 4.0% to 4.50%

VOTE: The second amendment passed without objection.

VOTE ON MAIN

MOTION:

MOTION RESTATED:

- Short term = from 5.0% to 3.0%
- Chattel = from 5.0% to 4.0%
- Long term = from 4.0% to 4.50%

VOTE: The main motion passed without objection.

Good Borrower Credit

MOTION: Vice Chair VanderWeele moved to keep the Good Borrower Credit Rate effective January 1, 2009 at 0%.
Boardmember Schirack seconded.

VOTE: The motion passed without objection.

F. EXECUTIVE SESSION

Chair Cole stated that a loan borrower has requested to speak in 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 Byers – short-term loan request, included Gareth Byers, loan applicant, Chair Kristan Cole, Vice Chair Ben VanderWeele, Boardmember John Schirack, Boardmember Omar Stratman, Boardmember Al Poindexter, Director Franci Havemeister, AAG Robert McFarlane and Administrative Assistant Lora Haralson.

The session for Church of the Living Word, Inc., Hawks Farm & Garden Inc., Scott, and the Alaska Chip Co. loans and the AAG Report included Chair Kristan Cole, Vice Chair Ben VanderWeele, Boardmember John Schirack, Boardmember Omar Stratman, Boardmember Al Poindexter, Director Franci Havemeister, AAG Robert McFarlane and Administrative Assistant Lora Haralson.

PUBLIC SESSION ACTION ITEMS

6. Church of the Living Word, Inc. Chattel Approved

MOTION: Boardmember Schirack moved to approve the Church of the Living Word, Inc. – C loan as recommended by the loan officer:

1. \$25,000 @ 4.0% for 7 years payable by monthly payments.
 2. Secured by Standard Security Agreement and UCC Filing on equipment limited to 75% LTV.
 3. Waive controlled account.
- Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection.

7. Hawks Farm & Garden, Inc. Short-Term Approved

MOTION: Boardmember Schirack moved to approve the Hawks Farm & Garden, Inc. – S loan as recommended by the loan officer:

1. \$50,000 @ 3.0% for 6 months payable by 4 payments.
2. Secured by Deed of Trust on subject property.
3. Standard Lenders Title Insurance.
4. Property Insurance w/ARLF Loss Payee.
5. Waive controlled account requirement.

Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection.

Note: The following applicants Joshua M. Scott and Laura P. Scott and the Alaska Chip Co. requested if the board approved lowering interest rates and because their loans have not yet closed, they would like to submit for re-approval at the lower interest rates.

8. Scott – Re-approval Chattel Approved

MOTION: Chair Cole moved to re-approve the Joshua M. Scott and Laura P. – C loan as recommended by the loan officer:

1. \$36,000 @ 4.0% for 7 years payable by monthly payments.
2. Secured by Standard Security Agreement with UCC filing on farm equipment limited to 75% loan to value.

Boardmember Poindexter seconded.

VOTE: The motion passed without objection.

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 and will not be voting on the Alaska Chip Co. Loan because of family relationship.

9. Alaska Chip Co., LLC-Re-Approval Product Processing Approved

MOTION: Chair Cole moved to re-approve the Alaska Chip Co, - P Loan as recommended by the loan officer:

1. \$250,000 @ 4.5% 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 w/Alaska Chip Company, LLC.

Boardmember Stratman seconded.

VOTE: The motion passed without objection.

Alaska Chip Co., LLC-Re-Approval Short-Term Approved

MOTION: Chair Cole moved to re-approve the Alaska Chip Co., LLC – S loan as recommended by the loan officer:

1. 50,000@ 3.0% 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 w/Alaska Chip Company, LLC.

Boardmember Stratman seconded.

VOTE: The motion passed without objection.

MOTION: Boardmember Schirack moved to approve the Gareth J. & Angela S. Byers – S loan as listed below:

1. \$50,000 @ 3.0% for 1 year.
2. Payable by 4 payments beginning June 30, 2009, July 30, 2009, August 30, 2009 and September 30, 2009 for \$4,000.00.
3. Balance due one year from date of the loan.
4. Payment via 3rd lien position Milk Check Assignment (ARLF #C-5444 \$78,878 1st lien position & Hobbs \$39,000 2nd lien position).
5. Secured by Standard Security Agreement & 2nd lien position UCC filing on all dairy livestock & replacements, in addition to MMM&S livestock slaughter assignment.
6. Property insurance with ARLF as lien holder and loss payee for all dairy cows & replacements and 1998 NH TS110 Tractor ARLF #C-5244 pursuant to 11 AAC 39.231 (b).
7. Board valued cows similar to valuation process considered last year when borrower applied for loan.
8. Board considered borrowers payment history and borrowers statements during Executive Session.

Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection.

G. NEW/OLD BUSINESS

(There was no new/old business to discuss).

H. BOARDMEMBER COMMENTS

(No Boardmember comments were made).

I. SET NEXT MEETING & AGENDA ITEMS

The next regular meeting of the Board of Agriculture & Conservation 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 6:40 p.m.