

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held November 3, 2007 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Kristan Cole called the meeting to order at 11:10 a.m.

Boardmembers present and establishing a quorum were:

Ms. Kristan Cole, Chair
Mr. Ben VanderWeele, Vice Chair
Mr. Ralph Carney, Member
Mr. Ray DePriest, Member
Mr. John Schirack, Member

Staff in attendance was:

Ms. Franci Havemeister, Director
Ms. Lora Haralson, Administrative Assistant
Ms. Tina Otto, AAG, Dept. of Law
Mr. Ray Nix, Asset Manager

B. APPROVAL OF AGENDA

MOTION: Boardmember Carney moved to approve the agenda.
Boardmember Schirack seconded.

VOTE: The motion passed without objection.

C. PUBLIC COMMENTS

Don Dinkel, Brad Lewis and Jerry Huppert stated they support the Plant Materials Center (PMC) Seed Potato Program and the Seed Potato Disease Specialist located at the PMC.

Don McLean asked the Board to ask the Senate or House that the Mat Maid audit should reflect a full past history.

Kyle Beus, from the Southcentral Dairy Joint Venture submitted the following 3 requests:

1. Lease the Mat Maid Logo for a new company comprised of the local dairy producers.
2. Lease 12 pieces of equipment.
3. Request \$200,000 to assist the dairy farmers during any transition

Chair Cole asked if the BAC has the authority to assist the dairy producers with the requested \$200,000.

AAG Otto responded that the BAC's authority is over the Agricultural Revolving Loan Fund (ARLF) which is to make loans.

Asset Manager Nix stated the 12 pieces of equipment asked to be leased by the Southcentral Dairy Joint Venture from Mat Maid do not have an adverse impact on Mat Maid production. An addendum to the disposal can be added regarding the equipment.

D. MINUTES OF PRECEDING MEETING

MOTION: Boardmember Carney moved to approve the minutes of October 2, 2007.

Boardmember Schirack seconded.

VOTE: The motion passed without objection.

E. REPORTS/CORRESPONDENCE

1. Director Franci Havemeister presented an update of Division activities.
2. Asset Manager Ray Nix presented a Mat Maid disposal status report.

ARLF Sale #07/01 Exclusions/Withdrawals

Asset Manager Nix stated he received an appraisal and during the appraisal process there were some items that were found that had significant and historical and memorabilia value. There were items found at the Blow Mold Facility that are not owned by the ARLF. In the Decisional Document the BAC had previously recommended to the Creamery Corporation to remove all the intellectual property. All of those items are things that in preparation of the brochure and the CD bid package were taken into consideration.

Asset Manager Nix stated there is an accumulation of items that the BAC Board needs to consider recommending to the Creamery Corporation to reaffirm and or affirm on some. He addressed the items to make sure we have the specific authority to not sell those items. Asset Manager Nix recommended that the Board review the ARLF Sale #07/01 Exclusions/Withdrawals memorandum and make a recommendation to the Creamery Corporation based on the information.

Asset Manager Nix suggested the items for removal from the sale would be the Creamery Corporation office supplies, computers and items. These items might have proprietary information and this action protects the BAC and the Creamery Corporation.

Asset Manager Nix stated there are items at Mat Maid that have historic and memorabilia value. Butter churn, gold pins and these items are also on the appraisal report. We are having staff take those items and putting them in a

secure location so that the BAC and the Creamery Corporation can decide what to do with them at a later date. Anything with historical or memorabilia value that both boards agree should not be sold.

Asset Manager Nix stated there are items that show up on the appraisal that are not owned by the Creamery Corporation that show up on the appraisal. The appraisal list was used to generate the CD bid. Anything that is not owned by ARLF or the Creamery Corporation we do not want to sell.

Asset Manager Nix stated there are some items at the Blow Mold facility that are intellectual property that have Mat Maid logo on it. Specifically PET bottles, some molds have the Mat Maid logo, some are Mat Maid and some are private customer bottles that still have the logo, regardless he does not want to sell anything that is not ours and anything that has the logo.

MOTION: Boardmember Carney moved to recommend to the Creamery Corporation Board of Directors to:

1. Specifically exclude all computers, computer related equipment, office supplies and intellectual property from ARLF Sale #07-01;
 2. Exclude Items # 147-163,210, 227,239, 240 and 244 from the Prop/Equip List; and
 3. Exclude Items # 71 and 74 from the Rolling Stock List.
- Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection.

Note:

Property and Equipment List

ITEMS #147 THUR 160 have Historical/Memorabilia Value

ITEMS #161 THUR 163 are leased, not owned by the ARLF/CC

ITEMS # 205, 206 and 214 are not owned by the ARLF/CC (Alaska Glacier Molds)

ITEMS #210 AND 227 are not owned by the ARLF/CC

ITEMS #239, 240, 244 are Creamery Corp Intellectual property

Rolling Stock List

ITEMS #71 & #74 from Rolling Stock list are not owned by the ARLF/CC are listed below:

1- water tanker owned by Caryle that is owned by Mat Maid (not owned by ARLF/CC).

