

KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
MINUTES
March 26, 2009

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 Thursday, March 26, 2009 at 2:00 p.m. in Room 386 of the Capitol Annex, Frankfort, Kentucky. Other members present were Katie Smith, proxy for Larry Hayes, Interim Secretary, Cabinet for Economic Development; Ryan Green, proxy for Larry Hayes, Secretary, Governor's Executive Cabinet, Donald Sweasy, Proxy for Edgar C. Ross, Controller, Finance and Administration Cabinet and Mary Lassiter, State Budget Director.

Other guests present were Tom Howard, Executive Director of the Office of Financial Management and Secretary to the Committee, Rob Ramsey, Robin Brewer, Tom Midkiff and Marcia Adams, staff from OFM, and Kristi Culpepper from 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 January 16, 2009 minutes. A motion was made by Ms. Katie Smith and the motion was seconded by Ms. Mary Lassiter to approve the minutes. **Motion CARRIED.**

2009 Volume CAP Summary- Rob Ramsey stated that this had not changed from the last meeting and was just an informational item. This leaves Kentucky with Volume CAP for 2009 of \$384,232,050 dollars. At this meeting, we will be allocating the local issuers pool of \$153,692,820 dollars. Deputy Flanery reminded the Committee, that this allocation was increased to 40% with the temporary emergency regulation (approved at the prior meeting). Mr. Howard stated the Emergency regulation was filed and will be heard on April 14th, in front of the Administrative Regulations Committee. We have not filed a permanent regulation so we can see what happens at the Federal level before we make further state level changes.

2009 Local Issuer Pool Analysis – This report details the five (5) applications we received totaling \$182,500,000. It was determined that two projects, R.C. Tway \$10,000,000 and WKY Biodiesel \$7,500,000 would be recommended for full allocations requested. The Kentucky Utilities Company for Trimble County declined an authorization as they have received CAP in the past four cycles. The last two applicants, will receive the remaining allocation - Kentucky Utilities from Mercer County \$90,799,753 and Kentucky American Water in Shelby County \$ 45,393,753. The final allocation was divided on a 67%/33% split after discussions between the two applicants (Kentucky Utilities of Mercer County and Kentucky American Water) as both applicants shared the same Bond Counsel, who negotiated the split. The committee decided that a letter pertaining to that agreement be requested from the Bond Counsel.

Descriptions of the projects:

Western Kentucky BioDiesel, LLC

Western Kentucky BioDiesel, LLC proposes to operate a 3 million gallon per year biodiesel & Tech Grade glycerin refinery facility in Hopkinsville, KY. This facility will produce renewable fuel to assist Kentucky's independence on foreign oil, reduce the state's carbon emissions into the atmosphere, and support Governor Beshear's Energy Strategy #3 of biofuel sustainability. This project involves new construction, the creation of 22 "Green Collar" jobs, and will bring approximately \$1 million in tax dollars to local and State budgets. This facility will be classified as a manufacturing facility and its processes will have no direct impact on the environment. This project will create additional service and support needs from the community in relation to its daily operations.

R.C. Tway Company d/b/a Kentucky Trailer

Kentucky Trailer is planning to relocate its manufacturing operations and company headquarters from 2601 South Third Street to 7201 Logistics Drive-Riverport. The project involves purchasing a new building and making improvements to the building to allow the company to manufacture custom over-the-road truck trailers. Additionally, the company will purchase adjacent land to allow for expansion. The company expects to invest \$18.5 million in buildings, land and equipment. The project will allow the company to improve its efficiency and remain competitive in the trailer industry.

Kentucky Utilities Company – Trimble County

Trimble County Generating Station, Unit 2. The project solid waste disposal facilities include components, systems, and projects for the collection, storage, treatment, processing, and/or final disposal of solid wastes produced by the Trimble County Generating Station, Unit 2. The project facilities are located or will be located at or in proximity to the company's Trimble County Generating Station, Unit 2, in Trimble County, Kentucky.

Kentucky Utilities Company – Mercer County

E.W. Brown Generating Station. The project solid waste disposal facilities include components, systems, and projects for the collection, storage, treatment, processing, and/or final disposal of solid wastes produced by the E.W. Brown Generating Station. The project facilities are located or will be located at or in proximity to the company's E.W. Brown Generating Station, in Mercer County, Kentucky.

Kentucky-American Water Company

Kentucky-American Water Company (“The Company”) has received regulatory approval to construct a 20 million gallons per day (“MGD”) water treatment plant, 30.59 miles of transmission main, 3.0 million gallon storage tank and booster pump station, and related facilities to meet its customers’ needs. The water treatment plant, which will be known as Kentucky River Station II (“KRS II”), will be located on the Kentucky River at Pool 3 near the Franklin County and Owen County line. The raw water intake is located in Franklin County while the water treatment plant is located on an adjacent property in Owen County. It is capable of expansion in 5 MGD increments to 30 MGD. It is a conventional water treatment plant designed to accommodate the addition of advancing technologies in water treatment. Its main building will contain water quality laboratories. It will be equipped with a standby electric generator to permit plant operation even during power outages. The transmission main is 160,000 linear feet of 42-inch ductile iron main that will generally follow the roads through Owen, Franklin, and Scott Counties into Fayette County for connection into the company’s current distribution system. The storage tank and booster pump station is located in Franklin County. All of the jobs created will be located at the new water treatment plant located in Owen County.

Mary Lassiter asked about the amount of time the requestor has to use the funds. Mr. Ramsey answered that they have ninety (90) days.

Staff has recommended approval on the allocation on attachment C. A motion was made by Mr. Ryan Green that was seconded by Ms. Katie Smith, to approve the recommended allocation of 2009 Volume CAP. **Motion CARRIED.** Katie Smith abstained from the R.C Tway portion of the approval as KEDFA has only done a preliminary approval on that project.

2009 Summary of HATA CAP - This is a carryforward from 2008 and we are tracking this for Kentucky Housing Corporation. The CAP will expire in 2011, 3 years from the date of initial issue. At this time, none of the CAP has been utilized by KHC and the \$132,810,201 remains in its entirety.

2008 Summary of Bond Allocation - This is a recap of last year’s allocations and detailing the carryforward amounts that were given to KHC and Kentucky Higher Education Student Loan Corporation (KHESLC).

Ms. Lassiter asked about when the unused funds are returned to the issuer’s pool. Mr. Ramsey answered that if the local issuers do not utilize their CAP funds, it will roll over as available CAP and would go into a second lottery round and be “recycled.” If that CAP is not used, it would go to state issuers as carryforward in 2009.

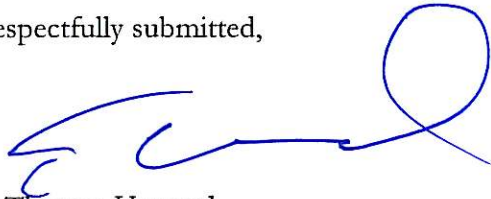
Mr. Howard added that in exchange for a change in the percentage allocation in the regulations from 60/40 to 80/20, KHC and KHESLC said they would not go to the common pool and fight for the competitive round. In exchange for more CAP up front, they will take whatever is left over from the 20% after the initial application period is over.

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Whatever is still left over, the local issuers will get another chance at another lottery and then if not used, would go to the state issuers carryforward. The emergency regulation eliminated the allocation of the percentages and modified one section for discretion of the Committee with allocation amounts with specific projects.

With no further business before the Committee, a motion was made adjourn the meeting.

Respectfully submitted,

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke, positioned above the typed name.

F. Thomas Howard
Secretary