

STATE PROPERTY AND BUILDINGS COMMISSION
October 15, 2007

MINUTES

The State Property and Buildings Commission was called to order by Tom Ferree, Chief of Staff, Finance and Administration Cabinet and proxy for Mike Burnside, Secretary, Finance and Administration Cabinet at 10:00 a.m. in Room 76 of the Capitol Annex on Monday, October 15, 2007, in Frankfort, Kentucky. Other members present were Libby Milligan, proxy for Governor Ernie Fletcher; Bonnie Howell, proxy for Attorney General Greg Stumbo; Katie Smith, proxy for John E. Hindman, Secretary, Cabinet for Economic Development; Allen Holt, proxy for Stan Cave, Acting State Budget Director; Dr. Randy Embry, proxy for Lt. Governor Steve Pence; and Edgar C. Ross, Executive Director, Office of the Controller.

Chairman Ferree verified that a quorum was present and that the press was notified of the meeting.

A motion was made by Allen Holt and seconded by Bonnie Howell to approve the minutes of the August 20, 2007 meeting. Motion carried and the minutes of the August 20, 2007 meeting were approved.

Chairman Ferree introduced Resolution 2007-27:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR THE PURPOSE OF FINANCING VARIOUS PROJECTS AND REFUNDING CERTAIN OUTSTANDING NOTES; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH SAID REVENUE BONDS ARE TO BE ISSUED AND PROVIDING FOR A COMPETITIVE SALE THEREOF; AUTHORIZING AND RATIFYING ACTIONS OF THE COMMISSION STAFF IN THE STRUCTURING, PLANNING AND PREPARATION OF ALL DOCUMENTATION FOR THE ISSUANCE OF SAID BONDS AND IN PREPARING AND PUBLISHING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL TERMS AND CONDITIONS OF BOND SALE AND AN OFFICIAL BID FORM RELATING TO THE SALE OF THE BONDS; RECITING, ACKNOWLEDGING AND APPROVING THE FILING OF AN APPLICATION BY THE FINANCE AND ADMINISTRATION CABINET OF THE COMMONWEALTH OF KENTUCKY FOR REVENUE BONDS TO FINANCE VARIOUS PROJECTS PURSUANT TO SECTION 56.450 OF THE KENTUCKY REVISED STATUTES; RATIFYING A LEASE OF THE PROJECTS TO THE CABINET TO PROVIDE REVENUES FOR THE AMORTIZATION OF THE BONDS; DEFINING AND PROVIDING FOR THE RIGHTS OF THE OWNERS OF THE BONDS AND PROVIDING FOR THE APPLICATION OF THE PROCEEDS THEREOF.

Nora Marshall, Policy Advisor, Office of Financial Management, stated that Resolution 2007-27 authorizes the issuance of State Property and Buildings Commission Revenue Bonds Project 88 in a principal amount not to exceed \$300,000,000. Ms. Marshall stated that the bonds will provide permanent financing for \$100,000,000 of the 2005 ALCo General Fund Second Series Notes and will provide approximately \$170,000,000 for new projects. She added that these projects were authorized in the 2005 and 2006 Sessions. Ms. Marshall stated that the bonds will be sold on a competitive basis on October 30, 2007 with a settlement date of November 15, 2007. Ms. Marshall further stated that the bonds will be insured at the bidder's option. Ms. Marshall stated that an interest rate swap, which will be terminated the day before pricing of the bonds, is associated with this transaction and any payment associated with the termination of the swap will be integrated into the cost of issuance of the bonds. Ms. Marshall stated that a proposed project list was attached as Exhibit B to the Resolution. Ms. Marshall noted that Peck, Shaffer & Williams will serve as bond counsel on the transaction; First Southwest Company will serve as financial advisor, and Bank of New York will serve as trustee.

A motion was made by Bonnie Howell and seconded by Katie Smith to adopt Resolution 2007-27 authorizing the issuance of State Property and Buildings Commission Revenue Bonds Project 88 for the purpose of financing various projects and refunding certain outstanding notes. Motion carried and Resolution 2007-27 was adopted.