1 -vehicle that was sold (not owned by the ARLF/CC)

Public Hearing & Decisional Document

MOTION: Boardmember Carney moved to release the decisional document regarding ARLF and Creamery Corporation d/b/a Matanuska Maid Asset Disposal.

Boardmember DePriest seconded.

VOTE: The motion passed without objection.

Bid Package Request List

Asset Manager Nix stated he has had a request for disclosure of the bid package list.

AAG Otto stated she will make a determination on whether to release the list.

Personal Property Equipment and Rolling Stock Appraisal

Asset Manager Nix stated the Board had authorized a solicitation of appraisal of personal property and equipment of Mat Maid. He stated it is important that the market value is if it continues operations whether at Mat Maid or the Blow Mold facility that is higher than fair market value (liquidation value). He stated is it important regarding who owns what. There is a percentage of the personal property and equipment that is owned by ARLF. When you start dividing it up how much is owned by the ARLF and the Creamery Corporation the numbers of what proceeds go is affected.

Asset Manager stated the appraisal is separated out in three sections (main dairy, plastics division and rolling stock).

Distribution of Proceeds ARLF Sale #07-01

Asset Manager Nix presented the Board with an analysis of the best information he had available.

The following calculations are based on information available from tenured staff, current appraisals and assigns values based on professional opinions of the estimated most probable price to be realized as installed for intended utilization and/or continued operation.

1. FMV with continued operations

ARLF ASSETS

\$5,665,000	Anch. Property/Imp(FMV Appraisal)
\$1,000,000	Palmer Property/Imp(Staff Estimate)
\$1,277,500	ARLF PPE MatMaid Anch. Only (35% of FMV Appraisal)
\$ 35,000	ARLF Rolling Stock (5% of FMV Appraisal)
\$7,977,500	ARLF Assets =65%¹ of Total Appraised/Estimated Value (\$12,215,000)

¹All percentages are rounded.

CREAMERY CORPORATION ASSETS

\$2,372,500 Creamery Corp. PPE MatMaid Anch. (65% of FMV Appraisal)
\$1,200,000 Creamery Corp. PPE Plastics Div. Palmer
\$ 665,000 Creamery Corp. Rolling Stock (95%) of FMV Appraisal)
\$4,237,500 Creamery Corp. Assets = 35% of Total Appraised/Assessed Value (\$12,215,000)

Note: The value of the Matanuska Maid intellectual property is not addressed in this memo.

2. FMV without continued operations

ARLF ASSETS

\$1,550,000 Anch. Property/Imp(FMV Appraisal)
\$1,000,000 Palmer Property/Imp(Staff Estimate)
\$ 679,581 ARLF PPE MatMaid Anch. Only (35% of FMV Appraisal)
\$ 33,400 ARLF Rolling Stock (5% of FMV Appraisal)
\$3,262,981 ARLF Assets =53% of Total Appraised/Estimated Value (\$6,166,920)

CREAMERY CORPORATION ASSETS

\$1,262,079 Creamery Corp. PPE MatMaid Anch. (65% of FMV Appraisal)
\$1,007,000 Creamery Corp. PPE Plastics Div. Palmer
\$ 634,600 Creamery Corp. Rolling Stock (95%) of FMV Appraisal)
\$2,903,679 Creamery Corp. Assets = 47% of Total Appraised/Assessed Value (\$6,166,920)

3. AVERAGE of FMV with/without continued operations

ARLF = 59% Creamery Corp. = 41%

What is important is who owns what of the personal property. The determination he received from the Mat Maid Plant Manager is that about 35% of the equipment being utilized right now came over from the transfer of management authority from the Creamery Corporation to manage ARLF assets back in 1985.

Asset Manager Nix stated that ARLF had substantial debt and investments and some of that is in personal property and equipment. If ARLF got the appraised value of 65%, then 35% would be returned to the Creamery Corporation.

Chair Cole stated that even if someone continued operations in the Anchorage property, they are still stuck with the fact that at any point they don't continue operation, within one year the property has to be cured to the current zoning. So the idea that the property is worth is \$5,665,000 doesn't hold a lot of water.

Chair Cole stated AAG Otto is working on a Memorandum of Understanding (MOU) with the Creamery Corporation Attorney.

AAG Otto stated it is important to the BAC to the extent that proceeds are distributed to the Creamery Corporation and are subject to creditors. Proceeds to the shareholder should not be subject to creditors. Assets of the State are not subject to creditor claim. This is a way to come into terms with the two boards for the sale. A MOU is a tool to state who owns what and how the proceeds will be split.

MOTION: Boardmember Carney moved to recommend to the Creamery Corporation to split the allocation of the sale proceeds between the ARLF and the Creamery Corporation. The ARLF to receive 60% and the Creamery Corporation to receive 40% based on the Asset Manager's recommendation and other mitigating factors that were discussed.

Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection.

