

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held February 26 2008 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Kristan Cole called the meeting to order at 6:21 p.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. Tina Otto, AAG, Dept. of Law
Ms. Candice Easley, Loan Officer
Mr. Ray Nix, Asset Manager
Ms. Lora Haralson, Administrative Assistant

B. APPROVAL OF AGENDA

Chair Cole stated to amend the agenda to:

- Add under F. Discuss Dissolution of the Creamery Corporation of the Shareholder (1) written consent and (2) approve dissolution.
- Add under H. Funding of the Potato Program at the Plant Materials Center
- Add under H. House Bill 367 Disposal of Raw Milk.

MOTION: Boardmember Carney moved to approve the agenda as amended.
Boardmember DePriest seconded.

VOTE: The motion passed without objection.

C. PUBLIC COMMENTS/SESSION

Kevin Beus stated the Southcentral Dairy should be able to accept milk for cheese production in mid March and accept milk for the bottled milk production by mid April.

D. MINUTES OF PRECEDING MEETING

MOTION: Boardmember Carney moved to approve the minutes of January 15, 2008.

Boardmember DePriest seconded.

VOTE: The motion passed without objection.

E. REPORTS/CORRESPONDENCE

1. Division Update

Director Franci Havemeister:

- Presented an update regarding Division activities.
- Attended a Diversified Livestock meeting and they expressed interest in getting the State Inspector back and she will work with the Board.
- Reported she met with the State Farm Bureau Chapter and a new Mat-Su Chapter President Arthur Keys. The Division is looking at a long term agriculture plan for the State of Alaska with the goal to involve all sections within the Division of Agriculture, Farm Bureau and the agriculture industry.

2. ARLF Insurance Policy Review

AAG Otto:

- Reviewed the ARLF loan regulatory requirement.
- The ARLF regulation states that all borrowers must have insurance, unless it is waived by the Board for reasonable cause.

Loan Officer Easley:

Stated Risk Management does not insure property owned by individuals. It only insures property that is owned by the State.

The Board held a discussion.

MOTION: Boardmember Carney moved that insurance requirements for all ARLF agreements are to be pursuant to applicable statutes and regulations. If the responsible party does not provide the required insurance, the ARLF may place applicable insurance coverage and collect costs from the responsible party. If evidence is provided that there is no insurance available to the responsible party, or for other reasonable cause, the BAC will review and make a determination what, if any, action is to take place, including waiving the insurance requirement for reasonable cause. Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection.

3. Asset Report Ray Nix:
Palmer Property Appraisal Tract A-1
Asset Manager Ray Nix:

- A draft confidential summary appraisal report for the Palmer property Tract A-1 was distributed to the Board for their review.
- Stated the Board now has current appraisals of the Anchorage and the Palmer property and improvements.
- Stated the report will remain confidential until DNR and he has time to review, receive a final and then it can be made public.
- A final should be received by the March 7, 2008.

Chair Cole:

- Stated that after Asset Manager Nix and DNR reviews the appraisal, the Board has no objection to releasing it to the public.

4. Financial Statements

The Board received and reviewed the financials.

Chair Cole:

- On the Agricultural Revolving Loan Fund Revenue and expenses are the \$1400.00 rents & leases in Delta?

Loan Officer Easley:

- A dairy farm in Delta and property in Anchor Point.

Chair Cole:

- Stated (as a confirming question) based upon a snapshot in time for the month of December, Mt. McKinley Meat & Sausage is showing profit. Mr. Nix indicated that was correct.

Chair Cole:

- Will the Palmer Tract A-1 appraisal effect how it is reported On the Real and Personal Property Inventory sheet in the future?

Asset Manager Nix:

- The Anchorage and Palmer recent property appraisals will be posted on the Personal Property Inventory sheet on future financial statements.

F. CREAMERY CORPORATION SHAREHOLDER UPDATE

Chair Cole:

- Stated that Matanuska Maid has paid all of the undisputed creditors as of this point.
- Stated Matanuska Maid has cash in the bank and are still collecting account receivables.
- No on-going operations are being conducted.
- The Board needs to consider approving the Dissolution of the Creamery Corporation and the dissolution plan.
- A draft plan was distributed to the Board.
- Is the Board as the representative of the shareholder ready to authorize approval for the dissolution plan process for the Corporation?

AAG Otto:

- Stated the ARLF is the shareholder and the Board acts on behalf of the ARLF as the shareholder.
- The Creamery Corporation has ceased all business operations.
- The shareholder can sign a written consent and direct the Creamery Corporation Board of Directors to dissolve and begin winding down their affairs.
- The BAC can make that action and elect to dissolve the Corporation as an entity.
- The BAC is directing the Creamery Corporation Board of Directors to cease from engaging in any other further operations and from here on out the sole purpose is to wind down the affairs to the best interest of the shareholder and the creditors.
- It is a shift that no further business can take place.
- The common interest is to protect the shareholder and creditors.
- The two boards can more collectively work together to accomplish that goal.
- The process could take up to 4-6 months.
- Part of the process will be working with the Creamery Corporation Board on how you would like the liquidation to take place. Once all assets are liquidated and the creditors are paid, only then can the corporation property be returned to the State.
- From this point forward creditors are paid first.
- Pending litigation would mean selling off assets and putting a portion of the funds into a reserve fund to cover all contingent debts. Once all contingent debts are paid for, then the remaining assets can be returned to the State free of claims.
- A Written Consent of the Shareholder for Voluntary Dissolution of the Creamery Corporation Board of Directors needs to be signed. The BAC Board is consenting to the voluntary dissolution and winding up of the process.
- The Creamery Corporation is organized under its own by-laws and also under the State's Corporate Code which lays out the dissolution process and this is the first step.
- The Board of Agriculture & Conservation as the shareholder of the Creamery Corporation can authorize one person to go forward and sign off or you can delegate the authority to the Board of Directors. Someone needs to pick on who will sign off on settlement of creditor claims, sign off on corporate documents filed with the State, sign off on dissolution plan.