Chairman Ferree introduced Resolution 2007-28:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF KENTUCKY ASSET/LIABILITY COMMISSION PROJECT NOTES, 2005 GENERAL FUND SECOND SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$1,400,000,000 FOR THE PURPOSE OF PROVIDING INTERIM FINANCING FOR AUTHORIZED PROJECTS IN ANTICIPATION OF THE ISSUANCE OF BONDS BY THE STATE PROPERTY AND BUILDINGS COMMISSION; AND APPROVING A THIRD SUPPLEMENTAL FINANCING/LEASE AGREEMENT RELATED THERETO.

Brett Antle, Financial Analyst, Office of Financial Management stated that Resolution 2007-28 authorized the issuance of Kentucky Asset/Liability Commission Project Notes, 2005 General Fund Second Series in an aggregate principal amount not to exceed \$1,400,000,000 to provide interim financing for authorized projects in anticipation of issuance of bonds by the State Property and Buildings Commission ("SPBC"). Mr. Antle noted, specifically, that this Resolution approves an increase in the size of the General Fund Second Series Note program from \$950,000,000 to \$1,400,000,000 to cover all remaining authorized projects which have yet to be funded, excluding projects anticipated to be permanently financed by SPBC Project 88.

Mr. Antle noted that no bonds would be issued at this time and that the Resolution also included the addition of the \$100,000,000 energy bonds which were authorized in the recent Special Session.

A motion was made by Alan Holt and seconded by Ed Ross to adopt Resolution 2007-28 approving the issuance of Kentucky Asset/Liability Commission Project Notes, 2005 General Fund Second Series in an aggregate principal amount not to exceed \$1,400,000,000 for the purpose of providing interim financing for authorized projects in anticipation of the issuance of bonds by the State Property and Buildings Commission; and approving a third supplemental financing/lease agreement related thereto.

Chairman Ferree introduced Resolution 2007-29:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$85,000,000 OF KENTUCKY ASSET/LIABILITY COMMISSION UNIVERSITY OF KENTUCKY GENERAL RECEIPTS PROJECT NOTES, 2007 SERIES B, FOR THE PURPOSE OF PROVIDING FINANCING FOR AN AUTHORIZED PROJECT.

Mr. Antle stated that Resolution 2007-29 approves the issuance of Kentucky Asset/Liability Commission University of Kentucky General Receipts Project Notes, 2007 Series B in an aggregate principal amount not to exceed \$85,000,000. Mr. Antle noted that these notes will provide the final \$75,000,000 for expansion and renovation of the UK Hospital. Mr. Antle noted that a total of \$250,000,000 of Agency bonds was authorized by the 2005 and 2006 General Assemblies. He added that \$100,000,000 of the bonds was issued in 2005 for Phase I of the project. Mr. Antle stated that the first \$75,000,000 of bonds for Phase II of the project was sold last October on a forward delivery basis with delivery expected on November 1, 2007. Resolution 2007-29 approves the final \$75,000,000 of the authorization and will complete Phase II of the project. He added that the sale will be structured to provide level debt service for the UK hospital. The proposed sale date for the transaction is November 8, 2007 with delivery on November 29, 2007. Mr. Antle added that the transaction is a negotiated sale with an expected true interest cost of 4.54 percent. He stated that Kutak Rock is bond counsel on the transaction; Morgan Stanley is the underwriter; Thomson Hine is underwriter's counsel and U. S. Bank is the trustee.

A motion was made by Bonnie Howell and seconded by Randy Embry to approve the issuance of Kentucky Asset/Liability Commission University of Kentucky General Receipts Project Notes, 2007 Series B in an aggregate principal amount not to exceed \$85,000,000. Motion carried and Resolution 2007-29 was approved.

Chairman Ferree introduced Resolution 2007-30:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HOUSING CORPORATION OF ITS CONDUIT MULTIFAMILY MORTGAGE REVENUE BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$4,000,000.

