

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held April 28, 2016 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. Chris Flickinger, Board member (telephone)
Ms. Deidre Berberich, Board member
Mr. Troy Shelden, Board member
Ms. Roxy Marcy, Board member (telephone)
Mr. Jason Smith, Board member (telephone)

Staff in attendance was:

Mr. Arthur J. Keyes IV, Director
Ms. Lora Haralson, Administrative Officer I
Mr. Robert McFarlane, AAG, Dept. of Law
Ms. Amanda Swanson, ARLF Loan Officer
Ms. Olga Lotosh, ARLF Accountant

Public in attendance were:

John Anderson, (telephone)
Robert Gibson (telephone)
Amy Edwards (telephone)
Rean Brooks
Richard Gattis
Steve Lazer
Matt Tomter
Eugene Haberman
Wayne Brost
Todd Pettit, Denali Meat Company
Nate Burris, Denali Meat Company
Terry Van Wyhe
Sarah Heath, Governor's Office

B. APPROVAL OF AGENDA

MOTION Vice Chair Schirack moved to approve the agenda

SECOND: Board member Berberich seconded the motion.

No objections were received.

The agenda was approved

C. PUBLIC COMMENTS/SESSION

DNR, Deputy Commissioner Fogels made the following statements regarding Mt. McKinley Meat & Sausage (MMM&S):

- This is a difficult time of transition for the meat plant and we are committed to doing what we can to make this transition with minimal impact to Southcentral Alaska's meat industry.
- We are pleased to see the interest expressed by the private sector and are looking forward to seeing responses to the Board's RFP.
- The interested parties all seem highly qualified and committed to a positive outcome for everyone, so we are hopeful that the Board will have good options to choose from.
- We also are pleased to see interest from the private sector in keeping the door open to all livestock owners who need to have their animals slaughtered in a USDA-approved plant.
- The entities and individuals who have come forward to the Board, including Denali Meat Company, are investing significant time and resources to ensure that they and other producers in Alaska continue to have access to a USDA slaughter facility.
- DNR supports the Board's efforts to transition the plant into private ownership. The Legislature has given us one year of additional funding to make this transition, and this is a firm deadline.
- We realize that privatizing the plant isn't a painless process and we can't guarantee an outcome. However, the status quo isn't an option anymore.
- Our mission is to promote and encourage agricultural development in Alaska but it actually isn't the role of government to operate a meat plant.

- Anyone with questions relating to the privatization of the meat plant should contact the Division of Agriculture Director.

Wayne Brost, stated a proposal to put a detox facility at the Pt. MacKenzie Prison Farm was in an article from the Frontiersman newspaper and he does not want a detox facility next to his farm. He asked the Board to retract the lease from the Department of Corrections if a detox center is established at the Pt. MacKenzie Prison Farm. He also wanted on public record that whoever's idea it was to put a detox facility at the Pt. MacKenzie Prison farm is brain dead.

Wayne Brost, stated the last day for public comments session from the Mat-Su Borough is April 29, 2016 for the Pt. MacKenzie Trytten Farm for a seasonal lease agreement on 300 acres to produce hay. The Rachel Hecker/Byler tract is also up for competitive bid on 450 acres, with 150 acres for the railroad. He is also disappointed with the MMM&S situation and it is unfortunate that Mike's Meat and the other entity can't get together.

John Anderson, stated he submitted a letter to the Board regarding MMM&S and he won't read it to the Board. The biggest issue he stated is that everyone from the March 31st BAC meeting either said for the State to keep the plant or lease it and selling it wasn't mentioned during public comment. The Farm Bureau has spent money for a plan for MMM&S and if the plant is sold how is the public guaranteed that the new owner will continue to purchase and slaughter meat products from all producers.

AAG McFarlane stated selling MMM&S is not a problem and setting terms of the sale is done all the time. Terms can be established in a sales agreement and can be enforced through a Deed of Trust. If they fail to meet the terms of the Deed of Trust the board can foreclose.

Eugene Haberman stated he is representing himself for public meetings. He stated decisions are being made for the public. When he came to the first meeting he would expect respect. He asked that the public notice state where the public can find the Board documents. Also, when meetings adjourn, the Board should get up and leave their chairs.

