

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held November 13, 2008 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 (via telephone)
Mr. John Schirack, Boardmember (via telephone)
Mr. Omar Stratman, Boardmember
Mr. Ralph Carney, Boardmember (via telephone)
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
Mr. Ray Nix, Natural Resource Specialist
Ms. Pauline Henrique, State Auditor, Legislative Affairs

B. APPROVAL OF AGENDA

Chair Cole amended the agenda to:

- Move F. Executive Session to follow B. Approval of Agenda
 - With the exception to allow the FFA students to make comments.
- Move C. Public Comments to follow G. New/Old Business

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

Boardmember Stratman seconded.

No objections were received to amend the agenda.

The agenda was approved as amended.

D. MINUTES OF PRECEDING MEETING

MOTION: Boardmember Stratman moved to approve the minutes of October 9, 2008.

Boardmember Poindexter seconded.

VOTE: The motion passed without objection.

C. PUBLIC COMMENTS/SESSION

Ruby Quarton, Homer FFA Vice President, Emily Henkelman, Homer FFA President and Corinne Ogle, Alaska State FFA Reporter from the Homer Chapter made public comments. They thanked the Board of Agriculture & Conservation and Director Franci Havemeister for hospitality and support. The students were in the valley for a field trip and they learned how to milk cows, visited Mt. McKinley Meat & Sausage, toured the Plant Materials Center and VanderWeele Farms. They stated FFA is the largest National Youth Organization and in October 2008 some of the members went to Indianapolis to compete at the national level.

F. EXECUTIVE SESSION

The session for the Valley Dairy Inc. loan included Valley Dairy, Inc. representatives: Wayne Brost, Veronica Brost, Kyle Beus, Scott Johannes and Karen Olson. Boardmembers and staff who attended were: Chair Kristan Cole, Vice Chair Ben VanderWeele, Boardmember John Schirack, Boardmember Ralph Carney, Boardmember Omar Stratman and Boardmember Al Poindexter, AAG Robert McFarlane, Asset Manager Ray Nix and Administrative Assistant Lora Haralson.

The session for the Debenham & Rita, LLC – F Loan, the Scott -C Loan and the AAG Report included Chair Kristan Cole, Vice Chair Ben VanderWeele, Boardmember John Schirack, Boardmember Ralph Carney, Boardmember Omar Stratman, Boardmember Al Poindexter, AAG Robert McFarlane and Administrative Assistant Lora Haralson.

PUBLIC SESSION ACTION ITEMS

5. Debenham & Rita, LLC – F Development Loan Approved

MOTION: Boardmember Carney moved to approve the Ray G. Debenham & Rita, LLC- F Loan as recommended by the loan officer:

1. \$625,000 @ 5% - 30 years payable by monthly payments.
 2. Secured by 1st place Deed of Trust Pt. MacKenzie Tract 23B.
 3. Standard Lenders Title Insurance
 4. Property Insurance with ARLF as Mortgagee & Loss Payee.
- Boardmember Poindexter seconded.

VOTE: The motion was passed without objection.

6. Scott – C Loan Chattel Loan Approved

MOTION: Boardmember Carney moved to approve the Joshua M. & Laura P. Scott – C Loan as recommended by the loan officer:

1. \$36,000 @ 5% - 7 years payable by monthly payments.
2. Secured by Standard Security Agreement with UCC filing & farm equipment limited to 75% Loan to Value.

Boardmember Poindexter seconded.

VOTE: The motion was passed without objection.

7. Valley Dairy, Inc. S & F Loan Short-term & Development Approved

MAIN MOTION: Boardmember Carney moved to approve the Valley Dairy Inc. – S loan in the amount of \$200,000 and the F-loan in the amount of \$430,000.

Change: S - \$200,000 loan @ 5% 3 years payable by monthly payments to 1 year @5% payable by monthly payments.

Subject to:

- USDA Rural Development approval of collateral offered
- ARLF receipt of Valley Dairy, Inc. Corporate By-Laws
- Personal guarantee of owners of Valley Dairy, Inc. that hold a 10% ownership.
- ARLF to retain security interest in all Valley Dairy, Inc. Accounts Receivables.
- Assignment of all Kaladi Brothers payments up to the amount of the monthly loan payments due on the ARLF F & S loan.
- Updated payables list of vendors be provided.
- Vendors will be paid directly from loan proceeds.
- Quarterly financial statements are to be provided to the Board.

