RFP for Kentucky Housing Corporation for
Senior Managing Underwriter For FY 2013 (July 1, 2012 to June 30, 2013)

Question 1:
KHC's June 30, 2011 financials state that the 2006 W swap has been deemed ineffective for purposes of GASB 53. What is the reason for this and is this currently the case.

ANSWER:
The 2006 W swap has been deemed ineffective for the purposes of GASB 53. This does not necessarily mean the swap is not effective in hedging our interest rate risk. GASB 53 requires that the effective interest rate for swaps fall between 90% and 110% of the contractual fixed swap rate. Once a swap has fallen outside of this ratio a single time, it will always be considered "ineffective" for the purposes of GASB 53. The change in market values for "ineffective" swaps will hit the operating statement rather than the balance sheet.

Question 2:
Will KHC's June 30, 2012 unaudited financial statements be available in the next few weeks?

ANSWER:
The Board typically approves the final auditor's report in late September or early October.