Nate Burris stated members of the Denali Meat Company have been diligently working to resolve the issue of the red meat industry. A lease would provide a system where all producers would be protected and given access to the plant in a fair way. Nate Burris requested to attend the Executive Session regarding Denali Meat Company financials and questions.

D. MINUTES OF PRECEDING MEETINGS

March 31, 2016 Draft Meeting Minutes

MOTION: Vice Chair Schirack moved to approve the minutes of March 31, 2016.

SECOND Board member Shelden seconded the motion.

ROLL CALL:

VOTE: The motion passed with six yes votes. Vice Chair Schirack voted yes, Board member Berberich voted yes, Board member Shelden voted yes, Board member Flickinger voted yes (telephone), Board member Smith voted yes (telephone) and Board member Marcy voted yes (telephone).

E. CONFLICT OF INTEREST DISCLOSURES

Chair VanderWeele stated now is the time for conflict disclosures. You have the agenda outlining pending business and we will be going into executive session later to address loan requests. Does any member have a conflict to disclose relating to any business before the board?

Board member Flickinger stated the discussion regarding MMM&S might affect him in the future.

AAG McFarlane asked Board member Flickinger if he had any interest in MMM&S.

Board member Flickinger stated that he is friends with Todd Pettit and Terry Van Whye which are members of the Denali Meat Company, but he doesn't have any personal financial interest in MMM&S.

AAG McFarlane stated that Board member Flickinger does not have a conflict of interest and Board member Flickinger can attend the discussion regarding MMM&S.

F. REPORTS/CORRESPONDENCE

Director Keyes:

1. Director Report:
 - Director Keyes stated that Johanna Herron has taken over the Marketing Section and is doing a great job.
 - Land sales are currently being conducted.

- Division staff are working on the Prop 90 issue and attending meetings.
- The Plant Materials Center (PMC) will be producing an asparagus report which is a new plant for Alaska. The potato sales are at a record high and the PMC had to expand their capacity to meet the demand. The Alaska gas line is in discussion for a contract for 937 miles of revegetation which is at least a million pounds of grass seed.
- Bio solids issues is now statewide problem and when he has more information he will keep the Board informed.

Vice Chair Schirack asked if the grass seed for the Alaska pipeline will be guaranteed to be Alaska Grown seed.

Director Keyes stated there is no guarantee that Alaska seed has to be used. The Division is updating the seed regulations and that it could be addressed in the revised seed regulations.

Loan Officer Swanson:

2. Presented the ARLF Interest Rates

Reviewed the current interest rates comparable to the ARLF rates.
(The Board had no questions).

3. Asset Report

The April asset report was reviewed.
(The Board had no questions).

4. Reviewed the Applications in Process

(The Board had no questions).

ARLF Accountant Lotosh:

5. Financial Reports

The ARLF March 2016 financials were reviewed.

AAG McFarlane:

6. Public Session Report

The public session report was presented.

Disposal of Mt. McKinley Meat & Sausage

AAG McFarlane prepared “discussion drafts” of documents for the disposal of

MMM&S which were distributed to the board prior to the April 28, 2016 BAC meeting.

The documents contemplate two different scenarios:

- 1) an outright sale, or
- 2) A lease with an option to buy.

The discussion draft for the sale of MMM&S contemplates a sealed bid auction with a sale to the high bidder (with possible 90 percent financing). The discussion draft for the lease with option to buy contemplates a RFP process which will result in the award of a five year lease with an option to buy. The documents also attempt to address the concerns of the individuals that testified at the public meeting as set out in the decisional document that was prepared after the meeting on March 31, 2016. He has made an effort keep the terms of these documents as uncomplicated and flexible as possible while still maintaining a reasonable level of enforceability in the event of a breach.

Todd Pettit and Nate Burris from Denali Meat Company asked to go into Executive Session to discuss their financials.

Board member Marcy moved to go into Executive Session.
Board member Berberich seconded the motion.

