

KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
JUNE 11, 2015

The Kentucky State Property and Buildings Commission ("SPBC" or the "Commission") meeting was called to order on Thursday, June 11, 2015 at 1:15 p.m. ET in Room 182 of the Capitol Annex by Lori Flanery, Secretary, Finance and Administration Cabinet ("FAC") and Executive Director to the Commission. Other members present were Jane Driskell, State Budget Director; Mike Bartlett, proxy for Governor Steven Beshear; Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development ("CED"); Edgar C. Ross, State Controller, Office of the Controller; Liles Taylor, proxy for Lt. Governor Crit Luallen; and Carla Vinegar, proxy for Attorney General Jack Conway.

The Office of Financial Management ("OFM") Staff Members Present: Ryan Barrow, Executive Director of OFM and Secretary to the Commission, Sandy Williams, Deputy Executive Director, Steve Starkweather, John Brady, Liz Columbia, Denise Pitts and Tammy McCall.

Other Guests Present: Josh Nacey, Legislative Research Commission; Carla Wright, Office of State Budget Director; Teresa Sanders, Office of State Budget Director; Pat McGee, Office of General Counsel, FAC; and Ellen Benzing, Kentucky State Fair Board ("KSFB").

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. Katie Smith and seconded by Ms. Jane Driskell to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the March 9, 2015 meeting were **APPROVED**.

Secretary Flanery introduced Ms. Ellen Benzing, General Counsel for KSFB, to provide an overview of the Kentucky Kingdom Project for Resolution **2015-10**:

AUTHORIZATION PURSUANT TO KRS 56.515. THIS CONSTITUTES AUTHORIZATION FROM FAC, PURSUANT TO AND IN ACCORDANCE WITH KRS 56.515, TO PERMIT THE KENTUCKY KINGDOM AND THE BANK OF KENTUCKY, INC. TO EXECUTE AND DELIVER THE MORTGAGE AMENDMENTS TO ENCUMBER BOTH THE FEE SIMPLE INTEREST AND THE LEASEHOLD INTEREST OF KENTUCKY KINGDOM IN AND TO THE PROPERTY LOCATED ON PHILLIPS LANE IN JEFFERSON COUNTY, KENTUCKY (THE "PROPERTY") TO SECURE BOTH THE \$15,000,000 LOAN AND THE \$6,000,000 LOAN WITH EQUAL PRIORITY.

Ms. Benzing described Phase II of the Redevelopment of Kentucky Kingdom Project in which significant improvements are to be made to a signature ride, the Twisted Twins Roller Coaster, which will be premiering in 2016. It is one of the longest wooden roller coasters in the country and

has been inoperable for approximately six years. In March 2013 the Commission approved the use of KRS 56.515 by Kentucky Kingdom, LLLP for a \$15,000,000 loan. Kentucky Kingdom, LLLP, was again requesting the use of statute KRS 56.515 to allow a mortgage to be placed on the leasehold as well as the fee interest in the property for an additional loan amount of \$6,000,000. The Authorization and amendments were passed by the KSFB at an emergency called meeting on June 9, 2015.

Secretary Flanery stated that OFM and General Counsel for FAC were asked to review the transaction. They advised that there were no concerns, it was an investment for the Commonwealth, it was consistent with what was contemplated in March 2013, and they concurred with the recommendation.

Ms. Driskell asked if all of the loaned money was going toward the improvements to the Twisted Twins Roller Coaster. Ms. Benzing stated that there were a few other projects but the majority of the money would be going toward improving the wooden roller coaster ride.

Secretary Flanery asked the Commission members if they had any further questions. There being none, Ms. Jane Driskell made a motion to approve Resolution **2015-10**, and was seconded by Mr. Ed Ross. The motion **CARRIED** and Resolution **2015-10** was **ADOPTED**.

Secretary Flanery recognized Mr. Ryan Barrow for his introduction of the next three resolutions. The first one being Resolution **2015-11**:

FIRST AMENDMENT TO MULTI-PARTY AGREEMENT

Mr. Barrow stated that the business intent of the resolutions was to increase the mortgage from the original \$15,000,000 up to \$21,000,000, which includes the additional \$6,000,000 that would be permitted by statute. Resolution 2015-11 approves the amendment to the multi-party agreement, which describes the general business terms to grant Kentucky Kingdom to secure and construct the improvements on the property in the custody of KSFB.

Secretary Flanery called for a motion to approve. Mr. Mike Bartlett made a motion to approve Resolution **2015-11**, and was seconded by Mr. Ed Ross. The motion **CARRIED** and Resolution **2015-11** was **ADOPTED**.

Mr. Barrow introduced Resolution **2015-12**:

FIRST AMENDMENT TO MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND LEASES AND FIXTURE FILING.

Mr. Barrow explained that this resolution approved an amendment to the mortgage, the security agreement, the assignment of rents, the lease, the fixture filing between Kentucky Kingdom and the Bank of Kentucky, Inc. to include the additional \$6,000,000 as part of the indebtedness.

Secretary Flanery called for a motion to approve. Mr. Ed Ross made a motion to approve Resolution **2015-12**, and was seconded by Ms. Jane Driskell. The motion **CARRIED** and Resolution **2015-12** was **ADOPTED**.

Ms. Barrow introduced Resolution **2015-13**:

FIRST AMENDMENT TO LEASEHOLD MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND LEASES AND FIXTURE FILING.

Mr. Barrow stated that this resolution approved an amendment to the leasehold mortgage. Mr. Pat McGee added that this deal was structured to go under two sections of KRS 56.515. The Commonwealth first conveyed the property to the developer; it was then mortgaged to the bank, and then conveyed back to the Commonwealth, which is the fee simple mortgage. Then, later, with some of the other indebtedness, a mortgage was taken on the leasehold that was still owned by the Commonwealth. Mr. McGee stated both structures fell under KRS 56.515, Subsections 2 and 3. He believed the Bank of Kentucky wanted both alternatives to give them more security.

Ms. Benzing stated that this was just one of several security interests in this loan. There were also personal guarantees from four private investors: Al J. Schneider Company, Ed Glasscock, Bruce Lunsford, and Ed Hart.

Secretary Flanery called for a motion to approve. Ms. Jane Driskell made a motion to approve Resolution **2015-13**, and was seconded by Mr. Ed Ross. The motion **CARRIED** and Resolution **2015-13** was **ADOPTED**.

With no further business before the Commission, Secretary Flanery called for a motion to adjourn. A motion was made by Ms. Katie Smith and was seconded by Mr. Ed Ross. The meeting stands adjourned.

Respectfully submitted,



Ryan Barrow
Secretary