

KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
FEBRUARY 15, 2012

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Wednesday, February 15, 2012 in Room 386 of the Capitol Annex at 10:15 a.m. by Lori Flanery, Secretary, Finance and Administration Cabinet and Executive Director to the Commission. Other members present were Lt. Governor Jerry Abramson, Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet, Mary Lassiter, State Budget Director, Larry Clarke, proxy for Jack Conway, Attorney General and Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development.

Office of Financial Management (“OFM”) Staff Members Present: Tom Howard, Executive Director and Secretary to the Commission, Brett Antle, Deputy Executive Director, John Bailey, Doris Howe, Rachael Dever, Jennifer Kantner, Tom Midkiff, Christina Keyes, Marcia Hutcherson, and Marcia Adams.

Other Guests Present: Shannon Tivitt and Chad Aull, Staff for Lt. Governor Abramson, Kelly Dudley, Joshua Nacey, and Chuck Truesdale, from the Legislative Research Commission (“LRC”), Carla Wright from the Office of State Budget Director (“OSBD”), Kim Moore, Office of the Controller, and John Merchant from Peck, Shaffer, and Williams.

Secretary Flanery verified with staff that a quorum was present and that the press had been notified of the meeting.

A motion was made by Mr. Ed Ross and seconded by Ms. Katie Smith to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the November 10, 2011 meeting were approved.

Secretary Flanery recognized Ms. Jennifer Kantner for her introduction of Resolution 2012-01:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS
COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING
THE ISSUANCE OF APPROXIMATELY \$17,500,000 OF UNIVERSITY OF
LOUISVILLE GENERAL RECEIPTS REFUNDING BONDS, 2012 SERIES A.**

Ms. Kantner stated that Resolution 2012-01 is for the University of Louisville (“U of L”) who is requesting authorization for approximately \$17,500,000 to refund the University’s Consolidated Educational Building Revenue Bonds, Series N & O and to pay associated costs of issuance. The Commission’s approval is contingent upon the anticipated approval by the University of Louisville, Board of Trustees, which will meet tomorrow, February 16, 2012. The date of sale has been postponed from March 1, 2012 due to tax implications related to the debt service reserve fund associated with the refunded bonds. Lt. Governor Jerry Abramson asked if it was a normal process to pass a SPBC resolution contingent upon the University’s Board of Trustees passing their resolution. Ms. Kantner answered that staff does prefer the University approve the project prior to the Commission’s approval but due to the scheduling of this meeting one day before the University’s meeting, we felt there were no major concerns in bringing forth this transaction for approval by the Commission. Secretary Flanery stated that this has happened in the past but is not a usual occurrence. Mr. Tom Howard added that the University requested to move forward due to anticipated savings to the University. With the Commission’s approval today, this would allow the bond sale to proceed quickly upon the resolution of the tax issue and may still even meet

the projected March 1, 2012 sale date.

Lt. Governor Jerry Abramson made a motion to approve Resolution **2012-01** that was seconded by Ms. Mary Lassiter and Mr. Ross. Motion **CARRIED**, and Resolution **2012-01** was **ADOPTED**.

Secretary Flanery recognized Ms. Katie Smith for her introduction of Resolution **2012-02**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING A SECOND AMENDMENT FOR A CERTAIN ECONOMIC DEVELOPMENT PROJECT FUNDED FROM THE PROCEEDS OF ECONOMIC DEVELOPMENT REVENUE BONDS ISSUED BY THE COMMISSION.

Ms. Smith stated that the Kentucky Economic Development Finance Authority (“KEDFA”), previously, had entered into an Economic Development Bond (“EDB”) grant agreement with the City of Madisonville (City) on behalf of Land O’ Frost (Company) for a \$450,000 grant to be used for the development, construction and equipping of a 175,000 square foot USDA prepackaged lunchmeat production facility. Under the terms of the agreement, the Company was required to create a minimum of 300 new full-time jobs within three years of completion and occupancy by November 5, 2006.

In January 2010, KEDFA approved an extension of the first compliance measurement date by one year (from November 5, 2009 to November 5, 2010), and the amendment also contained a provision for two additional automatic one-year extensions as long as the number of new, full-time jobs for Kentucky residents equaled or exceeded 140 and 220 at November 5, 2010 and November 5, 2011, respectively. The Company reported compliance with the jobs requirement as of November 5, 2010.

Prior to the second compliance date of November 5, 2011, letters were received from the Company and the City requesting a one-year extension of the 220 job requirement as of November 5, 2011. The Company’s letter indicated the project had been impacted by the reduction of orders with a major customer, the downturn in the economy and record raw material prices. Layoffs have occurred at plant locations in other states, but no layoffs have occurred at the Kentucky facility. Land O’ Frost indicated approximately 145 new full-time jobs have been created for Kentucky residents.

If the extension is approved, the Company will be required to have 220 new, full-time jobs for Kentucky residents at November 5, 2012, and 300 new, full-time jobs for Kentucky residents at the remaining compliance dates of November 5, 2013, 2014, and 2015. Additionally, the Company will be required to extend the term of the letter of credit used as security for the Grant Agreement to no earlier than May 5, 2016.

KEDFA approved the amendment at its December 8, 2011 meeting and staff noted this would be the final extension for this project. Staff recommends approval to this amendment to the grant agreement effective retroactively as of November 4, 2011.

Lt. Governor Abramson asked if the construction had started. Ms. Smith replied that the building was completed and employees are working there but the Company has had complications with the growth at

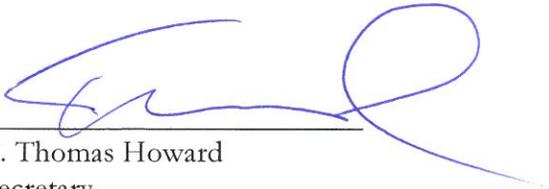
the Kentucky location given a reduction of orders, downturn in the economy, and other items. Secretary Flanery asked if KEDFA was comfortable with the revised grant agreement and that the employee job requirement marks would be achieved. Ms. Smith answered affirmatively, as their shortfall in one client contract has consequently opened up other customer contracts and the Cabinet has confidence in the Company's growth.

Ms. Lassiter made a motion to approve Resolution **2012-02** that was seconded by Mr. Larry Clarke. Motion **CARRIED**, and Resolution **2012-02** was **ADOPTED**.

Secretary Flanery asked if there was any other business.

With no other business, the meeting stands adjourned.

Respectfully submitted,



F. Thomas Howard
Secretary