

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held April 27, 2012 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Ben VanderWeele called the meeting to order at 1:00 p.m.

Board members present and establishing a quorum were:

Mr. Ben VanderWeele, Chair
Mr. John Schirack, Vice Chair
Mr. Al Poindexter, Board member
Mr. Stuart Davies, Board member
Ms. Deidre Berberich, Board member
Mr. Chris Flickinger, Board member (telephone)
Mr. Troy Shelden, Board member

Staff in attendance was:

Ms. Kathleen Rowell, Special Assistant to Commissioner, DNR
Ms. Franci Havemeister, Director
Ms. Lora Haralson, Administrative Officer
Mr. Robert McFarlane, AAG, Dept. of Law
Ms. Amanda Swanson, ARLF Loan Officer
Ms. Olga Lotosh, ARLF Accountant

B. APPROVAL OF AGENDA

Additions:

- F. Executive Session: Thompson and Skidmore subdivision collateral request.
- G. New/Old Business: School Site Information.
- G. New/Old Business: Update on the letter the DNR Deputy Commissioner regarding the Department of Corrections paying for inmate labor.
- G. New/Old Business: Discuss Mat Maid property in Palmer.

MOTION: Board member Poindexter moved to approve the agenda as amended.

SECOND: Board member Davies seconded the motion.
No objections were received.

The agenda was approved as amended with additions.

C. PUBLIC COMMENTS/SESSION

Doug Griffin, City Manager for the City of Palmer stated they are continuing negotiations for the Mat Maid block in Palmer.

Glen Price, Attorney for the City of Palmer stated the City has located 1500 acres from DNR in Willow that could be exchanged for a portion of the Palmer property and in addition the City would consider purchase of giving money for the property.

Special Assistant to the Commissioner Kathleen Rowell stated the Commissioner's office is looking for guidance from the Board on how to proceed with the land exchange and it would take a couple of years to complete.

Richard Best, Deputy Mayor City of Palmer reassured the Board the City is moving forward to obtain the entire block. They would like to discuss possible earnest money for the Mat Maid Palmer Block when the Board makes a decision if they want to proceed with the land exchange.

E. MINUTES OF PRECEDING MEETING

March 21, 2012 Meeting Minutes

MOTION: Board member Davies moved to approve the minutes of March 21, 2012.

SECOND: Board member Berberich seconded the motion.

DISCUSSION: *(No discussion was held).*

VOTE: The motion passed without objection.

F. REPORTS/CORRESPONDENCE

Director Havemeister:

1. Division Update/Division Newsletter:
 - General funds in the amount of \$250,000 were approved for the Horticulture Program located at the Plant Materials Center and will be effective July 1, 2012.
 - HB 202 "An Act relating to the sale of food products by the producer to the consumer" the bill did not move forward.
 - HCR24 - "Relating to the establishment and operation of a state food resource development working group" the bill did not move forward.

- HB191 – "An Act establishing a state department of agriculture and food and relating to its powers and duties; relating to the powers and duties of the Department of Environmental Conservation and the Department of Natural Resources; and providing for an effective date" the bill did not move forward.
- Stated she went to Singapore and Korea with the Western United States Agricultural Trade Association (WUSATA) regarding international trade and met with dignitaries who are interested in buying products from the Western United States.
- Stated on April 10, 2012 the Creamery Corporation transferred \$636,603.00 to the ARLF.

ARLF Loan Officer Swanson:

2. ARLF Interest Rates

Reviewed the current interest rates and FSA will increase their rates from 1.35% to 1.50% on May 1, 2012.

3. Applications in Process

(The Board had no questions).

4. Asset Report

- Reviewed the April asset report.

ARLF Accountant Lotosh:

5. Financial Report

- Reviewed the March 2012 financials.

AAG McFarlane:

6. Public Session Report

AAG McFarlane stated HB121 passed a Mariculture Loan Fund located in the Department of Commerce they can loan up to \$100,000 to oyster farmers.

AAG McFarlane discussed the Right to Farm lawsuit based on State statute AS 09.45.235. The judge has not made a ruling on the injection issue. He stated the judge will probably issue a very detailed opinion which will affect farmers.

Board member Davies commented on the law suit. Robert Riddle owns Fairbanks Pumping and Thawing which is a sewage pumping business. Mr. Riddle has established sewage lagoons on his farm. He stated there are millions of gallons of raw sewage on the farm that he just bought for this purpose in his opinion. Board member Davies stated he does not consider sewage lagoons as a farming operation. It was his understanding at the testimony and the injunction law suit Mr. Riddle had Bryce Wrigley, Bernie Karl, Charlie Knight, Dan Proulx and other farmers testify about the Right to Farm. Dan Proulx indicated in his notes in the BAC packet that he talked about the State Farm Conservation Plans.

