

KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
MINUTES
April 28, 2006

The Kentucky Private Activity Bond Allocation Committee (the "Committee") meeting was called to order by Chairman John Farris, proxy for Robbie Rudolph, Secretary, Finance and Administration Cabinet, on Friday, April 28, 2006 at 11:00 a.m. in Room 386 of the Capitol Annex, Frankfort, Kentucky. Other members present were: Katie Smith, proxy for Marvin E. Strong, Jr., Secretary, Cabinet for Economic Development; Allen Holt, proxy for Brad Cowgill, State Budget Director; and Edgar C. Ross, Controller, Finance and Administration Cabinet.

Chairman Farris declared that a quorum was present and verified that the press had been notified of the meeting.

The first item on the agenda was the approval of the February 16, 2006 minutes. A motion was made by Mr. Edgar Ross and seconded by Mr. Allen Holt to approve the minutes. **Motion CARRIED.**

Mr. F. Thomas Howard, Executive Director, Office of Financial Management, ("OFM") stated that under Attachment A is the statement of consideration relating to 200 KAR 15:010 and a copy of the final regulations that were approved on April 13, 2006 at the Administrative Regulations Review Committee. Mr. Howard indicated this changed the allocation of the volume cap; the state issuers will receive eighty percent and the local issuers will receive twenty percent instead of the previous sixty/forty split. Mr. Howard stated that there were no questions when the regulation change was presented to the Administrative Regulations Review Committee because they had been addressed prior to the meeting.

Mr. Rob Ramsey, Financial Analyst, Office of Financial Management stated that under Attachment B was the 2006 summary of volume cap. Mr. Ramsey indicated that at the February 16, 2006 meeting the state issuers were allocated \$200,323,400 and now due to the regulation change the amount will be increased to \$267,097,920 while the local issuer pool will receive \$66,774,480. Mr. Ramsey stated the next item on the agenda under Attachment C are project descriptions for the local issuer pool. Mr. Ramsey indicated there were five manufacturing and one solid waste projects. Mr. Ramsey indicated that the Ply-Tech Corporation project will expand their manufacturing space by 80,000 square feet as well as provide for the acquisition of equipment. Ply-Tech currently manufactures furniture grade hardwood plywood. Bonfiglioli USA, Inc., which manufactures gearboxes and power transmission devices, plans to expand in the Northern Kentucky area. Comefri USA, Inc. wants to add approximately 45,000 square feet of production space that will connect the two existing buildings currently on the site. Comefri USA will be building a test laboratory within the structure. Burke-Parsons-Bowlby Corporation will be adding 90,000 square feet of building spaces. They currently manufacture pressure-treated wood products for the railroad industry and others. The Kentucky Utilities project will be located at the company's Ghent Generating Station in Carroll County and involves the disposal of solid waste. Mr. Ramsey stated that Earth-Core, Inc. has withdrawn their application as WL Plastics recently

purchased the company and will possible reapply at the second round of volume cap this year.

Chairman Farris asked about the Burke-Parsons application. Mr. Ramsey stated that Burke-Parsons had listed a \$1,000,000 incentive from Kentucky Rural Economic Development Authority (“KREDA”) on their original application. The KREDA money had just been applied for and not approved or allocated to them so Burke Parsons was not initially penalized. Mr. Ramsey stated once the preliminary approval of the \$1,000,000 KREDA incentive was given then the Burke-Parsons group would be penalized under state incentives. The analysis reflects the KREDA allocation but does not change their overall ranking. Mr. Howard stated that the evaluation of local projects can be found in section four of the administrative regulations, under Attachment A in the agenda book.

Chairman Farris asked if there was any change to the formula used to rank the applicants and where did the formula originate. Mr. Howard stated that the formula was developed by the Governor’s Office of Economic Analysis (“GOEA”) when it was still part of the Office of Financial Management and Economic Analysis. Mr. Howard indicated GOEA provided modeling as well as established the ranking process. Mr. Howard stated that the VBar process to rank the projects is actually laid out in the regulations.

A motion was made by Mr. Ross and was seconded by Ms. Smith to approve the 2006 local issuer pool. **Motion CARRIED.**

Chairman Farris stated the next item on the agenda is the 2006 state issuer pool applicants. Mr. Ramsey indicated that the initial 2006 allocation to the state issuer pool was \$200,323,400.00. Mr. Ramsey stated that the amendments to 200 KAR 15:010 have increased the state issuer pool so that a supplemental allocation of \$66,774,520.00 will be made available for the state issuers. Mr. Ramsey indicated that Kentucky Housing Corporation’s (“KHC”) supplemental request is \$53,419,520.00 and Kentucky Higher Education Student Loan Corporation’s (“KHESLC”) supplemental request is \$13,355,000.00 bringing the total state issuer pool allocation to \$267,097,920.00. Mr. Howard stated that representatives from KHC and KHESLC were present at the meeting and could address any questions the Committee may have.

Chairman Farris asked if this was the first time the state issuers received the eighty percent allocation. Mr. Howard stated this was the first time. Chairman Farris asked about the table of private activity bond cap for the state issuer pool that shows eighty percent was allocated at times. Mr. Howard stated those were percentages of the state issuer pool and not the total bond pool. Jim Ackinson, formerly with KHC and currently representing KHESLC, stated in 2002 the amount of volume cap increased dramatically. In the years following, KHC had an excess of volume cap for their program needs so an increased share went to KHESLC for tax exempt bonds to create borrowing benefits for Kentucky students.

Mr. Holt stated and Mr. Howard confirmed that there had been a cooperative effort made by the two state issuers over the past few years.

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Mr. Holt made a motion and was seconded by Ms. Smith to approve the additional allocation to the state issuers. **Motion CARRIED.**

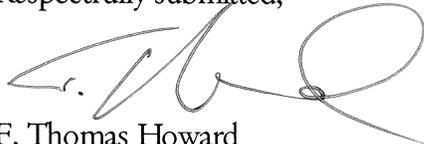
Chairman Farris stated the next item on the agenda is the 2006 volume cap summary under Attachment E. Mr. Ramsey stated with the withdrawal of the Earth-Core application, the total volume cap requested from the local issuers is \$32,793,620. Mr. Ramsey indicated this leaves \$33,980,860 for the second round of the local issuer pool. Mr. Ramsey indicated the state issuers received \$267,097,920 after the supplemental requests due to the regulation changes. Mr. Ramsey stated the last item on the agenda is the 2005 volume cap summary under Attachment F. KHC issued \$18,892,098 of carry forward on December 22, 2005. KHESLC has \$3,765,000 reserved as carry forward yet to be issued. Mr. Howard stated that KHC utilized their part of the carry forward in a previous transaction and KHESLC will utilize their carry forward in the coming months.

Chairman Farris asked when the bonds will be issued for KHESLC. Mr. Ackinson stated KHESLC was awaiting the final cash flows from UBS, but at this time does not expect anything before December 2006.

Mr. Howard stated that the cap would be available for KHESLC until December 15, 2006 before it would have to be requested as carry forward. Mr. Howard stated that staff would work with KHESLC to manage their funding needs.

Chairman Farris asked if there were any other business. With no further business before the Committee, a motion was made by Mr. Holt and seconded by Mr. Ross to adjourn the meeting. **Motion CARRIED.**

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'F. Thomas Howard', with a large, stylized flourish at the end.

F. Thomas Howard
Secretary