F. Thomas Howard, Executive Director, Office of Financial Management, stated that Resolution 2007-30 approves the issuance of Kentucky Housing Corporation ("KHC") Multifamily Mortgage Revenue bonds in one or more series in an aggregate principal amount not to exceed \$4,000,000. Mr. Howard stated that the proceeds of the bonds will be used to acquire and rehabilitate a low income elderly housing facility consisting of 100 one-bedroom apartments (Highland Court Apartments) in Louisville, Kentucky. Mr. Howard noted that the transaction which was approved by the KHC Board of Directors on August 10, 2007, will be presented to the Capital Projects and Bond Oversight Committee on October 16, 2007. Mr. Howard pointed out that this conduit issue is not an obligation of the Commonwealth or KHC but solely the obligation of the developer. Mr. Howard added that the financing team for the transaction consisted of Frost Brown Todd LLC as bond counsel; Red Capital Markets, Inc. as underwriter; Eichner & Norris as underwriter's counsel and Huntington Bank, N.A. as trustee.

A motion was made by Katie Smith and seconded by Ed Ross to approve the issuance by the Kentucky Housing Corporation of its Conduit Multifamily Mortgage Revenue Bonds in one or more series in an aggregate principal amount not to exceed \$4,000,000. Motion carried and Resolution 2007-30 was adopted.

Chairman Ferree introduced Resolution 2007-31:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF VARIABLE RATE DEMAND HEALTH CARE REVENUE REFUNDING BONDS (CHRISTIAN CARE COMMUNITIES, INC. OBLIGATED GROUP), SERIES 2007 IN A PRINCIPAL AMOUNT NOT TO EXCEED \$18,000,000 BY THE KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY.

Katie Smith, Deputy Commissioner, Department of Financial Incentives, stated that Resolution 2007-31 approves the issuance of \$18,000,000 of Variable Rate Demand Health Care Refunding Bonds by the Kentucky Economic Development Finance Authority ("KEDFA") for the purpose of financing a loan to Christian Care Communities. Ms. Smith stated that the proceeds of the bonds will be used to refund and retire the outstanding principal amount of \$18,855,000 KEDFA

Health Care Facilities Revenue Bonds, Series 1998, which financed certain improvements at campuses throughout Kentucky. Ms. Smith stated that the proceeds from this refunding will benefit facilities in Hopkinsville, Owensboro, Louisville, Bowling Green, Corbin and Lexington, Kentucky. Ms. Smith further stated that the Cabinet for Economic Development received copies of resolutions from each of the six county jurisdictions requesting that KEDFA issue these bonds. A public hearing was held on September 27, 2007 with no public comment. Ms. Smith noted that KEDFA approved the issuance on September 27, 2007 and since that approval further tax analysis was completed and it was determined that a portion of the bonds (\$950,000) would be issued in the taxable market. Ms. Smith noted that consequently, there will be two series of bonds issued concurrently; Series A which will be tax exempt and Series B which will be taxable. Ms. Smith noted that the modification is reflected in the Resolution presented for adoption today. Ms. Smith also noted that staff recommends approval of the issuance.

A motion was made by Ed Ross and seconded by Libby Milligan to adopt Resolution 2007-31 approving the issuance of KEDFA Variable Rate Demand Health Care Refunding Bonds, Series 2007, in a principal amount not to exceed \$18,000,000. Motion carried and Resolution 2007-31 was adopted.

Chairman Ferree introduced Resolution 2007-32:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE APPLICATION OF THE SECRETARY OF THE CABINET FOR ECONOMIC DEVELOPMENT TO IDENTIFY AND SPECIFY CERTAIN ECONOMIC DEVELOPMENT PROJECTS TO BE FINANCED FROM THE PROCEEDS OF ECONOMIC DEVELOPMENT REVENUE BONDS TO BE ISSUED BY THE COMMISSION FOR BAE SYSTEMS LAND & ARMAMENTS LP (BAE) (LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT) (\$750,000).

Ms. Smith stated that Resolution 2007-32 seeks approval of \$750,000 of Economic Development Bond Funds ("EDB") to the Louisville-Jefferson County Metro Government for the purpose of making a grant to BAE Systems Land & Armaments LP. Ms. Smith stated that these funds are part of the budget appropriation specifically designated for Department of Commercialization and Innovation projects. Ms. Smith continued that BAE is expanding its existing operation in Louisville, Kentucky to add a 42,000 square foot engineering and fleet support center. She added that the project entails furnishing and equipping a research laboratory, technology data center and office space to enable the company to establish an Engineering Center of Excellence. Ms. Smith stated that the EDB funds will be used to offset the cost associated with the purchase of research and development equipment. Ms. Smith noted that in consideration of the grant, the company will be required to create 58 permanent full-time jobs for Kentucky residents by

