

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held April 9, 2009 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Kristan Cole called the meeting to order at 4:30 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. Ray Nix, Asset Manager
Mr. Robert McFarlane, AAG, Dept. of Law

B. APPROVAL OF AGENDA

Chair Cole amended the agenda to:

- Add Alaska Chip Loan to F. Executive Session.

MOTION: Boardmember Poindexter moved to approve the agenda as amended.

Boardmember Stratman seconded.

No objections were received.

The agenda was approved as amended.

C. PUBLIC COMMENTS/SESSION

Sara Jansen, City of Palmer stated the City is interested in obtaining the Mat Maid property in Palmer and if the Board would consider obtaining another appraisal paid for by the City.

Chair Cole indicated the Board and the AAG will send a letter to the City of Palmer on what the Agricultural Revolving Loan Fund regulations and statutes permit regarding land disposal.

Michael Paschall, Alaska Farm & Ranch News questioned the purposes for the Board to go into Executive Session. Requested that the BAC agenda reflect specifically what items will be discussed in the Executive Session.

D. MINUTES OF PRECEDING MEETING

MOTION: Boardmember Schirack moved to approve the minutes of February 26, 2009.

Vice Chair VanderWeele seconded.

No objections were received.

The minutes were approved.

E. REPORTS/CORRESPONDENCE

1. Division Update

Director Franci Havemeister

- Reported on the budget activity of the House and Senate Finance Committees. Changes were made to PMC funding to move \$500,000 for Foundation Seed and Lab from a one-time appropriation to continuing General Funding. The Certified Seed program relating to potatoes \$225,000 has been put forward as a one-time only appropriation. The conference committee will work out differences between the House and Senate. Once the budget is passed, it will move to the Governor's Office for final approval or line item veto activity.

2. Asset Report

Asset Manager Ray Nix

- Reviewed the February/March 2009 Asset Report.

3. Mt. McKinley Meat & Sausage (MMM&S)

Asset Manager Ray Nix

- Reviewed the history and disposal of MMM&S.

Chair Cole stated that the plant is important to the industry.

- Why does MMM& S pay for the inmate training?
- Would like a breakdown for the costs of inmate labor.

Director Havemeister stated she will discuss the inmate labor cost with Department of Corrections Commissioner Schmidt so it could be initiated into his budget for the next year.

Boardmember Poindexter asked to see a cost comparison for the inmate labor versus hired fixed labor.

Director Havemeister stated a MMM&S Committee will be established with, herself, Boardmember Schirack, Asset Manager Nix and Production Manager Huffman. A report will be given to the Board at the next BAC meeting.

4. Financial Reports

(The Board had no questions).

F. EXECUTIVE SESSION Discussion

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

Chair Cole stated that Tom Williams has requested to speak in Executive Session regarding his loan application.

Chair Cole stated the Alaska Chip Company loan application request was added to the Executive Session.

Vice Chair VanderWeele excused himself from voting and discussion of Gold Nugget Farms, Inc. & Butte Farms, Inc. due to the borrower's request in a letter to Chair Cole that Vice Chair VanderWeele not be able to review their financial information because he is the borrower's prime competitor.

Vice Chair VanderWeele declared a conflict and will not be voting or discussing 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 or discussing the Alaska Chip Co. Loan because of family relationship.

Chair Cole stated the new loans that will be discussed are Gold Nugget Farms, Inc, Butte Farms, Inc, Gattis and Hawks, Inc. The Gattis contract modification is an existing agreement.

Chair Cole stated the Valley Dairy Inc. financials are a part of their current loan requirements.

Chair Cole stated the Alaska Farmers Cooperative discussion will be held due to a possible sale of this property and exercise their option to purchase this property.

AAG Report is regarding the Heritage Case and Boyd matter.

F. EXECUTIVE SESSION

MOTION: Boardmember Stratman moved to go into Executive Session to discuss loan applications, Asset Manager Nix report for the Valley Dairy, Inc financials as requested by the Board and possible sale and purchase of property by the Alaska Farmer's Cooperative. Boardmember Poindexter seconded.

VOTE: The motion passed without objection.

The session for the Tom Williams loan request, included Tom Williams, 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 the Gattis Loans included Rick & Lynn Gattis who spoke to the Board regarding their loans. Chair Kristan Cole, Vice Chair Ben VanderWeele, Boardmember John Schirack, Boardmember Omar Stratman, Boardmember Al Poindexter, Director Franci Havemeister, AAG Robert McFarlane, Asset Manager Ray Nix and Administrative Assistant Lora Haralson.