“Mr. Riddle established a Farm Conservation Plan in May 2011 well after he purchased the property and started farming”. Board member Davies stated it is million gallons of sewage with six to eight trucks a day coming down the road to dump the sewage in the lagoons and there has been a limited amount of spreading down on the hay fields. Board member Davies stated when he read the original permit he didn't see any reference to sewage lagoons. There are currently four sewage lagoons with four more in process and only one lagoon is lined. The lagoons are setting on top of the ground with gravel pushed up as a berm. The trucks back into the lagoons and dump. The lagoons are not covered and there is no smell abatement. The Department of Environmental Conservation (DEC) has all the terminology regarding the release of fumes in the air; however, these are open pit lagoons. There are quite a few people in the area who are not happy with the situation.

It does affect land values and it could potentially affect the ground water. Board member Davies has never seen Mr. Riddle actually farm. He has seen some dairy cattle in a pen last summer. As far as Board member Davies is aware Mr. Riddle has never harvested anything. He has some ground rented to another farmer who is growing grain on 20 to 30 to 40 acres but he is unsure exactly how many acres are being used. The term is Bio Solids for sewage dumping on fields and it is an approved farming tool in some States, however, that is sludge that has been evaporated and has minimal smell with restrictions on using Bio Solids for growing food crops.

Board member Davies said he had heard that some sewage was dumped on a neighbor's field but has not seen it. 95% of the sewage is still in the lagoons. He stated it is a commercial sewage operation.

AAG McFarlane stated DEC issued the permit to Mr. Riddle and said it was okay to do. AAG McFarlane is looking for guidance from the judge and will email the Board when a decision is received.

Board member Davies stated Mr. Riddle is one of the “richer farmers” it costs him \$.11 per gallon to haul the sewage into the sewage treatment facility. He stated Mr. Riddle has contracted with another sewage pumping firm who is

charging \$.05 per gallon to dump. Board member Davies stated his comments to DEC were considered a neutral comment. Since he has seen what has happened and the damage Mr. Riddle has done to the road and he ignores the weight restrictions. Board member Davies was not called to testify. Board member Davies called the Chief of Commercial Vehicle Enforcement two weeks ago and was told exemptions are only for State maintained roads.

Chair VanderWeele asked about the statute of limitations regarding insurance for the Creamery Corporation.

AAG McFarlane stated the letter he sent to Kristan Cole and Attorney Jon Givens asking them to transfer the funds pointed out that the Creamery Board liability would be to the State of Alaska. The statute of limitations for general negligence is for two years.

Chair VanderWeele stated the last event the Creamery Corporation conducted was the auction three years ago.

Vice Chair Schirack asked if an agreement could be drawn up with the State and the Creamery Corporation.

AAG McFarlane stated possible damages might be from the letter complaining about the length of time it took the Creamery to liquidate. The ARLF actually benefitted because it earned interest from the money in the Creamery account.

Executive Session Disclosures:

Director Franci Havemeister removed herself from the room/discussion on the AAG McFarlane Executive Session Report for Valley Dairy report due to potential conflict of interest.

Chair VanderWeele removed himself from the room/discussion on the Gold Nugget Farms, Inc. and Butte Farms, Inc. due to potential conflicts of interest.

Wayne Brost and Gareth Byers asked to attend the Executive Session regarding their loans

F. EXECUTIVE SESSION

MOTION: Vice Chair Schirack moved to go into Executive Session to review the ARLF Aging/Delinquency report, AAG Report, ARLF loans for Gold Nugget Farms, Inc., Butte Farms, Inc., Brost and Wrigley. The collateral requests for Byers, Skidmore and Thompson.

SECOND: Board member Davies seconded the motion.

DISCUSSION: *(No discussion was held).*

VOTE: The motion passed without objection.

The Executive Session for the Byers collateral request included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Al Poindexter, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger (telephone), Board member Troy Shelden, Special Assistant to the Commissioner Kathleen Rowell, Director Franci Havemeister, AAG Robert McFarlane, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson. Gareth Byers member of the public attend this session.

The Executive Session for the Brost loan request included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Al Poindexter, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger (telephone), Board member Troy Shelden, Special Assistant to the Commissioner Kathleen Rowell, Director Franci Havemeister, AAG Robert McFarlane, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson. Wayne Brost member of the public attend this session.