December 31, 2010, in addition to retaining the current workforce of 78 full-time employees. Ms. Smith stated the company will be required to pay an average annual wage of \$72,241, excluding benefits. If the company fails to comply with the grant agreement, they will be required to pay the Louisville/Jefferson County Metro Government \$3,232 for each job not created and/or maintained. Ms. Smith noted that the company has also received \$750,000 in tax incentives under the Kentucky Jobs Development Act program and \$95,580 in Kentucky Enterprise Initiative Act tax credit program. Ms. Smith stated that the project was recommended by the Secretary of the Cabinet for Economic Development on August 3, 2007 and concurred upon by the Secretary of the Finance and Administration Cabinet on August 15, 2007. Ms. Smith noted that KEDFA approved the project on August 30, 2007 and it will be presented to the Capital Projects and Bond Oversight Committee on October 16, 2007 if approved today. Staff recommends approval.

Alan Holt asked why any monies are returned to the Louisville/Jefferson County Metro government rather than the Commonwealth if the company is found to be in non-compliance with certain agreements associated with the project. Mr. Howard stated this it would be returned to the city of Louisville rather than the Commonwealth because it would trigger a tax event with respect to the portion of the proceeds for private use and to avoid that, the monies are repaid to the local government. Mr. Holt asked how often this happens. Ms. Smith stated that approximately 10-12 companies have defaulted. Ms. Smith stated that if that happens, other companies will have to use the repaid portion first before applying for additional funds. Mr. Holt asked if the Commission has any control over how the repaid portion is used. Ms. Smith stated that all parties sign a grant agreement which states that the community is not allowed to use the funds without approval from the Cabinet for Economic Development. Ms. Smith stated that in addition, each year communities are contacted to see if any funds have been returned and if there are any projects that could use the funds. Ms. Smith noted that any interest on the returned monies may be used by the communities for any purpose.

A motion was made by Alan Holt and seconded by Bonnie Howell to adopt Resolution 2007-32 approving the application of the Secretary of the Cabinet for Economic Development to identify and specify certain economic development projects to be financed from proceeds of economic development revenue bonds for BAE Systems Land & Armaments LP (Louisville/Jefferson County Metro Government) (\$750,000). Motion carried and Resolution 2007-32 was adopted.

Chairman Ferree introduced Resolution 2007-33:

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

Minutes -- State Property and Buildings Commission

Page 7

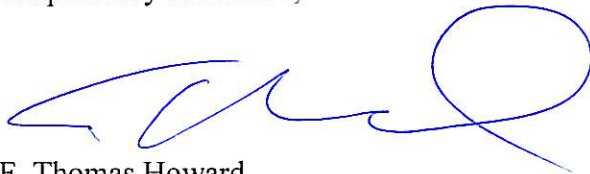
October 15, 2007

Ms. Smith stated that Resolution 2007-33 approves a First Amendment to an Economic Development Bond Project, specifically, Sister Schubert's Homemade Rolls, Inc. in Hart County. Ms. Smith stated that this project was originally approved by KEDFA on September 28, 2006 for \$125,000 for the purpose of making a grant to the Hart County Fiscal Court to benefit Sister Schubert's Homemade Rolls. Since approval of the project, Sister Schubert's original projection to create 298 full-time jobs has been modified by 23 percent to project creation of 230 full-time jobs for Kentucky residents. Ms. Smith stated that the decrease in employment is due to the efficiency of the machinery and equipment that was purchased. She further stated that as a result of the modification in the employment requirement, Cabinet staff was able to negotiate a 20 percent reduction in the grant proceeds from \$125,000 to \$100,000. Ms. Smith noted that KEDFA approved the modification on August 30, 2007, but added that no proceeds had been distributed to the company at this time.

A motion was made by Bonnie Howell and seconded by Ed Ross to adopt Resolution 2007-33 approving a First Amendment for a certain economic development project funded from proceeds of economic development revenue bonds issued by the Commission. Motion carried and Resolution 2007-33 was adopted.

With no further business before the Commission, a motion was made by Randy Embry and seconded by Alan Holt to adjourn the meeting.

Respectfully submitted,



F. Thomas Howard
Secretary