Vice Chair VanderWeele:

- Asked if the Dissolution document is signed, can the Creamery Corporation still sell the equipment?

AAG Otto:

- Yes, anything relating to protecting the good name of the Corporation and winding down the affairs. The Corporation can settle all creditor claims but not enter into new contracts.

Vice Chair VanderWeele:

- What happens to the money that is still in the Corporation hands?

AAG Otto:

- The process usually takes 4 to 6 months, which involves making sure all the creditors are paid. Once creditors are paid, it is returned back to the ARLF.
- The personal property will probably be liquidated and turned into cash, but not everything will be returned into cash.
- The Board of Agriculture as the shareholder of the Creamery Corporation Board of Directors is voting to dissolve the corporation.

MOTION: Boardmember Carney moved to authorize the plan to carry out the dissolution of the Creamery Corporation.

MOTION RETRACTED: Boardmember Carney retracted the motion.

The Board of Agriculture & Conservation signed the Written Consent of the Shareholder for the Voluntary Dissolution of the Creamery Corporation.

Chair Cole:

- Stated the Creamery Corporation draft wind down plan was received from AAG Otto.

AAG Otto:

- Stated she will discuss the Creamery Corporation plan during her Attorney General report.

Boardmember DePriest stated a Boardmember is listed on the plan that is no longer on the Corporation.

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 Gareth Byers for discussion of his loan only, Boardmembers, Director Franci Havemeister, AAG Tina Otto, Administrative Assistant Lora Haralson and the Legislative Audit staff.

PUBLIC SESSION ACTION ITEMS

5. Hawks Short-term Loan Approved

MOTION: Boardmember Carney moved to approve the S-loan request for Hawks Farm & Garden Center, Inc. as recommended by the loan officer:

1. \$50,000.00 @ 5% for 7 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.

6. Iles Development Loan Approved

MOTION: Boardmember Carney moved to approve the F-loan request for David A. Iles as recommended by the loan officer:

1. \$161,000.00 @ 5% for 30 years payable by monthly payments.
2. Secured by 1st place Deed of Trust on subject property.
3. Standard Lenders Title Insurance.
4. Property Insurance w/ARLF as loss payee.

Boardmember DePriest seconded.

VOTE: The motion passed without objection.

7. Elsberry Short-Term/Chattel/Development Loans Declined

MOTION: Boardmember Carney moved to decline the S/C/F-loans for Todd R. & Sherrie L. Elsberry as recommended by the loan officer:

1. Poor credit history.
2. Poor ARLF payment history.
3. No cash reserves.
4. No property insurance.

Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection.

Elsberry

Insurance Coverage

Approved

MOTION: Having found reasonable cause, Boardmember Carney moved to waive the insurance requirement for 1 year when Mr. Elsberry will be eligible to purchase insurance, in that no affordable insurance is available. In considering reasonable cause, the Board found that we were well collateralized and the State of Alaska Risk Management is also protecting the State's interest. This is a 1 time only action.

Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection

8. Rees & Baxter

Chattel Loan

Approved

MOTION: Boardmember Carney moved to approve the C-Loan for Daniel C. Rees & Valerie A. Baxter as recommended by the loan officer:

1. \$38,000.00 @ 5% for 7 years payable by monthly payments.
2. Secured by standard Security Agreement & UCC filing on subject equipment limited to maximum 75% loan to value of collateral.

Boardmember DePriest seconded.

VOTE: The motion passed without objection.

Byers

Chattel Loan

Approved

MOTION: Boardmember Carney moved to approve the C-loan request for Gareth J. & Angela S. Byers based upon raising the market value of livestock being increased to their actual live market value of \$184,500.00 and as listed below as recommended by the loan officer with the exception of the loan amount being increased from \$78,750.00 to \$120,000.00:

1. \$120,000.00 @ 5% for 7 years payable by monthly milk assignment.
2. Secured by standard Security Agreement & UCC filings on subject equipment & livestock limited to maximum 75% loan to value of the collateral.

Vice Chair VanderWeele seconded.

VOTE: The motion passed without objection.

H. NEW/OLD BUSINESS

Funding of the Potato Program at the Plant Materials Center

Vice Chair VanderWeele asked the Director for the current status on why the potato program funding was taken out of the budget.

Director Havemeister stated she testified for the House Subcommittee last week regarding funding the program and the House Subcommittee recommended removing it from the budget.

The Board will send a letter of support to the Senate Subcommittee recommending keeping the potato funding and retaining Bill Campbell Seed Potato Specialist.

House Bill 367

Boardmember Schirack indicated Representative Neuman asked for Board to support on HB367 regarding citizens purchasing unprocessed milk from any dairy in Alaska. The bill was distributed to the Board for review.

Boardmember DePriest stated the bill doesn't address the Grade A Dairy issue and the milk that needs to go through the process to be pasteurized.

The Board is not interested in taking action at this time.

I. SET NEXT MEETING & AGENDA ITEMS

The next meeting of the Board of Agriculture & Conservation will be held on Tuesday, April 22, 2008 at 5:30 p.m.

Chair Cole:

- Asked Director Havemeister to work with Asset Manager Nix regarding a recommendation plan for the real property to be presented at the next meeting.

J. ADJOURNMENT

MOTION: Boardmember Carney moved to adjourn.

Boardmember DePriest seconded.

VOTE: The motion passed without objection.

The meeting was adjourned at 8:40 p.m.