Boardmember Stratman seconded.

A discussion was held on the main motion.

Boardmember Poindexter asked if the motion was for both loans.

Boardmember Carney stated the motion was for both loans \$200,000 & \$430,000 for a total of \$630,000.

Vice Chair VanderWeele asked that the personal guarantee be explained.

AAG MacFarlane stated that the personal guarantee puts the individual shareholders on the hook if there is a default by Valley Dairy, Inc. They become personally liable for any deficiency. The shareholders could be jointly liable so you can collect from one of them or all of them. The personal guarantee is not based on percentage. The personal guarantee is a joint obligation.

Boardmember Carney asked if he should remove the 10% ownership.

AAG MacFarlane responded for personal guarantee you don't care about personal ownership interest. You care about who is signing it.

AMENDED MOTION: Boardmember Carney moved leave the personal guarantee in the motion but remove the 10% ownership from the main motion.
Boardmember Stratman approved the amended motion as the second to the main motion.

AMENDMENT TO ORIGINAL MOTION: Boardmember Poindexter moved to amend the original motion to remove the personal guarantees.
Boardmember Schirack seconded.

A discussion was held on removing the personal guarantees.

Vice Chair VanderWeele plans on voting in favor of the motion if there is a personal guarantee. If it is removed, he can't support the motion.

Boardmember Carney stated the reason for putting in the personal guarantee requirement is because that is what a prudent lender would do and it is reasonable.

VOTE: The amendment to the motion to remove the personal guarantee failed 2 yes votes and 3 no votes. Boardmember Schirack voted yes, Boardmember Poindexter voted yes, Boardmember Carney voted no, Vice Chair VanderWeele voted no and Boardmember Stratman voted no.

No discussion was held on the main motion.

MAIN MOTION PASSED AS RE-STATED:

Change: S - \$200,000 loan @ 5% 3 years payable by monthly payments to 1 year @5% payable by monthly payments.

Subject to:

- USDA Rural Development approval of collateral offered
- ARLF receipt of Valley Dairy Inc. Corporate By-Laws
- Personal guarantee of owners of Valley Dairy Inc.
- ARLF to retain security interest in all Valley Dairy Inc. Accounts Receivables.
- Assignment of all Kaladi Brothers payments up to the amount of the monthly loan payments due on the ARLF F & S loan.
- Updated payables list of vendors be provided.
- Vendors will be paid directly from loan proceeds.
- Quarterly financial statements are to be provided to the Board.

VOTE: The main motion passed without objection.

PUBLIC COMMENTS

Wayne Brost from Valley Dairy Inc. stated that if the dairy closes he will have to kill his cattle and for him to have to put forth a personal guarantee is an insult.

Chair Cole asked if anyone who voted against removing the personal guarantee would like to make a motion for reconsideration.

No Boardmembers responded to the motion for reconsideration.

E. REPORTS/CORRESPONDENCE

1. Division Update

Director Franci Havemeister

- Reviewed the Division of Agriculture activities report.
- Distributed the Draft for the Agriculture strategic plan to the BAC and asked for comments.

3. Asset Report

Asset Manager Ray Nix

- Reviewed the October 2008 ARLF asset report.
- Reviewed the competitive notice and the brochure for the Palmer property sale that is in the progress.

4. Financial Services

- Chair Cole stated there was a change in the financials as a result of the sale of the Anchorage Mat Maid property.

G. NEW/OLD BUSINESS

Chair Cole stated the correspondence required no action.

C. PUBLIC COMMENTS/SESSION

(No public comments were made).

H. BOARDMEMBER COMMENTS

(No Boardmember comments were made).

I. SET NEXT MEETING & AGENDA ITEMS

The next Board of Agriculture & Conservation will be held on Thursday, January 22, 2009 at 5:00 p.m.

J. ADJOURNMENT

MOTION: Boardmember Stratman moved to adjourn.
Boardmember Poindexter seconded.

VOTE: The motion passed without objection.
The meeting was adjourned at 7:35 p.m.