

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held November 21, 2008 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Kristan Cole called the meeting to order at 10:00 a.m.

Boardmembers present and establishing a quorum were:

- Ms. Kristan Cole, Chair (via teleconference)
- Mr. Ben VanderWeele, Vice Chair (via teleconference)
- Mr. John Schirack, Boardmember
- Mr. Omar Stratman, Boardmember (via teleconference joined at 10:10 a.m.)
- Mr. Ralph Carney, Boardmember (via teleconference)
- Mr. Al Poindexter, Boardmember (via teleconference)

Staff in attendance was:

- Ms. Franci Havemeister, Director
- Ms. Lora Haralson, Administrative Assistant
- Mr. Robert McFarlane, AAG, Dept. of Law (via teleconference)
- Mr. Ray Nix, Natural Resource Specialist

B. APPROVAL OF AGENDA

MOTION: Boardmember Carney moved to approve the agenda as presented.
Boardmember Poindexter seconded.

The agenda passed as presented.

C. PUBLIC COMMENTS/SESSION

Wayne Brost, producer and investor Valley Dairy Inc., stated that he has never seen where a personal guarantee has ever been asked for on a loan.

Lilly Connor, student from Homer, stated she supports the Dairy industry in Alaska and hopes that the Board amends their decision to remove the personal guarantee.

Karen Olson, Matanuska Creamery stated the personal guarantee is a killer for them and they believe the Dairy has come along way without help from the State. The Federal government has \$675,000 invested in the Creamery. Community individuals have invested \$500,000. The producers have invested \$150,000 of their own money. She and Rob Wells have invested in the Creamery. Kyle Beus has invested \$200,000 plus money from other family members. All the people who have invested adds up to about 10 and if each one of them were required to personally guarantee a \$630,000 loan, you are looking at a range of \$6.3 million dollars for individuals in the community who are desperately trying to keep the dairy farms alive.

Rob Wells, Matanuska Creamery, stated he is at the dairy 6 days a week. The Creamery continues to experience public support in South Central Alaska.

D. MINUTES OF PRECEDING MEETING

MOTION: Boardmember Poindexter moved to approve the minutes of November 13, 2008.

Vice Chair VanderWeele seconded.

The minutes passed as presented.

E. ACTION

To reconsideration of the amendment to the main motion regarding Valley Dairy Loans.

MOTION: Boardmember Stratman moved to reconsider the amendment to require the personal guarantees on Valley Dairy Loan.
Boardmember Poindexter seconded the motion.

VOTE: The motion was passed without objection.

Chair Cole stated the amendment was to remove the personal guarantees from the motion.

Discussion was held on the amendment to the motion.

Vice Chair VanderWeele stated he cannot vote in favor of the motion. From a financial banking perspective it is normal standard procedures that any loan officer would require a personal guarantee under the circumstances that this loan is made. He had to personally guarantee a loan he made on his farm earlier this year and it is not out of the ordinary by any means.

Chair Cole stated one of the reasons that the Agricultural Revolving Loan Fund (ARLF) is around is because not every farmer fits into a normal banking market. She has found at least one other circumstance where a personal guarantee was required, but it has not been the norm in for the ARLF.

Boardmember Stratman stated there are things that bothered him about the personal guarantee. He assumed when he supported the personal guarantee that most of the people had contributed equal amounts to the Valley Dairy, Inc. and that is not the case. The personal guarantee would be a burden on one or two individuals which is not fair. If there is a problem with the loan they could go to one individual with deep pockets and take the entire amount to satisfy the loan. Boardmember Stratman asked Chair Cole for her input for the loan.

Chair Cole asked if any Boardmembers objected to her giving her personal view.

No objection was received from the Boardmembers.

Chair Cole stated that she and her husband also had to sign a personal guarantee with the bank for their business; however, this situation is different. She found there is one situation where ARLF required a personal guarantee. It was a personally held corporation and any default on the loan would fall to those two individuals.

Chair Cole stated in this particular case, if there was a default and if the loan was not satisfied and additional funds was needed to satisfy the loan, the Attorney General's Office would have the opportunity to go after one or all of the folks who signed the personal guarantees. In her personal view after everything has been sold and there is a default, only the people with money would be responsible for repaying the loan.

Chair Cole stated what she does think is reasonable is to ask for an assignment of checks, it is reasonable to ask for security interest in the fixtures and equipment, it is reasonable to ask for security in all of the receivables which the Board has done, in addition to asking for all the vendors to paid through the closing. When the loan is closed everything is current and it places Valley Dairy, Inc. in a position to move forward with a monthly payment they can afford. At the same time it positions Valley Dairy, Inc. for ARLF to get a USDA Rural Development guarantee on their loans in the next 3 or 4 months.