Asset Manager Nix presented other information items to the board that are listed below:

Matanuska Maid Information Items:

- Personal Property, equipment and rolling stock appraisal.
- GoIndustry advertising proposal changes.
- Transition (gallon jug storage locations).
- Historical & memorabilia collection/inventory project.
- CD bid package & Division of Agriculture website.

3. The Board had questions regarding the reports and no staff from Financial Services was at the meeting. The Board asked that the Financial Services September 30, 2007 report will be presented at the November 11, 2007 board meeting.

4. The Board had questions regarding the reports and no staff from Financial Services was at the meeting. The Board asked that the Financial Services June 30, 2007 FY 07 Annual Reports will be presented at the November 11, 2007 board meeting.

F. CREAMERY CORPORATION SHAREHOLDER UPDATE

Chair Kristan Cole stated the Creamery Corporation will update the BAC that they approved a motion to remove the logo and intellectual property from the bid package. Other motions that the BAC have requested will be discussed at the next Creamery Corporation Board of Directors meeting on November 11, 2007.

Chair Cole stated the Legislative Audit staff could attend the Executive Session. Wayne Brost asked to attend the Executive Session in regards to his request. Chair Cole approved Wayne Brost attending the Executive Session for his request only.

G. EXECUTIVE SESSION

The Board moved to go into the Executive session for matters, the immediate knowledge of which would clearly have an adverse effect upon the finances of a public entity. Items that will be discussed are ARLF loans and the Assistant Attorney General's Report. The session will include Boardmembers, Director Franci Havemeister, AAG Tina Otto, Administrative Assistant Lora Haralson, Asset Manager Ray Nix and the Legislative Audit staff.

PUBLIC SESSION LOAN ACTION ITEMS

5. AGO Assignment Approved

MOTION: Boardmember Carney moved to approve the Geier accounts assignment to the Attorney General's Office for appropriate action, including foreclosure action if necessary as recommended by the loan officer.

Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection

6. Filla – Subdivision non objection Approved

MOTION: Boardmember Carney moved to approve Jerome N. Filla's request for non objection to the subdivision of his ARLF loan real property collateral Delta Tract S as requested as recommended by the loan officer.

Boardmember DePriest seconded.

VOTE: The motion passed without objection

7. Smith Development Loan Approved

MOTION: Boardmember Carney moved to approve the development loan – for David B. & Suzanne K. Smith as recommended by the loan officer:

1. \$40,000 @ 5% for 15 years payable by monthly payments.
2. Secured by 1st place Deed of Trust on subject property.
3. Secured by 1st place Security Agreement and UCC filing on subject equipment.
4. Standard title insurance.

Boardmember DePriest seconded.

VOTE: The motion passed without objection.

8. R & B Wrigley Chattel Loan Approved

MOTION: Boardmember Carney moved to approve the C loan – for R & B Wrigley Partnership as recommended by the loan officer:

1. \$20,000 at 5% for 5 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.

9. Brost Loan Modification Approved

MOTION: Boardmember Carney moved to approve the loan modification request for Wayne and Veronica Brost to re-amortize their ARLF loan #F-5121 to lower the monthly payment in consideration of \$100,000 principal payment. All other terms of the loan are to remain the same as recommended by the loan officer.

Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection.

H. NEW/OLD BUSINESS

Vice Chair VanderWeele stated he and the Alaska Potato Growers support the PMC Seed Potato Disease Specialist and the Seed Potato Program located at the Plant Materials Center. Vice Chair VanderWeele asked for assurance that the position continues to be funded.

MOTION: Boardmember VanderWeele moved to recommend continuing the program of inspecting seed and having a Seed Potato Disease Specialist in the Seed potato program and the funding to be continued.

Boardmember DePriest seconded.

VOTE: The motion passed without objection.

Chair Cole stated that Asset Manager Ray Nix is the Board liaison regarding the Mat Maid sale. When bids come in to the office and are stamped by the clerk they are given directly to Asset Manager Nix and are secured in the safe in a separate lock box which only Asset Manager Nix has a key. This measure is to ensure confidentiality is maintained.

I. SET NEXT MEETING & AGENDA ITEMS

The next Board of Agriculture meeting is scheduled for November 11, 2007 immediately following the Creamery Corporation meeting that begins at 8:00 a.m.

Creamery Corporation Board Agenda Items:

- Proposed proceeds split.
- 12 pieces of equipment consideration.
- Removal of equipment listed.
- Receivables and payables financial projection thru December 2007.
- \$200,000 request from the Southcentral Dairy Joint Venture.
- Mat Maid Logo request.

BAC Agenda Items:

- September 30, 2007 financial reports.
- June 30, 2007 FY 07 annual financial reports.
- Motions/recommendations from the CCBD.
- Delegation of Authority to Asset Manager Ray Nix.

J. ADJOURNMENT

MOTION: Boardmember Carney moved to adjourn.
Boardmember Schirack seconded.

The meeting was adjourned at 1:20 p.m.