

**KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
MINUTES
July 26, 2013**

The Kentucky Private Activity Bond Allocation Committee (the "Committee") meeting was called to order by Robin Kinney, proxy for Lori Flanery, Secretary, Finance and Administration Cabinet, on Friday, July 26, 2013 at 11:00 a.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, Ed Ross, Controller, Finance and Administration Cabinet, Jane Driskell, State Budget Director, and Mary Lassiter, Secretary, Governor's Executive 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, Tom Midkiff, John Bailey, Robin Brewer, and Marcia Adams.

Other guests present were Mr. Charles Musson from Rubin & Hayes, representing Nelson Brothers LLC, and Mr. Sherman Brown, from McCarthy Strategic Solutions.

Deputy Secretary Kinney 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 May 31, 2013 minutes. Ms. Mary Lassiter made a motion to approve the minutes. Ms. Katie Smith seconded the motion. **The motion CARRIED.**

Allocation of 2013 State Volume Cap - Mr. Tom Midkiff presented the State Volume Cap information and reminded the Committee that the staff reopened the application period. Both Kentucky Housing Corporation ("KHC") and Kentucky Higher Education Student Loan Corporation ("KHESLC") submitted applications for the state portion of Private Activity Bond Allocation. Staff is recommending approval of the almost equal split of the \$249,683,655 pool of funds. KHC has asked for \$124,843,655 and KHESLC has requested the balance of \$124,840,000. Another KPABAC meeting will be held in December to determine the carryforward of unused state and local Cap. Ms. Lassiter asked if there was a time limit on how long it could be carried forward. Mr. Midkiff answered three (3) years.

Deputy Secretary Kinney asked for questions about this allocation for the applicants. With no questions by the Committee, Ms. Lassiter made a motion to approve the recommended 2013 State Volume Cap distribution that was seconded by Ms. Jane Driskell. **The motion CARRIED.**

Allocation of 2013 Local Volume Cap - Mr. Midkiff continued with the analysis of available 2013 Local Volume Cap information and the applicant, Nelson Brothers LLC. During the reopened application period, this project came forward. Nelson Brothers LLC plans to acquire, construct and equip an approximately 10,000 square foot manufacturing and processing facility for the production of bulk blasting agents located on Kentucky Route 8 in the St. Paul area of Lewis County, Kentucky. The Project will create 52 new jobs with a combined average hourly wage of \$30.80, including benefits. No county or state funds will be expended for the Project. Lewis County will act as the conduit issuer of the bonds and

entered into a Memorandum of Agreement dated April 8, 2013 with the Corporation. Revenues of the Project will be the sole source of repayment for the bonds. Charles Musson from Rubin & Hays represented the project and was available to answer any questions. Mr. Midkiff remarked that should the Committee approve this project's \$10,000,000 request for Cap, \$151,455,770 would remain in the Local Issuer Pool.

Mr. Ross asked for a more specific description of the products made by Nelson Brothers LLC. Mr. Musson answered that the company makes blasting products made primarily of fertilizer and oil mixtures for coal mines to blast away rocks. The Company was interested in Eastern Kentucky due to the proximity to West Virginia where most of their marketing would take place. The company has a plant in Charleston, Indiana that will be shut down and will utilize the Lewis County property to replace that plant. Mr. Midkiff stated that Nelson Brothers LLC already has a buyer for the bonds. Mr. Musson added that the buyer was Wells Fargo. The bank will take the bonds in-house on a direct purchase arrangement and will remarket the letters of credit later. Project funding consists of two bond issues. The tax-exempt \$10,000,000 bond issue requires the Committee's approval. There will also be taxable bond proceeds between \$5,000,000 and \$10,000,000 to help fund the project along with Company equity.

Ms. Jane Driskell asked if it was normal practice to reopen the application period. Mr. Midkiff replied that historically, going back years, the application period was opened once a year and the Committee received multiple applications. Usually there were more applications than available funds so a scoring system was created to rank the projects. If a company received Cap in a prior year, they were put at the bottom of the list in future years. If a company receiving Cap did not issue within the 90 days allotted, the funds would return to the pool and a lottery would be held between remaining applicants. Last year there was one Local Issuer Pool applicant during the open application window. OFM later reopened the window and received one additional application. This applicant did not issue so the funds returned to the pool. Both state agencies in the State Issuer Pool opted to carry forward their allocation. The third open period resulted in no more applications.

Ms. Katie Smith mentioned that the Wells Fargo letter states Kentucky Economic Development Finance Authority ("KEDFA") as the issuer and she wanted to confirm that Lewis County is indeed the issuer. Mr. Musson did confirm that Lewis County was the issuer.

Deputy Secretary Kinney asked for additional questions about this project and applicant. With no questions by the Committee, Ms. Driskell made a motion to approve the 2013 Local Volume Cap distribution that was seconded by Ms. Lassiter. **The motion CARRIED.**

Mr. Midkiff continued his presentation by discussing a summary spreadsheet showing both the State Issuer and Local Issuer Volume Cap Pools. The items shown in red represented projects the Committee approved today. Most likely, if all approved applicants are able to issue, the carryforward for 2013 will be \$401,139,425, which has historically been divided between KHC and KHESLC.

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Mr. Ross asked what was the approximate amount of Private Activity Cap currently being carried forward by KHC and KHESLC. Mr. Midkiff answered approximately \$500,000,000 each.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "R. Barrow", with a large, stylized flourish at the end.

Ryan Barrow
Secretary