

KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
MARCH 21, 2012

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Wednesday, March 21, 2012 in Room 182 of the Capitol Annex at 2:00 p.m. by Lori Flanery, Secretary, Finance and Administration Cabinet and Executive Director to the Commission. Other members present were Ryan Keith, proxy for Governor Steven Beshear, Chad Aull, proxy for Lt. Governor Jerry Abramson, 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, Robin Brewer, Rachael Dever, Tom Midkiff, and Marcia Adams.

Other Guests Present: Kelly Dudley and Joshua Nacey from the Legislative Research Commission (“LRC”), and Carla Wright from the Office of State Budget Director (“OSBD”).

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 Ms. Mary Lassiter and seconded by Ms. Katie Smith to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the February 15, 2012 meeting were approved.

Secretary Flanery recognized Mr. Tom Midkiff for her introduction of Resolution **2012-03**:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS
COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING
THE ISSUANCE OF KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER AND DRINKING WATER REVOLVING FUND PROGRAM
REVENUE BONDS, SERIES 2012A IN AN AGGREGATE PRINCIPAL
AMOUNT NOT TO EXCEED \$135,000,000 BY THE KENTUCKY
INFRASTRUCTURE AUTHORITY**

Mr. Midkiff stated that Resolution 2012-03 is for a not-to-exceed amount of \$135,000,000 for the Kentucky Infrastructure Authority (“KIA”). These are Wastewater and Drinking Water Revolving Fund Revenue Bonds, Series 2012 A authorized by the 2010 Special Session of the General Assembly for the state revolving fund. These bonds will be issued to provide money for loans to certain governmental agencies to finance infrastructure projects consisting of wastewater and drinking water treatment facilities and to pay the costs of issuance for the bonds. Sale date is set for March 26, 2012 with an estimated delivery date of April 19, 2012. The transaction is rated (Aaa, AAA, AAA) by the three rating agencies. The par value is estimated at \$104,880,000 with a net premium of approximately \$21,000,000 and the proceeds amount of \$125,000,000. Cost of issuance is approximately \$283,000, with the net underwriter’s discount of \$579,612.78. The anticipated True-Interest-Cost (TIC) is 2.76 percent, with an all-in-TIC of 2.79 percent; the estimated arbitrage yield is 2.16 percent with a final maturity date of February 1, 2032. Average annual debt service is approximately \$8,000,000 with the first call date of February 1, 2022. This is a negotiated sale with Morgan Stanley as Underwriter; Bass, Berry & Sims, PLC is the Underwriter’s Counsel; Peck Shaffer & Williams, LLP is Bond Counsel; Financial Advisor is First Southwest and Trustee is U.S. Bank, N.A. Staff recommends approval.

Ms. Lassiter asked about the not-to-exceed amount of \$135,000,000 and estimated amount of \$125,000,000 and if that was a cushion factor related to the changing market and the uncertainty of how much discount/premium there might be. Mr. Tom Howard replied that based on how much discount there is, KIA may have to sell more bonds at a lower price but with current market conditions, the bulk of transactions are being completed primarily on a premium coupon basis.

Ms. Smith made a motion to approve Resolution **2012-03** that was seconded by Ms. Lassiter. Motion **CARRIED**, and Resolution **2012-03** was **ADOPTED**.

Secretary Flanery recognized Ms. Katie Smith for her introduction of Resolution **2012-04**:

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 TO MAKE A GRANT TO THE CITY OF FLORENCE FOR THE BENEFIT OF HEALTHWAREHOUSE.COM, INC. (HEALTHWAREHOUSE) (\$500,000).

Ms. Smith stated that the Cabinet for Economic Development is requesting approval of \$500,000 in Economic Development Bond ("EDB") funds for the purpose of making a grant to the city of Florence for the benefit of HealthWarehouse.com, Inc. HealthWarehouse is an online pharmacy licensed in all fifty states and Washington, D.C. The company has experienced growth and is moving its headquarters and on-line pharmacy operations to a location in Boone County, Kentucky. The proposed EDB grant funds will be used to offset the cost associated with this project.

The company will be required to create 224 new, full-time jobs for Kentucky residents within three years of the date of Kentucky Economic Development Finance Authority ("KEDFA") approval and maintain for an additional three years. HealthWarehouse will be required to pay the new jobs an average hourly wage of \$25, excluding benefits, and repayment provisions will be included in the grant agreement if HealthWarehouse fails to create or maintain the jobs or pay the required wages at the four measurement dates. HealthWarehouse will be required to provide a letter of credit, certificate of deposit, or other collateral satisfactory to the Cabinet as security for the repayment of the EDB grant funds. KEDFA approved the project on February 23, 2012 and staff recommends approval.

Mr. Larry Clarke made a motion to approve Resolution **2012-04** that was seconded by Ms. Lassiter. Motion **CARRIED**, and Resolution **2012-04** was **ADOPTED**.

Secretary Flanery recognized Ms. Smith for her introduction of Resolution **2012-05**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING AN 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 Cabinet for Economic Development is requesting approval for an amendment to the Economic Development Bond Grant Agreement with the Louisville/Jefferson County Metro Government for the benefit of BAE Systems Land and Armaments, LP. Since the execution of the grant agreement, BAE has discovered a number of professional jobs existing in certain units were overlooked due to the organizational structure of operations at the facility in Louisville. BAE is requesting the EDB grant agreement be amended to expand the scope of the facility to encompass all professional employment at the Louisville campus. The requested amendment would increase the jobs baseline from 78 to 98. Additionally the company is requesting the first compliance date be extended from December 31, 2010 to June 30, 2013 because the anticipated job creation is dependent upon the planned transfer of operations from other out-of-state BAE facilities to the Louisville facility. The planned transfers are linked to specific Department of Defense contract work at other BAE facilities.

BAE is committed to creating 58 new, full-time jobs for Kentucky residents paying average annual wages of not less than \$72,241, excluding benefits. With the base employment of 98, BAE current new full-time job creation level will be 39 as of December 31, 2011. Louisville/Jefferson County Metro Government has submitted written support for BAE's request.

As a component of the requested amendment, the Company will be required to extend the term of the letter of credit used as security for the Grant Agreement to expire no earlier than December 31, 2016.

KEDFA approved the amendment retroactive to December 31, 2010 at its meeting on February 23, 2012. Staff recommends approval.

Mr. Clarke asked how many jobs have been created since December of 2010. Ms. Smith replied that currently they are at 39 jobs above the base of 98 jobs created as of December 31, 2011, with the total creation equaling 58 jobs. Mr. Clarke also asked if any penalties had been imposed. Ms. Smith stated that if the amendment is approved, no penalties would be imposed. If the amendment is not approved, the penalty is a per job amount of \$100,000.

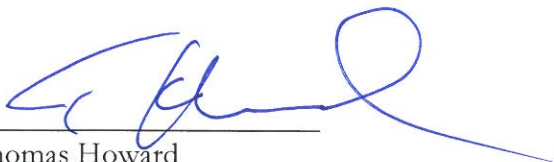
Ms. Lassiter made a motion to approve Resolution **2012-05** that was seconded by Mr. Clarke. Motion **CARRIED**, and Resolution **2012-05** was **ADOPTED**.

Secretary Flanery asked if there was any other business.

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With no other business, the meeting stands adjourned.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'F. Thomas Howard', is written over a horizontal line. The signature is stylized and cursive.

F. Thomas Howard
Secretary