

KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
MINUTES
March 25, 2011

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 Friday, March 25, 2011 at 10:00 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, Donald Sweasy, proxy for Ed Ross, Controller, Finance and Administration Cabinet and Carla Wright, proxy for Mary Lassiter, State Budget Director.

Office of Financial Management (OFM) and staff to the Committee present: Tom Howard, Executive Director of OFM and secretary to the Committee; Robin Brewer, Tom Midkiff, Rachael Dever and Marcia Adams.

Other guests present were 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 December 17, 2010 minutes. A motion was made by Ms. Katie Smith and the motion was seconded by Mr. Donald Sweasy to approve the minutes. **Motion CARRIED.**

Summary of 2011 Volume cap – Mr. Tom Midkiff presented information regarding the Volume Cap, which is based on the July 1, 2010 population for the Commonwealth of Kentucky of 4,339,367 multiplied by \$95 for each person, which equals a total Volume Cap of \$412,239,865. The committee currently divides the total Volume Cap by a ratio of 60% to the State Issuer Pool (\$247,343,919) and 40% to the Local Issuer Pool (\$164,895,946). The state applicants have until the end of May to apply for cap. The committee reviewed the sole applicant for the Local issuer pool, Boyle County for Hematite Properties, LLC. The requested amount of \$5,635,000 was reduced by the amount of \$580,000, the state incentive that has preliminary approval from Kentucky Economic Development Finance Authority (KEDFA) at their February meeting. With the pending application's approval by the committee, a balance of \$159,840,946 would be available for the first lottery pool.

Mr. Midkiff then presented a detailed description of the applicant and proposed project, as follows: Hematite Properties LLC intends to construct a new, 44,000 sq. ft. building in Boyle County creating 29 full-time jobs at \$11.49 per hour (with benefits). The company is currently located in Canada and this would be their first U.S. location. The bonds will be issued by Boyle County and the company/applicant would be the sole source of repayment. Staff recommended that the initial request of \$5,635,000 be reduced to \$5,055,000, the amount of the proposed project less the \$580,000 in state incentives preliminarily approved by KEDFA. A staff analysis of the local issuer pool applicants was included in the presentation, which detailed the single applicant, the analysis and scoring of the project, and the recommended amount of Local Issuer volume cap that they would receive should the committee approve the project. Mr. Tom Howard noted that the application from Hematite

Properties LLC, contained no mention of the state incentives portion of the project and that staff had reduced the amount of the request immediately prior to the committee meeting (by the amount of the state incentive pending) due to this recent information.

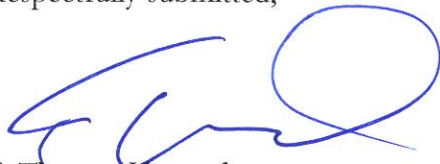
A motion was made by Ms. Carla Wright to approve the staff recommendation for the reduced amount of volume cap of \$5,055,000. It was seconded by Mr. Sweasy. **Motion CARRIED.** Ms. Katie Smith abstained from the vote due to the pending final approval from KEDFA of the applicant/project.

2010 Summary of Recover Zone Bonds – Mr. Midkiff presented information on the statewide utilization of the American Recovery and Reinvestment Act of 2009 (ARRA) allocations to Kentucky counties. This agenda item allowed the committee to review the initial allocations, transfers, and issuances of the Qualified Energy Conservation Bonds (QECBs), the Recovery Zone Facility Bonds (RZFBs), and the Recovery Zone Economic Development Bonds (RZEDBs) at December 31, 2010. Mr. Midkiff noted that staff had tracked and helped to facilitate the transfers of these programs though there was not a federal requirement to do so. The report was based on data that was provided to staff by the counties, bond attorneys, and other sources and was intended to be informational only.

Mr. Howard noted that funding for these programs was not extended, and Congress would need to take additional action to continue the programs.

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

Respectfully submitted,



F. Thomas Howard
Secretary