Chair Cole stated that in her opinion the Board has done a lot of different things to minimize the risk of the Valley Dairy, Inc. loan and put them in a position where ARLF could actually possibly get a guarantee without penalizing some folks that happen to be willing to take a risk and that have deeper pockets.

Chair Cole stated in her opinion if it were a tie vote she would vote in favor of the motion.

Boardmember Stratman asked about taping these conversations and the minutes.

Chair Cole stated that all meetings are public record and minutes are taken.

Vice Chair VanderWeele asked Chair Cole to explain the 3 to 4 months guarantee?

Chair Cole stated Valley Dairy, Inc. loan is in the pre-application status with USDA. Once the ARLF is approved with USDA, there is a possibility ARLF can get a guarantee on the loan. USDA is willing to subordinate their position with ARLF, so ARLF will have a first lien position on the collateral.

Boardmember Schirack stated he agreed with Chair Cole and is in favor of making the change in the motion.

Boardmember Poindexter stated he also agreed with Chair Cole. In addition, he stated the role of the Board of Agriculture & Conservation (BAC) is to support

agriculture. The personal guarantee will be a deal breaker if it remains a condition of the loan. He thinks that without the loan, the dairy and the remaining four dairies would cease to exist and it is in the best interest of the State and the people to keep the industry.

Boardmember Poindexter stated in terms of food security that Valley Dairy, Inc. is well positioned to succeed and the Board should support agriculture. The BAC is not a bank and none of the board members are bankers in that respect. That is the reason ARLF is set up so if folks who can't get a loan through a bank because of the inability to give a personal guarantee, the BAC can take a reasonable risk in supporting the Valley Dairy, Inc. endeavor so the State can have a dairy industry.

Boardmember Carney agreed with Vice Chair VanderWeele before regarding the personal guarantee, but he understands that this is not your typical bank loan. Valley Dairy, Inc. is not your typically structured ownership of an industry that is very important to agriculture. He stated he would be inclined to allow the personal guarantee to not be a requirement to the loan.

**AMENDMENT
TO MAIN**

MOTION: To remove the personal guarantees from the main motion.

VOTE: The motion passed with 4 yes votes and 1 no vote.
Boardmember Poindexter, Boardmember Schirack,
Boardmember Stratman and Boardmember Carney voted yes.
Vice Chair VanderWeele voted no.

Chair Cole stated in the last motion the Board assumed that any collateral being offered in the application would need to be secured. Specifically we need security interest in the fixtures and equipment.

Chair Cole stated for clarification the addition to the main motion would be to add: Security interest in the fixtures and improvements.

Chair Cole asked if there were any objection to adding the additional clarification.

MOTION: Boardmember Poindexter moved that the loan is subject to all of the collateral in addition to what was already stated that was also on the application that ARLF has a secured interest in.
Boardmember Stratman seconded.

VOTE: The motion passed without objection.

Chair Cole clarified with Boardmember Carney that the financials in the main motion were a profit and loss balance sheet. She asked Karen Olson to send the profit and loss balance sheets to Ray Nix.

MAIN MOTION

RESTATED: To add secured interest in all of the collateral offered on the application and to remove the personal guarantees.

VOTE: The motion passed without objection.

MAIN MOTION

REVISED 11-21-08:

- **USDA Rural Development approval of collateral offered**
- **ARLF receipt of Valley Dairy Inc. Corporate By-Laws**
- **Security interest in the fixtures and equipment**
- **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.**

F. NEXT MEETING

The next board meeting will be held on Thursday, January 22, 2009 at 5:00 p.m.

Vice chair VanderWeele has some questions regarding personnel and asked if the Board could go into an executive session for discussion.

Chair Cole stated it was not an item on the agenda and the agenda would need to be amended to add an Executive Session.

MOTION: Vice Chair VanderWeele moved to amend the agenda to add an Executive Session.

Boardmember Carney seconded.

No objection was received to add an Executive Session to discuss a personnel matter.

EXECUTIVE SESSION

The Executive Session included Chair Kristan Cole, Vice Chair Ben VanderWeele, Boardmember John Schirack, Boardmember Ralph Carney, Boardmember Omar Stratman, Boardmember Al Poindexter, AAG Robert McFarlane, Director Franci Havemeister and Administrative Assistant Lora Haralson.

G. ADJOURNMENT

MOTION: Boardmember Poindexter moved to adjourn.

Vice Chair VanderWeele seconded.

The meeting was adjourned at 10:50 a.m.