The Executive Session for the Wrigley loan included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Al Poindexter, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger (telephone), Board member Troy Shelden, Special Assistant to the Commissioner Kathleen Rowell, Director Franci Havemeister, AAG Robert McFarlane, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson.

Board member Poindexter left the meeting at 3:15 p.m.

The Executive Session for the AAG Report included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger (telephone), Board member Troy Shelden, AAG Robert McFarlane, Special Assistant to the Commissioner Kathleen Rowell, ARLF Loan Officer Amanda Swanson, and Administrative Officer Lora Haralson. Director Franci Havemeister left the room for a portion of the report pertaining to Valley Dairy. Karen Olson, Valley Dairy attended a portion of the report.

The Executive Session for the ARLF Aging/Delinquency Report, Skidmore and Thompson collateral request included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger (telephone), Board member Troy Shelden,

Special Assistant to the Commissioner Kathleen Rowell, Director Franci Havemeister, AAG Robert McFarlane, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson.

The Executive Session for the Gold Nugget Farms, Inc. and Butte Farms, Inc. loans included Vice Chair John Schirack, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger (telephone), Board member Troy Shelden, Special Assistant Kathleen Rowell, AAG Robert McFarlane, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson. Chair Ben VanderWeele was not in the room for these two loans.

PUBLIC SESSION ACTION ITEMS

9. Gold Nugget Farms, Inc. Short-Term Approved

MOTION: Board member Davies moved to approve the Gold Nugget Farms, Inc. – S loan as recommended by the loan officer:

1. \$175,000.00 @ 3.00% payable by one payment due one year from closing.
2. Standard Security Agreement & UCC filing secured by equipment limited to 75% LTV.
3. Property Insurance with ARLF as Mortgagee & Loss Payee.

SECOND: Board member Flickinger seconded the motion.

DISCUSSION: *(No discussion was held).*

VOTE: The motion passed with 5 yes votes. Vice Chair Schirack, Board member Davies, Board member Flickinger (telephone), Board member Berberich and Board member Shelden voted yes. Chair VanderWeele excused himself from the vote due to a potential conflict of interest.

10. Butte Farms, Inc. Short-Term Approved

MOTION: Board member Berberich moved to approve the Butte Farms, Inc. – S loan as recommended by the loan officer:

1. \$145,000.00 @ 3.00% payable by one annual payment one year from date of closing.
2. Secured by 1st Deed of Trust on property including warehouse.
3. Standard Lenders Title Insurance.
4. Property Insurance with ARLF as Mortgagee & Loss Payee.

SECOND: Vice Chair Schirack seconded the motion.

12. Byers Collateral Request Approved

MOTION: Board member Davies moved to approve the Gareth Byers – collateral request as recommended by the loan officer with the following stipulations:

1. An inventory of the herd will be completed by ARLF’s loan officer before Mr. Byers begins selling.
2. Mr. Byers must provide a purchase agreement or invoice and receipts with the purchaser’s complete name, address and contact number if available.
3. Mr. Byers provides a detailed description of cows sold.
4. All proceeds must be made payable directly to ARLF.
5. ARLF will file partial releases on the cows as they are sold.

SECOND: Board member Flickinger seconded the motion.

DISCUSSION: *(No discussion was held).*

VOTE: The motion passed without objection.

12. Byers Future Late Fees Waived Approved

MOTION: Vice Chair Schirack moved to approve the Gareth Byers – future late fees on S-5445, S-5458 and C-5244.

Reasonable

Cause Statement: Mr. Byers is cooperating with the Board and is voluntarily liquidating the cattle which otherwise the ARLF would have to repossess at a significant cost.

SECOND: Board member Berberich seconded the motion.

DISCUSSION: Board member Davies stated given the fact he will pay off his loans in 6 or 7 months and we have been very flexible with Mr. Byers he would oppose the motion. However, after discussion with AAG McFarlane Board member Davies will accept the motion.

VOTE: The motion passed without objection.

13. Wrigley Farms, LLC Short-Term Approved

MOTION: Board member Davies moved to approve the Wrigley Farms, LLC - S loan as recommended by the loan officer:

1. \$75,000.00 @ 3.00% one year payable by monthly payments beginning June, 2012.
2. Standard Security Agreement & UCC filing secured by equipment limited to 75% LTV.
3. Property Insurance with ARLF as Mortgagee & Loss Payee.

