

**KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
MINUTES
November 10, 2010**

The Kentucky Private Activity Bond Allocation Committee (the "Committee") meeting was called to order by Chairman Lori Flanery, Deputy Secretary, and proxy for Jonathan Miller, Secretary, Finance and Administration Cabinet, on Wednesday, November 10, 2010 at 11:00 a.m. in Room 386 of the Capitol Annex, Frankfort, Kentucky. Other members present were Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development, Mary Lassiter, Secretary, Governor's Executive Cabinet, Ed Ross, Controller, Finance and Administration Cabinet and John Hicks, proxy for Mary Lassiter, State Budget Director.

Other guests present were Brett Antle, Deputy Executive Director of the Office of Financial Management, Rob Ramsey, Robin Brewer, Rachael Dever and Marcia Adams, staff from OFM; also Kristi Culpepper from the Legislative Research Commission (LRC).

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

The first item on the agenda was the approval of the September 24, 2010 minutes. A motion was made by Mr. Ed Ross and the motion was seconded by Ms. Katie Smith to approve the minutes. **Motion CARRIED.**

2010 Available Volume Cap – Mr. Ramsey presented the application from Millennium Forge, Inc, by issuer Louisville Metro Government. This project will plan to expand their business on the current site investing \$10 million dollars including equipment and site acquisition costs. They currently employ 70 workers and anticipate the number to double after completion of the expansion. Staff recommends approval. Please note the 2010 Cap Summary shows over \$100 million left for state issuers as carry forward provided the Louisville Metro Government issues these bonds and Butler County issues the bonds of \$11,930,000 approved at the last meeting by this Commission.

A motion was made by Ms. Mary Lassiter to approve staff recommendation for the 2010 Bond allocations that was seconded by Mr. John Hicks. Ms. Smith abstained, as Millennium Forge had not completed the approval process with the Kentucky Economic Development Finance Authority (KEDFA). **Motion CARRIED.**

2010 Recovery Zone Allocations – Mr. Ramsey presented the chart of initial allocations provided by the Federal Government as well as the listing of the Cap allocation as of November 1, 2010. A summary of the Recovery Zone Facility Bond Transfer amounts with details of recipient counties of transfers as well as the transferring county was presented.

One application was received for Recovery Zone Bonds by United Dairy Farmers (UDF) through the city of Erlanger, Kentucky for the requested amount of \$4 million dollars. UDF anticipates the expansion of their 98,000 square foot facility to 114,000 square feet of cold storage warehouse space for third party storage and distribution for the company. The Commonwealth is in possession of \$3,143,000, which expires on December 31, 2010, returned by two counties, Fleming and Franklin. Staff recommends allocation of all the funds to the applicant, who is also seeking transfers from other counties to fulfill the deficit

by the end of the year. A motion was made by Ms. Lassiter to approve staff recommendation for the 2010 Recovery Zone allocations that was seconded by Ms. Katie Smith. **Motion CARRIED.**

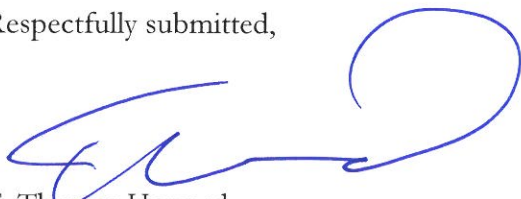
2010 QECB Bond Issuance – Ms. Rachael Dever updated the Commission on the University of Kentucky issuance \$12,370,00 General Receipts Taxable Build America Bonds Series A and \$12,955,000 Taxable Qualified Energy Conservation Bonds (QECB) Series B with anticipated closing date of November 19, 2010. The sale took place on October 28th and final maturity is November 2024. Arbitrage yield on the Series A Bonds is 2.202% and on the Series B is 1.410%. The Net-Interest-Cost (NIC) is 1.815%, the True-Interest-Cost (TIC) is 1.825% and All-in-TIC is 1.870%. The purchaser for the Series A Bonds was Stifel, Nicolaus & Co. Inc. and Morgan Keegan was the Series B purchaser. Ratings were Aa2 by Moody's and AA- by S & P. The University of Kentucky financed the QECB Bonds at a sub-zero net cost making it very beneficial financially for them. Mr. Brett Antle added that the Committee allocated almost \$13 million of QECB cap to the University of Kentucky and they sold \$12,955,000. He also added the net cost was sub-zero percent once taking into account the 70% subsidy rate plus the earnings on the invested sinking fund structure, which proved to be an excellent financing for Series B. The University of Louisville will be taking advantage of the other allocation of QECBs within the next month.

Reallocation of Unused QECB Cap - Mr. Ramsey brought to the Committee's attention the details in the chart showing initial allocations by the Committee of the QECBs for the University of Kentucky and the University of Louisville. UK issued most of their authorization but \$82,377 remains and staff recommends the Committee reallocate to the University of Louisville for their upcoming transaction. A motion was made by Mr. Hicks to approve staff recommendation for the reallocation of unused QECB Cap to the University of Louisville that was seconded by Mr. Ross. **Motion CARRIED.**

2010 Summary of Bond Allocation – Mr. Ramsey pointed out the details to the Committee on the chart itemizing the Louisville Metro Government allocation requested by Millennium Forge. Ms. Lassiter asked if the Committee would need to reconvene prior to the end of 2010 for allocations of carry forward. Mr. Ramsey replied that a meeting may be required after December 15, 2010 after final issues have occurred to know the available carry forward amounts. In the past, the Committee has proactively attributed the carry forward to either Kentucky Housing (KHC) or Kentucky Higher Education Student Loan Corporation (KHESLC) but at this time, neither has made a request so staff does not recommend that action.

With no further business before the Committee, the meeting stands adjourned.

Respectfully submitted,



F. Thomas Howard
Secretary