G. EXECUTIVE SESSION

The Executive Session for the Mugrage-S loan, Decisional document from the public hearing on March 31, 2016, Request for Proposals (RFP'S) for Mt. McKinley Meat & Sausage Plant and the Aging/Delinquency report included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Chris Flickinger (telephone), Board member Deidre Berberich, Board member Troy Shelden, Board member Roxy Marcy (telephone), Board member Jason Smith (telephone), AAG Robert McFarlane, Director Arthur J. Keyes IV, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson.

The Executive Session for the Denali Meat Company request to discuss their financials for MMM&S plant included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Chris Flickinger (telephone), Board member Deidre Berberich, Board member Troy Shelden, Board member Roxy Marcy (telephone), Board member Jason Smith (telephone), AAG Robert McFarlane, Director Arthur J. Keyes IV, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson. Members of the public that attended this session were Todd Pettit, Nate Burris, Terry Van Wyhe and Scott Mugrage (telephone) from the Denali Meat Company.

PUBLIC SESSION

Matanuska Brewing Company, LLC

MOTION: Board member Shelden moved that the Matanuska Brewing Company, LLC has offered to pay \$800,000.00 for the Matanuska bottling facility located at 513 South Valley Way, Palmer. The Board would consider a purchase price of \$850,000.00 but certain terms of the proposed purchase agreement are not acceptable, including terms requiring the State of Alaska to transfer title to the property by warranty deed, to indemnify the company for costs of environmental testing or remediation, and to allow 180 days to conduct a due diligence inspection and closing. If the company and the Director of the Division of Agriculture in his capacity as director of the Board of Agriculture and Conservation, through their respective counsel, can resolve the terms of the proposed agreement to the satisfaction of the board, the board will agree to conditionally accept the company's offer. Formal acceptance of the offer is conditioned on the required publication of a public notice of sale and execution of a purchase agreement with terms satisfactory to the board.

SECOND: Board member Flickinger seconded.

ROLL CALL

VOTE: The motion passed with six yes votes. Board member Berberich voted yes, Vice Chair Schirack voted yes, Board member Marcy voted yes (telephone), Board member Smith voted yes (telephone). Board member Shelden voted yes and Board member Flickinger voted yes (telephone).

1 Mt. McKinley Meat & Sausage

MOTION: Board member Shelden moved to amend the decisional document for Mt. McKinley Meat & Sausage to include a lease with the option to purchase.

SECOND: Board member Marcy seconded.

ROLL CALL

VOTE: The motion passed with six yes votes. Board member Berberich voted yes, Vice Chair Schirack voted yes, Board member Marcy voted yes (telephone), Board member Smith voted yes (telephone). Board member Shelden voted yes and Board member Flickinger voted yes (telephone).

2 Mt. McKinley Meat & Sausage

MOTION: Board member Shelden moved to issue a Request for Proposal (RFP) for Mt. McKinley Meat & Sausage with the lease with option to purchase.

SECOND: Board member Marcy seconded.

ROLL CALL

VOTE: The motion passed with six yes votes. Board member Berberich voted yes, Vice Chair Schirack voted yes, Board member Marcy voted yes (telephone), Board member Smith voted yes (telephone). Board member Shelden voted yes and Board member Flickinger voted yes (telephone).

7. Mugrage Short-Term Loan Approved

MOTION: Board member Berberich moved to approve the Scott and Julia Mugrage – S Loan as recommended by the Loan Officer:

1. S-\$150,000.00 @ 3.00% payable by annual payment due one year from date of loan closing.
2. UCC financing statement.
3. Standard lenders title insurance.
4. Property Insurance with ARLF as the mortgagee.

SECOND: Board member Flickinger seconded the motion.

ROLL CALL

VOTE: The motion passed with six yes votes. Vice Chair Schirack voted yes, Board member Flickinger voted yes (telephone), Board member Berberich voted yes, Board member Shelden voted yes, Board member Marcy voted yes (telephone) and Board member Smith voted yes (telephone).

I. BOARD MEMBER COMMENTS:

Board member Flickinger stated the federal government has no funds to kill the cattle on Chirkoff and Wosnesenski islands which is a good thing.

J. SET NEXT MEETING & AGENDA ITEMS:

The next meeting will be scheduled at a later date in June.

K. ADJOURNMENT:

The meeting was adjourned at 4:57 p.m.