SECOND: Board member Shelden seconded the motion.

DISCUSSION: *(No discussion was held.)*

VOTE: The motion passed without objection.

14. Thompson Subdivision Approved

MOTION: Board member Davies moved to approve the Gary Thompson Subdivision non-objection of their ARLF collateral.

SECOND: Board member Flickinger seconded the motion.

SUBJECT TO: Matanuska Susitna Borough Subdivision Approval.

DISCUSSION: *(No discussion was held.)*

VOTE: The motion passed without objection.

15. Skidmore Subdivision Approved

MOTION: Board member Davies moved to approve the Jason and Katrina Skidmore Subdivision non-objection of their ARLF collateral and subsequent collateral release of two forty acre parcels.

SECOND: Board member Berberich seconded the motion.

SUBJECT TO:

1. Completion of Land Survey and Broker opinion of Value.
2. State of Alaska, DNR/Division Lands Subdivision Non-Objection & Conditional Approval.

3. Resubmit to the board for the approval of the collateral release for the two forty acre parcels.

DISCUSSION: *(No discussion was held.)*

VOTE: The motion passed without objection.

ARLF Equipment and Real Estate Valuations

MOTION: Board member Davies moved that the ARLF revise its equipment and real estate valuation assessment and have the Loan Officer submit a draft proposal for the next board meeting.

SECOND: Board member Berberich seconded the motion.

DISCUSSION: Board member Davies stated that the Loan Officer can research some blue book values. Real estate will be a limited self assessment on the collateral submitted. If real estate is not in the borough or disagree with Borough assessment a third party evaluation approved by the Loan Officer.

VOTE: The motion passed without objection.

Director Havemeister clarified for any loans brought to the next meeting the same standard as prior loan submittals will be used, until all existing loan applicants and new applications are notified of the new standard for equipment and real estate valuations assessments.

Director Havemeister and Loan Officer Swanson will draft a letter regarding the equipment and real estate valuation assessment this summer.

Personal Guarantees

MOTION: Board member Shelden moved to ask for the personal guarantees when the borrower of the origination is an LLC or corporation.

SECOND: Board member Berberich seconded the motion.

DISCUSSION: Loan Officer Swanson stated one of the new borrowers is a big group of people does everybody sign on it or the majority of the shareholders.

AAG stated the regulations state the Board may ask for personal guarantees you can't vote that you can always ask for a guarantee because it is contrary to what the regulations state. He stated he would not make a resolution that says you always will require a personal guarantee.

VOTE: The motion passed without objection.

Agricultural Investors

MOTION: Board member Shelden moved to have the AAG office to begin the foreclosure process on Agriculture Investors.

SECOND: Vice Chair Schirack seconded the motion.

VOTE: The motion passed with 5 yes votes and one abstained vote. Chair VanderWeele, Vice Chair Schirack, Board member Davies, Board member Berberich, Board member Flickinger voted yes. Board member Davies abstained from the vote.

G. NEW/OLD BUSINESS:

Chair VanderWeele stated there was a list of agriculture property south of Palmer for a school that the Matanuska Susitna Borough is looking at. He is opposed of taking good farm property to build a school. A letter will be drafted from the Board to the Matanuska Susitna Borough.

Vice Chair Schirack indicated as a courtesy to the City of Palmer in case the Board receives an offer for the Palmer Mat Maid property they should be notified.

Special Assistant to the DNR Commissioner Rowell stated Ed Fogels, Deputy Commissioner is looking for guidance from the Board on how to proceed with a land exchange program.

Board member Davies stated it is in ARLF's best interest not to do a land exchange program with the City of Palmer.

The majority of the board determined they do not want to pursue the DNR land exchange with the City of Palmer. A letter will be written from the Board to the City of Palmer that they are not interested in the land exchange program for the Palmer Mat Maid property.

Chair VanderWeele asked if Deputy Commissioner Fogels had written a letter to Corrections to ask the Department of Corrections to pay for the inmate labor at Mt. McKinley Meat & Sausage. Special Assistant to the Commissioner Rowell will remind the Deputy Commissioner Fogels.

H. BOARD MEMBER COMMENTS:

Board member Flickinger stated the drawing for FFA buffalo was won by a lady from Fairbanks. The FFA raised almost \$12,000 for the buffalo sale.

I. SET NEXT MEETING & AGENDA ITEMS

The next regular meeting will be held on Wednesday, June 13, 2012 at 1:00 p.m.

J. ADJOURNMENT:

The meeting was adjourned at 5:40 p.m.