The session for the Hawk, Inc. Loans, the Valley Dairy Inc., Financials, the Alaska Farmers Cooperative 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, Asset Manager Ray Nix and Administrative Assistant Lora Haralson.

The session for the Gold Nugget Farms, Inc. loan and Butte Farms, Inc. loan included Chair Kristan Cole, Boardmember John Schirack, Boardmember Omar Stratman, Boardmember Al Poindexter, Director Franci Havemeister, AAG Robert McFarlane and Administrative Assistant Lora Haralson.

The session for the Alaska Chip Co. loan included Chair Kristan Cole, Boardmember Omar Stratman, Boardmember Al Poindexter, Director Franci Havemeister, AAG Robert McFarlane and Administrative Assistant Lora Haralson.

PUBLIC SESSION ACTION ITEMS resumed 6:17 p.m.

Chair Cole stated the Alaska Farmer's Cooperative was discussed due to the possibility of selling the property. No decision was made regarding the issue.

The Board asked the Asset Manager Nix to review that issue and make a recommendation to the Board at the next BAC meeting.

Chair Cole stated the AAG report was reviewed.

Alaska Chip Loan Disbursement Modification Approved

Vice Chair VanderWeele declared a conflict and will not be voting on the Alaska Chip Co. Loan disbursement modification 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 disbursement modification because of family relationship.

MOTION: Boardmember Poindexter moved to approve the Alaska Chip Co., Inc. loan disbursement modification to include payroll expense. Boardmember Stratman seconded.

VOTE: The motion passed with 3 yes votes. Chair Cole, Boardmember Poindexter and Boardmember Poindexter voted yes. Vice Chair VanderWeele and Boardmember Schirack did not vote.

5. Gold Nugget Farms, Inc., S & C (2) Loans

Vice Chair VanderWeele excused himself from voting and discussion of Gold Nugget Farms, Inc. loans due to the borrower's request in a letter to Chair Cole that Vice Chair VanderWeele not be able to review their financial information because he is the borrower's prime competitor.

MOTION: Boardmember Schirack moved to approve the Gold Nugget Farms, Inc. – S & C (2) loans as recommended by the loan officer. Boardmember Poindexter seconded.

- Gold Nugget Farms, Inc. Short-term Approved
1. \$175,000 @ 3% - 1 year payable by annual payment.
 2. Standard Security Agreement & UCC filing secured by equipment limited to 75% LTV.
 3. Waive controlled account requirement.

- Gold Nugget Farms, Inc. Chattel Loan Approved
1. \$30,000 @ 4% - 7 years payable by annual payments.
 2. Standard Security Agreement & UCC filing secured by equipment limited to 75% LTV.
 3. Waive controlled account requirement.

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| <u>Gold Nugget Farms, Inc.</u> | <u>Chattel Loan</u> | <u>Approved</u> |
| <ol style="list-style-type: none"> 1. \$16,000 @ 4% - 3 years payable by annual payments. 2. Standard Security Agreement & UCC filing secured by equipment limited to 75% LTV. 3. Payoff ARLF Loan #C-5242. | | |

VOTE: The motion passed with 3 yes votes. Boardmember Schirack, Boardmember Poindexter and Boardmember Stratman voted yes. Vice Chair VanderWeele did not vote.

6. Butte Farms, Inc., S, C & P Loans

Vice Chair VanderWeele excused himself from voting and discussion of Butte Farms, Inc. loans due to the borrower's request in a letter to Chair Cole that Vice Chair VanderWeele not be able to review their financial information because he is the borrower's prime competitor.

MOTION: Boardmember Schirack moved to approve the Butte Farms, Inc. – S, C & P loans as recommended by the loan officer. Boardmember Poindexter seconded.

