

**KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
MINUTES
July 18, 2014**

The Kentucky Private Activity Bond Allocation Committee (the "Committee") meeting was called to order by Lori Flanery, Secretary, Finance and Administration Cabinet, on Friday, July 18, 2014 at 1:00 p.m. in Room 182 of the Capitol Annex, Frankfort, Kentucky. Other members present were Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development; and Ed Ross, Controller, Finance and Administration Cabinet.

Office of Financial Management ("OFM") and staff to the Committee present were Ryan Barrow, Executive Director and Secretary to the Committee; Sandy Williams, Deputy Executive Director; Robin Brewer, Tom Midkiff, John Brady and Tammy McCall.

Other guests present were Katherine Halloran from the Legislative Research Commission ("LRC"), and Ian Koffler from Dinsmore & Shohl LLP .

Secretary 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 June 5, 2014 minutes. Mr. Ed Ross made a motion to approve the minutes. Ms. Katie Smith seconded the motion. **The motion CARRIED.**

Summary of 2014 Volume Cap – Mr. Tom Midkiff directed the Committee to the 2014 Volume Cap Summary and noted that the amount available for the State Issuer Pool had been completely allocated by the Committee at the previous meeting. The Committee had also previously approved the allocation of \$7,000,000 from the Local Issuer Pool to Recast Energy Louisville, LLC, and the company was able to issue the full allocation of bonds for the project at the end of June. The remaining balance of the pool was \$168,811,800 and one application was received for \$5,500,000 during the latest application period. Mr. Midkiff noted to the Committee that the name on the application that was distributed in the board materials prior to the meeting changed from Concrete Resistant Reinforcing LLC to Lukecloth LLC. The change was based on discussions regarding organizational structure held after the meeting packets were distributed and Mr. Midkiff noted that there would be a staff recommendation at the presentation of the application related to this information. Mr. Midkiff stated that if the current application is approved by the Committee, the remaining available balance of the Local Issuer Pool would be \$163,311,800. The application window could then be reopened if there are projects that desire to use the allocation. If no one else applies, the balance would become available to the State agencies who could then apply and carry forward the remaining balances at the end of the year.

Allocation of 2014 Local Volume Cap - Mr. Tom Midkiff directed the Committee to the proposed project from Lukecloth LLC. He noted that the Project Description named the applicant as Lukecloth LLC and the name on the application in the board meeting packet was Concrete Resistant Reinforcing LLC. Mr. Midkiff explained that Concrete Resistant

Reinforcing LLC had not yet been formed. The Resolution passed by the City of Walton named the parent corporation, Lukecloth LLC, and, after discussions with counsel, a determination was made that Lukecloth LLC should be the proper applicant. OFM staff will ask for an amended application. Lukecloth LLC is proposing to construct a new Kentucky facility in Walton, Kentucky to enter into the business of stainless steel rebar. The process of stainless steel reinforcing is gaining traction with Departments of Transportation (“DOTs”) around the country. DOTs are recognizing that the use of stainless steel reinforcing can increase the life span of a bridge to over 100 years. The company has proprietary equipment being made overseas that will give them an advantage in a small but accelerating market. The project is expected to create fourteen new full-time jobs at an average wage of \$22.80 including benefits. Mr. Midkiff noted that Ian Koffler from Dinsmore & Shohl, LLC was there to answer questions. The Staff Analysis showed that Lukecloth LLC was the only applicant and that there was an excess of available Cap. OFM Staff recommended approval with an amended application reflecting Lukecloth LLC as the applicant.

Ms. Katie Smith noted that the operating company is Corrosion Resistant Reinforcing and that they had gotten approval for both KBI and KIA incentives from KEDFA. Ms. Smith then asked Mr. Koffler if Dinsmore & Shohl anticipates any kind of request from this project for a reduction in state property taxes. Mr. Koffler answered that he would have to get that information and get back to her with an answer. Ms. Smith asked if this project would be requesting any other benefits from KEDFA. Mr. Koffler answered he did not know the answer to the question, but it was his understanding that the City of Walton would be obtaining the title for the property.

Secretary Flanery asked if there were any more questions. With no further questions by the Committee, Mr. Ed Ross made a motion to approve the recommended 2014 Local Volume Cap allocation to Lukecloth LLC, that was seconded by Ms. Katie Smith. **The motion CARRIED.**

Secretary Flanery asked if there were any other items to be presented to the Committee. Mr. Midkiff referred to KRS 103.286, KRS 103.282 and 200 KAR 15:010 that were printed and included in the Committee’s packets. He noted that there would be changes required to the regulations due to the passage of Senate Bill 153 that became effective and were now reflected in the statutes as of July 15, 2014. He called the Board’s attention to KRS 103.286, which is the statute for the Kentucky Private Activity Bond Allocation Committee. Section 2, Item 2 now requires that ten percent (10%) of the private activity cap available be reserved for manufacturing facility energy efficiency bonds. Mr. Midkiff explained that this requirement would not be effective until next year because the allocation process was complete for this calendar year. He stated that OFM staff is in the process of updating the regulations to accept this requirement. He then noted that KRS 103.282, referenced in KRS 103.286, is a new statute added to define the types of energy efficiency projects eligible for the reserved portion of the annual private activity cap related to the new legislation. He directed the Committee to 200 KAR 15:010, Section 2 in the packet which is the Evaluation of Local Projects for projects wishing to seek private activity bond allocation. He stated that an insertion would be made into the regulation for the evaluation process for energy efficiency projects. Secretary Flanery asked if it was necessary to bring the changes back to

the Committee before they are filed. Mr. Midkiff answered that it was not required but that they would be brought back before they are filed since it affects the Committee's allocation decisions.

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

Respectfully submitted,

Ryan Barrow
Secretary