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| <u>Butte Farms, Inc.</u> | <u>Short-term Loan</u> | <u>Approved</u> |
| <ol style="list-style-type: none"> 1. \$95,000 @ 3% - 1 year. 2. Standard Security Agreement & UCC filing secured by equipment limited to 75% LTV. 4. Waive controlled account requirement. | | |

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| <u>Butte Farms, Inc.</u> | <u>Chattel Loan</u> | <u>Approved</u> |
| <ol style="list-style-type: none"> 1. \$16,000 @ 4% - 3 years payable by annual payment. 2. Standard Security Agreement & UCC filing secured by equipment limited to 75% LTV. 3. Payoff ARLF Loan #C-5241. | | |

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| <u>Butte Farms, Inc.</u> | <u>Production Loan</u> | <u>Approved</u> |
| <ol style="list-style-type: none"> 1. \$150,000 @ 4.5% - 15 years payable by annual payment. 2. Standard Security Agreement & UCC filing secured by equipment limited to 75% LTV. | | |

VOTE: The motion passed with 3 yes votes. Boardmember Schirack, Boardmember Poindexter and Boardmember Stratman voted yes. Vice Chair VanderWeele did not vote.

7. Gattis S, C, F Loans & Contract Modification

Chair Cole stated that the contract modification interest rate was not approved at the last Board meeting. The interest rates changed were only for ARLF loans. The Board does not have a written policy regarding contract modifications. The Board has asked AAG McFarlane to review and make a recommendation to the Board at the next BAC meeting. Action will not be taken on the Gattis Contract Modification.

MOTION: Boardmember Poindexter moved to approve the Gattis – S, C & F loans as recommended by the loan officer excluding the contract modification.

Boardmember Stratman seconded.

<u>Gattis</u>	<u>Short-Term Loan</u>	<u>Approved</u>
	1. \$50,000 @ 3% - 1 year payable by monthly payments beginning August 2009.	
	2. Secured by standard security agreement and UCC filing on equipment limited to 75% LTV.	
	3. Waived controlled Account.	

<u>Gattis</u>	<u>Chattel Loan</u>	<u>Approved</u>
	1. \$90,000 @ 4% - 7 years payable by monthly payments.	
	2. Secured by standard security agreement and UCC filing on equipment limited to 74% LTV.	
	3. Payoff ARLF Loan #C-5238.	

<u>Gattis</u>	<u>Development Loan</u>	<u>Approved</u>
	1. \$167,000 @ 4.5% - 30 years payable by monthly payments.	
	2. 1 st Deed of Trust Pt. MacKenzie Tract 3.	
	3. Lenders Title Insurance.	
	4. Payoff ARLF Loan #F-5123.	

<u>Gattis</u>	<u>Development Loan</u>	<u>Approved</u>
	1. \$463,000 @ 4.5% - 30 years payable by monthly payments.	
	2. 1 st Deed of Trust Pt. MacKenzie Tract 5	
	3. Lenders Title Insurance.	
	4. Property Insurance w/ARLF Mortgagee & Loss Payee	
	5. Payoff ARLF Loan #F-5125.	

VOTE: The motion passed with 4 yes votes. Vice Chair VanderWeele, Boardmember Schirack, Boardmember Poindexter and Boardmember Stratman voted yes.

8. Hawks Inc. Development Loan Approved

MOTION: Boardmember Poindexter moved to approve the Hawks Inc. – F loan as recommended by the loan officer:

1. \$155,000 @ 4.5% for 10 years payable by annual payments.
2. Secured by Deed of Trust on subject property.
3. Standard Lenders Title Insurance.
4. Property Insurance w/ARLF Loss Payee.
5. Payoff ARLF Loan #F-5132.

Boardmember Stratman seconded.

VOTE: The motion passed with 4 yes votes. Vice Chair VanderWeele, Boardmember Schirack, Boardmember Poindexter and Boardmember Stratman voted yes.

Valley Dairy Inc. Loan Disbursement Modification Approved

MOTION: Boardmember Poindexter moved to modify the F-5172 which is not a modification of the amount only a modification of the disbursement of the warrants.

Boardmember Stratman seconded.

VOTE: The motion passed with 4 yes votes. Vice Chair VanderWeele, Boardmember Schirack, Boardmember Poindexter and Boardmember Stratman voted yes.

G. NEW/OLD BUSINESS

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

H. BOARDMEMBER COMMENTS

Boardmember Poindexter stated the Alaska State Envirotthon and The Alaska State FFA Annual convention will be held in Palmer April 22-24, 2009. He invited BAC members and Division staff.

I. SET NEXT MEETING & AGENDA ITEMS

The next regular meeting of the Board of Agriculture & Conservation will be held on Thursday, May 28, 2009 at 4:30 p.m.

A teleconference meeting of the Board of Agriculture & Conservation will be held on Thursday, July 16, 2009 at 4:30 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 6:30 p.m.